HELLENIC COMPANY OF TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS
(Forthnet A.E.)

ANNUAL REPORT

2006

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

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1. MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear shareholders,

Year 2006 was yet another important year for Forthnet. The strengthening of our customer base marked a new, more dynamic era and confirmed, in the best possible way, the strong positioning currently held by our company on the rapidly expanding broadband telecommunications market. 2006 was also marked by the change in fresh corporate identity right at the very end of the year.

On a commercial front, Forthnet reinforced its position on the ADSL broadband services market during the past year, improving its market share over 21.7%. At the end of 2006, Forthnet had 101,063 ADSL subscribers, increasing its customer base by 229% for the year. During the forth quarter of 2006, the addition of new ADSL subscribers exceeded all expectations, and as a result, the company achieved the largest increase in new subscribers since its establishment. Similar success was seen for the Forthnet 2play services (bundled telephony and fast Internet services) offered by Forthnet since the beginning of 2007, through its own ULL infrastructure.

In May 2006, the company successfully completed a Rights Issue Programme, amounting to €120 million, for investing in the Unbundling of the Local Loop (ULL). The proceeds have provided Forthnet with the liquidity and capital sufficiency, to guarantee the successful completion of investments in a private telecommunications network, as well as the financing of its operating expenses.

The company has already completed a significant part of its investments, in accordance with its published investment plan. With respect to its private network, Forthnet has submitted 165 application for co-location at OTE exchanges; of these, more than 44 exchanges had been delivered by March 2007, corresponding to 1.8 million active lines. Delivery of the remaining exchanges is expected to be completed by the end of year 2007. At the same time, Forthnet has already constructed 124 km of a fibre optic access network (MAN) in the Athens area, for interconnection of the co-location points and its points of presence, while it has also started a similar MAN in Thessaloniki. Forthnet's dynamic presence in Northern Greece was further reinforced by the undertaking of development Zones concerning Central and Eastern Macedonia, Thrace and the Eastern Aegean (Zone 6 and Zone 7), in the project for Development of Broadband Access in the Regions, following a Public Tender with a total budget of €55.6 million. By means of the aforementioned project, as well as the SYZEFXIS project, where the company was awarded the "Mini-SIZEFXIS – Island 3" project for the Thessaloniki area, Forthnet emerges as the main broadband access and service provider of Northern Greece.

Forthnet's main objectives for the next years include the uninterrupted strengthening of its customer base, the introduction of new products and services and the timely implementation of its Investment Plan. The Plan, amounting to 265 million euros (including investments relating to the framework of the project for Development of Broadband Access in Macedonia, Thrace and the Eastern Aegean) 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 networks as well as the increase of its market share.

In particular, Forthnet's immediate plans are:
1) to complete its private DSL network – which is developing rapidly following the effective unbundling of the local loop,
2) to increase the company's Double Play (voice and data) services market share, and gradually expand into Triple Play services (voice, video, data), as well as
3) to develop 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.

Forthnet has a significant customer base, market shares that exceed 20%, significant liquidity, strong capital structure, experienced management team and a broad shareholder base; all these factors guarantee the successful outcome of its business plan.

Pantelis Tzortzakis
CEO, 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), 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 **Pavlos Kanellopoulos**, Chief Financial Officer address: 4, Athidon St,, 176 71 Kallithea, tel, 211 – 95 59 000.
- Mr **Giorgos Karakovounis,** 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 misleadin.,*
- *There are no contested issues or issues under arbitration, or decisions of legal or arbitrational bodies affecting the Company's financial situation.*

The company's and consolidated financial statements during the fiscal year 2006 were drafted based on IFRS, audited by the certified auditors Stavros Saloustros, a Certified Auditors-Accountants (reg. no. SOEL 14611) and Christos Pelentrides (reg. no. SOEL 17831) with SOL S.A. 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. BRIEF FINANCIAL INFORMATION 2006

3.1 STATEMENT OF INCOME

The Group's results during the fiscal years 2006 and 2005 are presented below:

Amounts in th, €	2006	2005	% Change
Revenue	97,601	91,559	6,60%
Gross Profit/ (Loss)	16,002	26,905	-40,52%
EBIT	(18,714)	1,950	-1,059,91%
EBITDA	(4,976)	13,544	-136,74%
Adjusted EBITDA*	10,445	17,544	-40,46%
Profit/ (Losses) before taxes	(19,380)	321	-6,130,51%

** without including customer acquisition cost*

The Group's cash flows during the aforementioned fiscal years are as follows:

Amounts in th, €	2006	2005	% Change
Cash Flows from Operating Activities	(5,397)	1,404	-484,46%
Cash Flows from Investing Activities	(91,266)	(15,845)	-476,01%
Cash Flows from Financing Activities	113,469	14,290	694,02%

3.2 BALANCE SHEET

The most significant Balance sheet items for Group during the fiscal years 2006 and 2005 are as follows:

Amounts in th, €	2006	2005	% Change
ASSETS			
Property, plant and equipment	83,990	63,771	31,71%
Intangible Assets	11,878	9,844	20,66%
Deferred income taxes	9,101	5,391	68,80%
Other non – current assets	1,354	1,302	4,03%
Total non – current assets	**106,322**	**80,308**	**32,39%**
Inventories	1,289	487	164,46%
Trade accounts receivable	30,591	31,464	-2,77%
Prepayments and other receivables	7,743	4,340	78,44%
Other current assets	93,108	8,171	1,039,54%
Total current assets	**132,730**	**44,461**	**198,53%**
TOTAL ASSETS	**239,053**	**124,769**	**91,60%**
EQUITY AND LIABILITIES			
Share Capital	45,478	20,212	125,00%
Other Accounts	106,036	30,123	252,01%
Total Equity	**151,514**	**50,336**	**201,01%**
Long - term loans	2,382	36,103	-93,40%
Total Long –term Liabilities	**4,675**	**39,367**	**-88,12%**
Short – term loans	35,004	3,712	843,01%
Total short – term Liabilities	**82,864**	**35,006**	**136,71%**
TOTAL EQUITY AND LIABILITIES	**239,053**	**124,769**	**91,60%**

4. INFORMATION ABOUT THE COMPANY

4.1 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.

4.2 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 e.t.c.) 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 S.A. 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.

In **2006** INTRACOM withdrew its equity participation from the company's share capital 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.

In January **2007**, the NOVATOR EQUITIES LTD, FORTH and CYCLADIC CATALYST MASTER FUND shareholders disposed through accelerated book building 8,1 mil, shares (representing approximately 21% of Forthnet's share capital) in local and international investors.

4.3 SHARE CAPITAL CHANGE

On 31.12.2006 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: Cash payment	Increase through: Capitalisation of reserves	Total share capital after the increase	Share par value in GRD/€	Number of new shares	Total shares
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
Total Share Capital				**€ 45,478,004,76**	**1,18**		**38,540,682**

5. COMPANY ACTIVITIES – DESCRIPTION OF OFFERED SERVICES

5.1 SERVICES PROVIDED TO RESIDENTIAL CUSTOMERS AND SMEs

a. Internet Services

The 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. There were 484,321 broadband connections at the end of year 2006, up from 172,558 at the end of 2005. The increase recorded is significant. However, despite the increase in broadband service users, there was not a proportionate increase in overall Internet penetration in Greek households. A survey carried out by the Observatory for the Greek Information Society that 27.4% of the households sampled, had access to the Internet, as compared to 24.2% in May 2005.
These figures denote an important increase in household broadband access, while the increase rate for households using the Internet is significantly smaller.

The Company provides the following Internet access services:

- Broadband Services
  - Forthnet 2play
  - Forthnet ADSL
  - Forthnet Wi – Fi
  - Forthnet Small Office
- Narrowband Services
  - Forthnet Internet PSTN and Forthnet Internet ISDN
  - NetKey pre-paid cards

- **Forthnet 2play**

Forthnet 2play services constitute the company's integrated solution for households and SMEs, providing total coverage for their telephony and high-speed Internet requirements. The main features of Forthnet 2play services include:

- Fast Internet ADSL at speeds of up to 10 Mbps over the company's private network, with sufficient coverage for many applications, rapid file and video application recovery.
- Permanent Internet access without dial up and login procedures, providing instant access.
- Access to new services, such as Video on Demand (VoD) and Games on Demand (GoD) which cannot function with conventional access methods.

Besides Internet access, Forthnet 2play services also provide:

- Unlimited national calls for households (local and long-distance) without time limitations (every day, all day) with a single fixed charge that incorporates the Internet services described above.
- Combined telephony and Internet packages for businesses, providing significant cost reductions and increasing the capabilities provided thereto.

- **Forthnet ADSL**

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

- Fast Internet ADSL at speeds of up to 10 Mbps over the company's private network, with sufficient coverage for many applications, rapid file and video application recovery.
- Permanent Internet access without dial up and login procedures, providing instant access.
- Access to new services, such as Video on Demand (VoD) and Games on Demand (GoD) which cannot function with conventional access methods.

- **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) 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 PSTN και 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.

- **NetKey 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.

b. Fixed Telephony Services

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 Favourite Destinations, National/Local, National 12/National 24	Forthnet Business
Through permanent connection to FORTHnet's network	--	Forthnet Direct Link
Through OTE's network with prepaid card	Smartalk	

- **Forthnet national 12**

Addressed to residential consumers with preselection. Offers unlimited national calls from 8 p.m. to 8 a.m. on weekdays and all day on weekends, with a monthly charge of €6.90. Time charges at competitive prices apply during other hours, as well as for calls to mobile numbers and international destinations.

- **Forthnet national 24**

Addressed to residential consumers with preselection. Offers unlimited national calls 24 hours a day, at €17.90 per month. Time charges at competitive prices apply for calls to mobile numbers and international destinations.

- **Low-cost Forthnet National and Forthnet Local programmes**

Five programmes with 120 to 1500 minutes of prepaid time for national calls and 5 programmes with 140 to 1650 minutes of prepaid time for local calls, with a fixed monthly charge. Addressed to residential customers, freelance professionals and small enterprises.

- **Forthnet Favourite Destinations**

For residential customers and freelance 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.

- **Smartalk**

SmarTalk cards are available in amounts of €3, €6 and €10 and can be purchased at kiosks and other retail points of sale (including the ELTA - Hellenic Post - branch network); the telephone connection is not charged with the call.

c. Information services

- **Forthnet portal – Forthnet.gr**

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 applications, 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. It also links to driveme.gr, Forthnet's online navigation and mapping tool.

- **Financial Information Services**

Forthnet is active in the financial information field providing several services addressed to both individuals and businesses, through the S.MA.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.

5.2 SERVICES PROVIDED TO BUSINESS CUSTOMERS

A. Data & Interconnection Services

- **Data transfer services**

Forthnet provides a series of services that concern the interconnection of different points of presence of business customers, in such a way as to provide a virtual private data transfer network. In particular, the services provided under this category are:

- **Forthnet MPLS VPN Service**

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 Frame Relay Services**

The Company provides this business service which involves the creation of a virtual private network with the use of the Frame Relay protocol, so that each business 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 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.

- **Forthnet leased line services**

Forthnet's leased line services allow business customers to connect two points of presence through high and guaranteed capacity lines, thus creating their own network, that will cover all or part of their telecommunications requirements. Forthnet utilizes a variety of local loop options for the provision of these services; the provision of leased lines via Forthnet's private fiber optic network and the unbundled local loop is being planned, while the LMDS fixed wireless access network is already being used.

- **Forthnet's private fiber optic network**

The gradual development of private infrastructure has allowed the company to reinforce its position on this market, taking advantage of the cost-efficiency derived from the provision of such services over its own network.
Forthnet's fiber optic network, as well as the fixed wireless access network, will have a dual purpose, acting as a local loop for Internet Leased Line, data transfer and leased line services, and allowing the company to offer its customers very large capacities. It also functions as a backbone network for the provision of unbundled local loop services (LLU).

- **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 it absorbed in 2006. This subsidiary has obtained a license for use of part of Fixed Wireless Access - FWA frequencies. 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 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 IPLC Service**

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.

- **Forthnet 1LINK Service**

Technological innovation that the Internet brings has led to many revolutionary changes in the Business 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 SDSL Service**

Taking advantage of the development of its private network and the consequent ability to provide unbundled local loop (LLU) services, Forthnet is planning to offer the Forthnet SDSL service, which is aimed at the cost-efficient coverage of business customer needs for broadband Internet access, and the coverage of business customer voice service requirements.

- **Forthnet Managed Services**

These value added services, combined with the other data services provided to business customers, are a very attractive alternative for many companies, saving on the cost of maintaining IT and human 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, as well as supervision of uninterrupted and correct network operation.

b. Fixed Telephony Services

- **Forthnet 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, long distance or all calls made to Vodafone, Cosmote, TIM, Q), as well as to all countries they wish to call. Prices are lower compared to the residential package, but there is a fixed charge for each package.

- **Forthnet Direct Link**

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.

Besides the above, there are also specialized services provided to business customers, using Forthnet's IN (Intelligent Network).

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.

c. Value Added Services and Applications

- **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, the investor relations web kit, on line booking and intranet solutions.

- **Data Center Services**

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). In particular:

- **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 application, 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.

6. SHAREHOLDERS

According to the shareholder register the Company's shareholding structure at the date of publication of its annual financial statements for the fiscal year 2006, was as follows:

Shareholder	Shares	Voting rights (P.D. 51/1992)	%
NOVATOR EQUITIES LTD*	8,097,451	8,097,451	21.01%
CYCLADIC CATALYST MASTER FUND	3,157,057	3,157,057	8.19%
FOUNDATION FOR RESEARCH AND TECHNOLOGY (FORTH)	4,412,465	4,412,465	11.45%
CYRTE INVESTMETNS GP 1 B.V.	2,892,454	2,892,454	7.50%
Other Investors	19,981,255	19,981,255	51.85%
Total	**38,540,682**	**38,540,682**	**100.00%**

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

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.

7. ADMINISTRATION – ORGANIZATIONAL STRUCTURE

7.1 BOARD OF DIRECTORS

According to article 19 of the Company's Articles of Incorporation, its Board of Directors ("BoD") constists 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 Goulandris	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.

7.2 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 Hellenci 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)

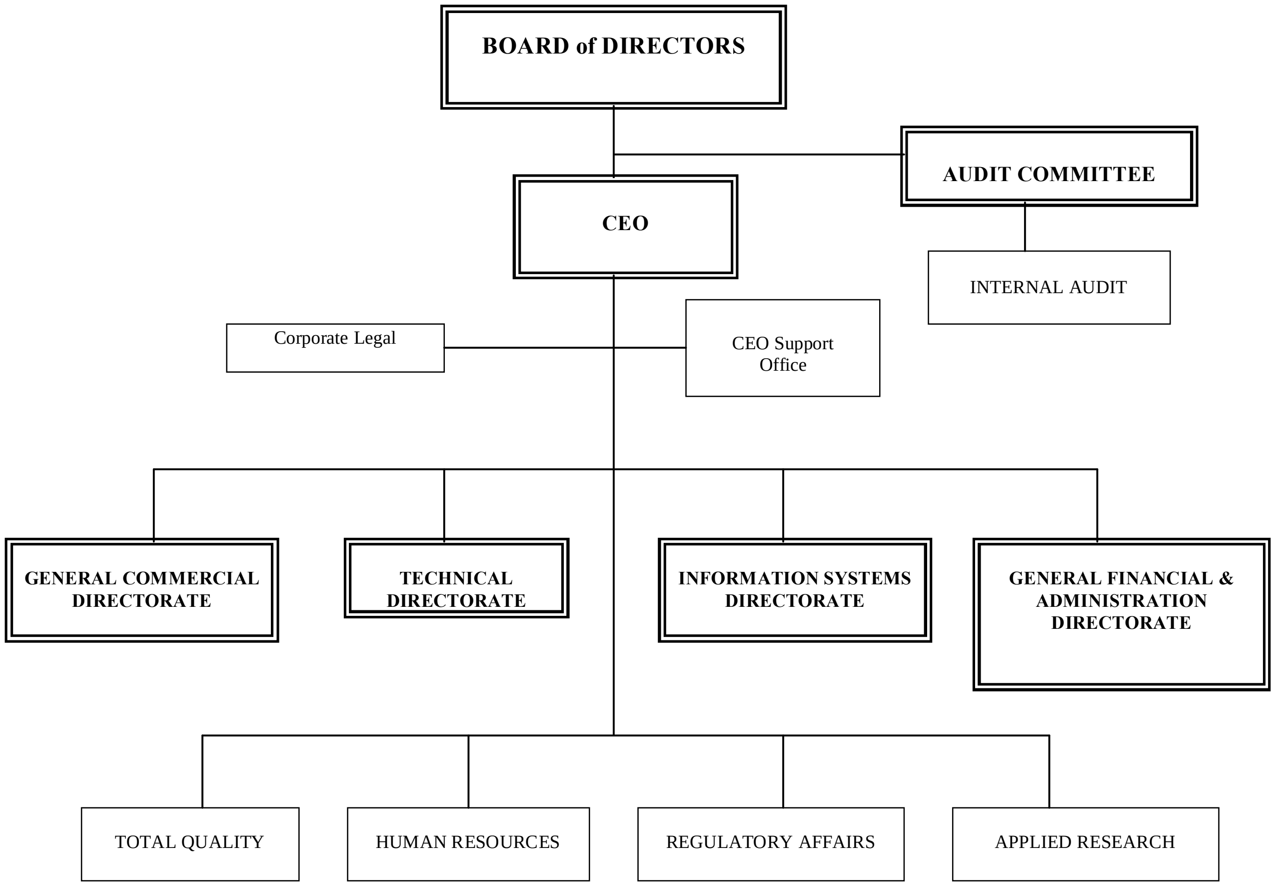
The Company has a Shareholders and Corporate Communications Department (the "SSCC" department), for offering immediate and equitable information as well as support to shareholders regarding the practice of their rights based on the Company's Articles of Incorporation.

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.

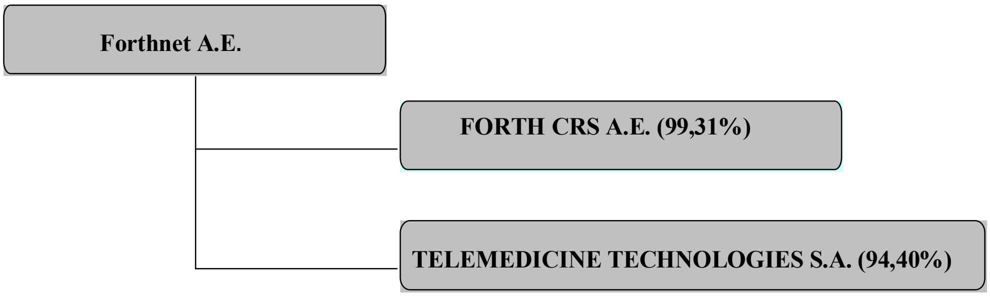
7.3 ORGANIZATION CHART – ORGANIZATIONAL STRUCTURE OF THE COMPANY

The Company's organizational structure is as follows:



8. GROUP ORGANIZATIONAL STRUCTURE

The Group of Forthnet structure at 31.12.2006 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.

8.1 COMPANY'S EQUITY PARTICIPATIONS

As at 31.12.2006, Forthnet had and still has equity participations of more than 10% in the following companies:

Company	*Country of Establishment*	*Participation %*	*% of Voting Rights according to P.D. 51/1992*
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%

** Not consolidated with Forthnet.*

8.2 DESCRIPTION OF CONSOLIDATE DCOMPANIES

→ FORTH CRS A.E.

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-Telemed 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.

8.3 DESCRIPTION OF AFFILIATED COMPANIES

→FORTH e-com A.B.E.E.

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. FORTHe-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.

9. FORTHNET S.A. & GROUP OF COMPANIES FINANCIAL STATEMENTS 2006

9.1 REPORT OF THE BOARD OF DIRECTORS OF THE FORTHNET S.A. GROUP OF COMPANIES OF THE FINANCIAL STATEMENTS DURING THE FISCAL YEAR 2006

**REPORT OF THE BOARD OF DIRECTORS OF THE Forthnet S.A. GROUP OF COPMANIES
TO THE ORDINARY GENERAL ASSEMBLY OF SHAREHOLDERS
CONCERNING ACTIVITIES IN THE FISCAL YEAR 1/1/2006 ΕΩΣ 31/12/2006**

Dear Shareholders,

In accordance with the Law and the company's Articles of Association, we hereby present the activities of the company and the group during corporate year 1.1.2006 to 31.12.2006.

Besides the parent company Forthnet SA, the consolidated financial statements include the following subsidiary companies:

- FORTH-CRS S.A.
- TELEMEDICINE TECHNOLOGIES S.A.

1. FISCAL YEAR'S INFORMATION

Year 2006 was a particularly important year for Forthnet. The reinforcement of our shareholder structure marked the beginning of a new, more dynamic era, confirming the company's significant future position in the new broadband telecommunications market currently under establishment. The main features of this year, for the company and for the group in general were the following:

- A major increase in Share Capital, amounting to €120 million, in favour of old shareholders was completed in May 2006, as decided by the Extraordinary General Assembly on March 17th, 2006. The capital raised is to be used for partial financing of the company's investment plan for the period 2006-2009, amounting to a total of €250 million.
- The company was able to maintain its leadership in the ADSL broadband market, holding a share of more than 20% on the Greek market. At the end of the year, there were 101,173 active ADSL subscribers, exceeding the target that had been set for the year.
- Successful productive activity continued in the Fixed Telephony sector, with a major increase in the subscription rate of new customers, thanks to the successful television promotion strategy.
- The construction of a metropolitan fibre optic network commenced in the broader Athens area (total length 180 km) and in Thessaloniki (total length 40 km); an optical fibre pair was acquired on an existing cable network connecting Athens and Thessaloniki, with a total length of 600 km.
- The co-location process at OTE urban centres commenced, with the installation and commissioning of relevant access equipment. At the end of year 2006, equipment had been installed in 20 OTE urban centres and 5 Forthnet hubs.
- The reconstruction and configuration of the building purchased by leasing contract in 2005 was completed; the building currently houses the company's Data Center, the Technical Division and the IT Division.
- Within the framework of Public Sector projects, the "Syzefxis – Sub-project 3" project became operative, with a total budget of €4.75 million, expiring on 31.12.2008.
- The company's business plan, worth €28.54 million, was approved for subsidization according to the provisions of Development Law 3299/2004, with respect to the creation of an integrated high speed broadband service provision network through application of cutting-edge technology for the provision of new data, voice and content services in the Athens and Thessaloniki areas. The subsidy amounts to 30% of the investment, i.e. €8.56 million euros.
- With respect to its financial results in 2006, Forthnet earned a total income of €98.5 million, up from €93.5 million in 2005 (5.3% increase). The customer acquisition cost amounted to €15.4 million, compared to €4 million in year 2005. As a result, Earnings Before Interest, Taxes and Depreciation (EBITDA) amounted to losses of €4.9 million, down from profits of €13.5 million in year 2005. The group's results after taxes came to losses of €16.7 million, up from losses of €1.13 million in the previous year.
- The Group's subsidiary FORTHcrs SA maintained its leadership in the provision of shipping reservation management systems and services, and continued to penetrate the entertainment and hotels sectors, through implementation of its strategy in the fields of combined transport, tourism services and ticketing.
- The merger by absorption of the 100% subsidiary company Mediterranean Broadband Access SA was completed in May 2006.

2. SERVICES

- Internet Access Services /Broadband

The company was able to maintain its leadership in the ADSL broadband market among the private broadband service provision private companies, holding a fixed share of more than 20% on the Greek market. At the end of the year, there were more than 101,173 ADSL customers, thus exceeding the target set for the year; also, there were more than 97,000 active customers. The total number of active internet subscribers (ADSL, Dial up, netkey) came to 219,143.
The company's commercial and communication activities in the entire service spectrum contributed to its success, as did the systematic effort to differentiate the company from its competitors.
In particular:

- The company's products have been enhanced in the distribution networks, retail chains and the reseller network was reinforced significantly. The market shares of Forthnet ADSL products were usually above 40% in independent points of sale and retail chains not controlled by the company's competitors. Established retail chains were added to the company's sales network (Ilektroniki Athinon, Papasotiriou, Sarafides, Sanyocom), as well as a large number of selected sales partners.
- Through aggressive commercial offers and a well-organized sales department a substantial increase, of the company's customer base, has been achieved. For instance, the June 1st 2006 offer, has reached sales of 10,000 ADSL in a box packages.
- The effort to develop the company's client list was reinforced by the creation of short-term bundled ADSL subscriptions (1, 2 or 3 months), which were provided to customers through PC manufacturers and IT retail chains, upon purchase of a personal computer.
- Consolidated ADSL internet and telephony services were placed on the market in September, through special offers aimed at both increasing the client list and raising market awareness with respect to the products to be placed on the market by the company in 2007. A special product including ADSL in a box, a privileged telephony programme and a dect telephone device in a single package was also created.
- The user target was achieved in the last quarter of year 2006, through special actions and targeted offers at the points of sale.
- The 2play concept was introduced in December, through the "Christmas offer", including ADSL internet and unlimited local and national calls with a single fixed rate. Besides its commercial success, this offer was also of particular assistance to the services developed later over the company's privately-owned network.
- The NetKey product family greatly increased its market penetration and placement, with a significant increase in turnover (41%), which is even more impressive in view of the declining dial up access market. The NetKey card's progress was assisted by the addition of a new feature - a free song download with each new card activation.
- Expansion of the Forthnet HotSpot network to more than 100 selected points throughout Greece. The list of established partners was enhanced by the addition of MacDonald's fast food restaurants.
- Dial up services are falling due to the market's shift to ADSL access. Constant promotion actions are taking place, aiming to the greatest possible use of the existing network.

In brief, we must point out that OTE' s effort to dominate the market through unfair and at times illegal commercial actions, both with respect to distribution channels and to end consumers, with aggressive offers and extensive promotion and advertising, was successfully confronted. In particular, the OTE group implemented extreme price drops through special offers, in order to claim increased market shares. This policy was enhanced by subsidisation through gifts and gift coupons, which directly and indirectly reduced the monthly cost of services. As a result of this commercial policy was the reduction in retail prices below wholesale price levels by the OTE group in August, thus creating unfair competition conditions. Despite increased, and often unfair, competitiveness and the OTE group's unrelenting advertising campaign (Conn-X, OTEnet, OTEshop, Germanos) price levels for Forthnet ADSL services (1Bill) remained at relatively high levels in relation to its competitors, while retaining a market share of more than 20%.

- Telephony

Year 2006 was characterized by a generally positive climate. Overall traffic continued to increase from one quarter to the next, and increased by almost 10% in the year, with 884,125,593 minutes, up from 805,903,101 minutes in 2005. The active subscriber list also increased, amounting to 181,287 contracts at the end of the year, up around 9% in relation to the 165,459 contracts at the end of year 2005.

Forthnet's market shares and progress were influenced by the following:

- New amendment of the pre-selection regulation at the beginning of 2006, with the pre-selection regime becoming more favourable towards OTE, as pre-selection is now cancelled by OTE itself (while the previous regulation provided that this would be done exclusively by the pre-selected provider). This change, combined with the recording of all sales made through telesales channels, had a severe effect on the evolution of telephony figures.
- In April 2006, the EETT announced its decisions concerning OTE charges, on the basis of the cost accounting audit for year 2006. Despite admitting that, for most services, OTE did not comply with its obligations for accounting separation so as to prove the cost-orientation of prices for year 2005, the EETT accepted OTE' s new charges as being cost-oriented.
- As a result of regulatory pressure, termination fees to mobile telephony networks were reduced by around 17% on average in June 2006, thus leading to price reductions on calls to mobile telephones for all low-cost programmes, also by 17% on average.
- Near the middle of the year, the EETT determined all the mobile telephony companies with Significant Market Power (SMP) with respect to their network, and imposed, among other things, an additional glide path for termination fees on calls from national fixed telephony networks.
- In November 2006, the EETT allowed OTE to promote the combined Conn-x Talk package (announced in October), which combines Internet access and unlimited talk time (via OTE) at a single fixed rate. The EETT decided that the principles of protection of competition against aggressive pricing, or margin squeezing were not violated, and OTE was thus allowed to promote the first double play package.
- At the same time as the cost accounting audit based on year 2005 details and its decisions on pricing, in November 2006 the EETT determined the fixed telephony providers having Significant Market Power (SMP) for the termination of calls by each provider on their own network. Thus, the EETT determined what fees were to be charged by OTE for calls from its own networks to other provider networks, and what termination prices the providers were entitled to charge for such calls. The prices are established in such a way as to lead to the following results in practice:

  (i) OTE charges its customers with higher prices for calls to other telephony providers than for similar calls within its own network;
  (ii) the free Internet market that was established using 801 numbers suffered a strong blow, as the impression was that it was going to be absorbed by OTE. This latter development does not affect the company's results, as Forthnet consistently held the opinion that the free Internet market does not favour the correct and permanent dissemination of the Internet concept.

- In mid-December, OTE announced a reduction in its withholding charge for calls from its network to mobile telephony companies, from €0.034 to €0.03, valid retroactively from 01.12.2006, by applying the relevant concession granted by an EETT decision in April with respect to the cost accounting audit for year 2006. As a result, the retail price paid by OTE subscribers for calls to mobile numbers was reduced. Also, at the end of the year, OTE announced that it was abolishing the minimum charge of 30 seconds for calls to mobiles, valid as of 01.01.2007, in compliance with the abolishment of 30'' minimum charges by mobile telephony companies.

The progress of the company's subscriber base and revenue was affected by a series of factors, including:

- The new pre-selection regulation, which allowed OTE to launch an intensive win-back campaign, especially during the first half of the year. This resulted in a high churn, with customer leakages to OTE.
- The new pre-selection regulation also had an impact due to the introduction of mandatory recording of all sales made via telesales networks. This resulted in an adaptation period between March and May for the affiliated telesales centres, and consequently to lower productivity. However, the new procedure also led to "healthier" customer activation in the second half of the year.
- The systematic promotion effort for customer retention that began in June 2006, with free local calls as the retention incentive.
- The company's cooperation, which began in July 2006, with one of the most efficient and effective telesales centres in the sector, thus increasing Forthnet's capacity in this distribution channel.
- The activation offer provided to end customers as of August 2006, via the telesales centres, which continued until the end of the year, and which contributed to the flexibility of services and the efficiency of telesales.
- The launch of new, low-cost prepaid talk time plans in September, which were accompanied by an advertising campaign and contributed to the overall visibility of fixed telephony services.
- The reduction of termination charges to mobile telephony networks by an average of around 17% in June 2006, which was followed by a corresponding reduction, is retail prices for calls to mobile numbers. This resulted in profit margin squeezing.
- The overall downward trend of the active subscriber base in the first half of the year.

The main milestones for the fixed telephony service in 2006, besides the ones mentioned above, were as follows:

- June 2006 – August 2006: Special offer for 4 hours of free local calls per month for new activations, which was maintained until the end of the year.
- September 2006: Launch of the low-cost, prepaid talk time plans, CBC Forthnet Local and Forthnet Long Distance, which allowed subscribers to choose either local or long-distance prepaid minutes for the same fixed rate.
- December 2006: Launch of the low-cost unlimited long-distance call plans, CBC Forthnet Long Distance 12 and Long Distance 24.

- Business Telecom Services

Year 2006 was a year in which the **Internet Leased Lines** service underwent significant pressure from its competitors with respect to pricing. Sections of the company's client list with relatively small access capacities (up to 256K) continued to be moved to the ADSL service throughout the year. Upgrades of existing customers to increased capacities also continued within the year. In particular, the service's income in 2006 presented a small increase, while the number of subscriptions fell by 10% (562 active subscriptions at the end of 2006, down from 624 subscriptions at the end of 2005). The average capacity of customer circuits came to 2058 Kbps in 2006, compared to 1311 Kbps in 2005, up 57%; this trend indicates the service's positioning on the high capacity Internet access market, and the use of an increasing number of business applications.

With respect to **Data Connectivity Services**, the general trend for use of ADSL circuits for the implementation of VPNs continued this year, thus allowing small businesses to minimize their expenses for consolidating data networks at all their points of presence. The "transfer" of Frame Relay service income to MPLS VPN service income will continue in year 2007. The provision of MPLS VPN effectively began in year 2006, and is aimed at satisfying the increased Quality of Service and security demands of VPN service customers.

The development of the **LMDS** service was judged to be very satisfactory for yet another year, with respect to the addition of customers and income. In particular, total LMDS customer circuits increased by 20% in relation to 2005, income was up 22%, while annual returns per user (ARPU) for the service increased marginally from €3,960 in 2005 to €4,061. Furthermore, the upward trend of average circuit capacity continued in the past year, reaching 2.5 Mbps in 2006, up from 2.3 Mbps. As for the technical state of the LMDS network with existing base stations, 80% of the total available capacity has been covered. The installation of 3 new base stations (in the centre of Athens, in Aspropyrgos and in Paiania) has been planned for year 2007, in order to cover part of the overall demand for capacity.

Similar increases were noted in income from the resale of leased lines (**OTE Resale Leased Lines**) supplied to the company by OTE, originating from the provision of higher capacity lines.

- eBusiness Services

In year 2006, and having identified market trends and modern business needs for integrated outsourcing, promotion, communication and Internet information solutions, the company consolidated the dynamics and experience of its formerly separate business units, HellasNet and Internet Hellas, to form a new service sector entitled "Forthnet eBusiness Services". The consolidation process began and was completed in the 2nd and 3rd quarter of the year respectively, leading to significant economies of scale, and a consolidated, comprehensive customer approach. The Forthnet eBusiness Services sector exploits technological progress in order to develop, distribute and support innovative solutions and cover all the online requirements of any modern business. Forthnet eBusiness Services concern the provision of value added services, based on the new capacities of broadband networks and covering a broad spectrum, including:

- Data Center Services
- Applications Development
- Interactive Marketing
- Financial Services
- SmartLiving services and applications for the home and office.

The main activities and milestones for the Forthnet eBusiness Services sector included:

- Advertising and promotion of the new service sector established by the consolidation of HellasNet and Internet Hellas.
- Internal restructuring of the departments, as a result of consolidation, with new improved processes, institution of new productive roles, such as presales, new product development and project management, consolidated customer contact and service points, all arising from a customer-centred philosophy.
- Focus on approaching mainly large customers and vertical markets through the promotion of advanced services, mainly the Data Center, Applications Development and Interactive Marketing.
- Significant cross-selling efforts for existing company customers, for Telecom, Internet Access, Telephony services etc.
- Another year of major rewards for Interactive Marketing and Applications Development at the "Ermis Web Awards".
- Maintenance and upgrading of the network and other infrastructures of Forthnet's main Data Center, located in

Agios Stefanos, Attica, for the provision of Data Center services.

- Renewal of the cooperation agreement with the Microsoft Corporate (“Golden Partnership") for the provision of software development solutions (ISV).
- Preparation for the development of new services.
- A pilot Internet broadcasting service for Champions League games in Greece for the period 2006-2009 was created by Forthnet in cooperation with ERT (National Television and Radio), which has exclusive broadcasting rights for Champions League games. Contacts for further exploitation of the service continued.

In particular, Data Center service subscriptions reached 28,673, up 78% compared to 2005. The successful progress of web hosting for all packages, as well as the .eu domain name registration service contributed to this increase.

There was increased activity in the Web Marketing sector, the main goals being to enhance the company’s client list and improve the quality of projects undertaken. As a result, major companies were added to the client list, including large traditional advertisees such as KLM ROYAL DUTCH AIRLINES CYPRUS, Friesland Hellas SA, Nortec Multimedia SA, NYC (New York College), and cooperation was renewed, on an annual plan basis, with companies such as Anytime (INTERAMERICAN), KLM ROYAL DUTCH AIRLINES GREECE, Mercedes – Benz Hellas and others.

Finally, the gradual convergence of web and mobile promotion practices, primarily for the provision of more efficient, integrated solutions to each advertisee, led to a change in the company’s placement in the Mobile Marketing category. Web and Mobile Marketing were merged into a single category of Interactive Marketing services, providing solutions for all interactive communication, both in the web and in the mobile channel.

As regards Applications Development Services, significant projects were implemented, including several new installations of content management, web applications, e-commerce etc. systems for large companies and organizations, such as Attica Bank, BEIERSDORF HELLAS S.A., SIEMENS, Lesvos Shipping Company (NEL) S.A., ALLIANZ, Pfizer Hellas, Monarch Classic Cruises, Multirama and others.

Financial services presented a small decrease in relation to year 2005, and sales reached the predicted levels, while there were subscriber losses in real time financial services – mainly due to the high price – with indications of stabilization in the SMART service, and an increase in WebSMART subscribers. IR products and custom-made solutions created for corporate clients and SMEs contributed to sales more than in previous years, and appear to have margins for development; they are expected to contribute even more to sales figures in year 2007.

- Content Services

During year 2006, the company significantly enhanced its presence in the content sector. It upgraded existing services and signed new agreements for the creation of new services. It also instituted contacts and planned cooperation with vendors and content providers for the development of broadband content and services.

- Portal: In year 2006, the Forthnet.gr portal recorded a significant increase in hits. In particular, within year 2006, the pages served by the portal increase by 134% in relation to 2005, while visitors to the portal increased by 120%.
- Mobile services: The content of the company’s mobile content services was upgraded. New services were also added through offers and loyalty schemes implemented in cooperation with mobile operators (special offers for new users, special holiday offers, etc.), and traffic for these services increased.
- DriveMe: Service upgrading, which started in year 2005, also continued in 2006. The most important upgrade concerned the "routing" service between 2 points on the map. The large increase in visitors in relation to year 2005 was also a result of the general upgrade.

- Public Sector Projects

Forthnet’s Public Sector department presented increased activity in year 2006.

Large projects were implemented and commissioned, chief among which was SYZEFXIS, the most important project for concentrating Public Sector customers to advanced broadband data and voice telematic services. In particular:

- “Syzefxis – Sub-project 3”, with a budget of €4.75 million and a term expiring on 31.12.2008, was commissioned on 1.1.2006, in accordance with the relevant schedule.
- A contract with OTE, with a budget of €1.66 million for Syzefxis – Sub-project 2 (31.12.2008) became operative and was invoiced on 1.1.2006.
- Also, the strategically important portal of the Special Management Service for the Information Society was implemented and published to a large extent.

Moreover, contracts were signed in year 2006 for the “Mini SYZEFXIS pilar 3”, with a total budget of €2.9 million; implementation has commenced. Following corresponding project awards to OTE in year 2006, Forthnet is participating in the “Mini SYZEFXIS pilar 1” and “Mini SYZEFXIS pilar 2” as a subcontractor.
Other new projects were also awarded, with a total budget of €57 million, in which the company is participating either as contractor or as subcontractor; contracts for these will be signed within year 2007. Of the above budgets, €55.6 million

(without VAT) concern co-funded (50%) broadband development projects, with Forthnet as the final recipient.

3. INVESTMENTS

- Infrastructure investments

Major investments were implemented in year 2006 for the creation of a private network, through the acquisition of equipment and of national and international capacity. The objective of these investments is to exploit the unbundled Local Loop for the provision of new broadband services. Such investments will continue into year 2007, when development of the company's national network will be completed to a large extent. These investments concern the following categories:

a. Development of Fiber Optic Networks:

- Metropolitan Network in Athens – total structured length in 2006: 95km – connecting Forthnet points of presence and OTE Urban Centres.
- Metropolitan Network in Thessaloniki – total structured length in 2006: 4.5km.
- Acquisition of Optical Fibre pairs on an existing cable network interconnecting Athens and Thessaloniki – total length 600km – with the IRU method; term: 15 years.

b. ADSL, SDSL and POTs service provision network development. Procurement, installation and commissioning of Multiservice Access Nodes (MSAN) and NG-SDH transmission technology in OTE Urban Centres, within the framework of Physical Co-location, and in Forthnet hubs used for Remote Co-location. In particular, equipment was installed in 20 Urban Centres delivered by OTE and in 5 Forthnet centres during year 2006. At the same time, the study and submission of applications to OTE for the provision of Physical Co-location facilities in OTE Urban Centres was completed, with respect to an additional 110 Urban Centres, so as to cover all county capitals as well as the larger towns.

c. Development of the company's CORE network, using IP Multimedia Subsystem architecture (IMS); procurement, installation and commissioning.

- One additional class 5 soft switch to support VoIP services with H.248 and SIP protocols and upgrading of the existing system.
- Upgrading and extension of BBRAS servers with new systems capable of serving more than 200,000 subscribers throughout Greece.
- Expansion of the IP/MPLS network, through the addition of Giga-routers.

d. The following were implemented for the provision of high quality Internet access services.

- Upgrade of Central OKSYA 2 interconnection, total capacity 3 Gbps, in Athens.
- Upgrade of the international Internet connection to a total capacity of 3.6 Gbps.

e. Construction of the new building in Athens was completed, and currently houses the Technical Division, the IT Division and the company's new Data Center. The new Data Center, implemented according to EIA/TIA 942 specifications, ensures uninterrupted operation of the company's hub network services, and is suitable for co-location services and customer system hosting.

- Investments in IT projects

The IT division upgraded its services significantly in year 2006, in order to confront the increasing complexity of services and products provided, and in order to enhance the company's productivity and provide better customer service. Within this framework, the customer relations management system (CRM by SIEBEL) was fully upgraded to the latest edition, covering the needs of new services and gradually taking over older systems used by the company. At the same time, the decision to adopt modern IT systems architecture (SOA) led to the implementation of an intermediate communications platform developed on a BEA platform and constituting the link connecting all productive systems.

- Research & Development investments

a. Development of Billing & OSS Systems

The Research and Development Department continued to develop the billing system used by the company, in order to cover its particular, growing needs, with particular emphasis on ADSL packages, constant improvement of billing performance, preparation for the interconnection of billing, SAP and provisioning with the new SIEBEL edition and BEA/WLI with new workflows for LLU compatibility. Particular emphasis was also placed on the development of a management system for unbundled loop (LLU) equipment and wiring, and interconnection thereof with the Siebel system.

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

The following research projects were completed in 2006, within the framework of the company's research activities:

- **Advanced SLA Services** (GSRT PEPER programme), a project successfully completed in March 2006; a flexible and advanced SLA management system, which is used for public and private tenders and large Forthnet customers with requirements for guaranteed service levels.
- **DIAVATIS** (GSRT, TOURISM-CULTURE programme), a project created XML file management software for the promotion of the historical, cultural and natural resources of a destination on the broader tourism network, using new technologies and digital content.
- **ENOSSIS** (GSRT, TRANSPORT-NAVIGATION programme), aimed at valid and personalized information provision to travellers on combined transport, including fare searches, departure and arrival at the end destination.
- **YPETHROS** (Regional Programme of Innovative Actions for the Region of Crete), within the framework of which advanced technological solutions combining messaging and voice services were designed and implemented for use by inhabitants in rural and remote areas of the Region of Crete.

4. REGULATORY ENVIRONMENT

The regulatory environment in year 2006 was characterized by the adoption of the new law on electronic communications (law 3431/2006) at the beginning of February. Subsequently, and in accordance with the said law's provisions, EETT commenced procedures for the adoption of the secondary legislative framework. Major secondary legislation was adopted and ratified, including the General Licensing Regulation, the Regulation on the Licensing and Use of Radiofrequency Rights of Use and the Regulation on the Use of Individual Radiofrequencies or Radiofrequency Bands. Other legislation of major importance for market operation is still pending, however, such as Regulations on Rights of Way, and on the Transfer of Rights to Use Radiofrequencies; EETT has completed the consultation process on these issues, but their adoption has been delayed, occasionally due to the involvement of the Ministry of Transport and Communications (e.g. in the case of rights of way) and other jointly competent ministries.

The new Reference Unbundling Offer (RUO) and the Reference Broadband Offer (RBO) are expected to be issued in the coming months. At the same time, EETT completed the public consultation process for the OTE Leased Lines Reference Offer, and the public consultation for the new Reference Interconnection Offer (RIO) is currently in progress. Issuance of the relevant Reference Offers by OTE is expected within year 2007. Finally, EETT published the results of the cost accounting audit and the prices applicable to year 2006 in January, and also laid down temporary prices for year 2007.

Furthermore, EETT completed the analysis of the 17 markets that are subject to its competence, and imposed the relevant obligations, primarily on OTE, but also on other providers found to have Significant Market Power; it also abolished valid obligations on markets found to be sufficiently competitive. With respect to Unbundled Access to the Local Loop, physical co-location agreements were signed for 112 OTE Local Switches in various parts of Greece, and OTE has initiated their construction. Delivery of the first 15 LSs is expected to take place at the beginning of May, while the entire process is expected to be completed by the beginning of 2008. At the same time, EETT issued a decision for provisional measures imposing on OTE the obligation to satisfy local loop provision applications within a reasonable period of time, and another decision regulating the timeframe, within which OTE has to complete the procedure for transition and activation of local loop lines for alternative providers' subscribers.

Year 2006 was a year of stagnancy and inactivity with respect to the regulatory authority and cases pending before the EETT; as a result, major problems were perpetuated concerning market operation and the establishment of a free competition regime, especially in the form of margin- and price-squeeze practices. Before the end of the year, EETT issued decisions concerning fines for violation of rules on carrier pre-selection.

The company continued to exercise pressure on the State and the Regulatory Authority, with presentations and opinions expressed at national and European level. This pressure is starting to generate results, and the adoption of a significant number of decisions on pending cases is expected within the next four months, according to the assertions of competent authorities; these decisions are expected to contribute to the smooth operation of the electronic communications market, and to the enhancement of fair competition. At a European level, consultations on the review of the existing regulatory framework have commenced. At the same time, two of the major issues that are expected to be discussed and acted upon by the European Commission include the functional separation of incumbents and the removal of the obligation for *ex ante* regulation of specific electronic communications markets, especially at the retail level, in view of the adoption of the new European Commission recommendation on the markets subject to *ex ante* regulation. The company is participating in the discussions and the consultation process, and formulating documented opinions in order to protect its interests during the final decision-making process.

Major positive interventions for the smooth operation of the electronic communications market also continued in 2006, notably by collective bodies such as SEPE and the FGI, which functioned as reliable institutional interlocutors of the State.

Consequently, and in view of the above and upcoming developments, year 2007 is expected to bring about (to a satisfactory degree – at least in relation to the past) a safe regulatory framework that will constitute a satisfactory basis for more effective and efficient business operation in the coming corporate years.

5. CORPORATE CHANGES

- Share Capital Increase

On 17 March 2006, the Extraordinary General Assembly of Company shareholders decided to increase the Company's share capital by €25,265,558 through the issuance of 21,411,490 new common nominal shares, with a nominal value of €1.18 each, through cash subscription, with stock options for old shareholders, at a ratio of five (5) new common nominal shares for each four (4) old common nominal shares, and at a price of €5.60 per new share. The share capital increase was completed on 23 May 2006, and total gross income from the issuance amounted to €119,904,344. The share premium account, amounting to a total of €94,638,786, is credited to the "Share premium account", as per the law and the articles of association.

- Stock Option Plan

The Ordinary General Assembly of shareholders that took place on 30.06.2006 amended its decision made on 17.03.2006 and decided to institute a stock option plan on the basis of the provisions of article 13, par. 9, C.L. 2190/1920. The plans in question will be implemented during corporate years 2007 to 2011 inclusive. The objectives forming the framework for implementation of the plans are as follows:

- To ensure mid- to long-term executive focus on efforts to increase the company's value.
- To enhance the commitment and identification of executives with the company, through the establishment of an "executive-shareholder" culture that will ensure increased efforts.
- To create incentives for executive retention, through the design of the plan and the provision of benefits, so that the plan's executives-beneficiaries have significant incentives to remain and offer their services to the company.
- To improve the company's image with investors, due to the knowledge that conditions for long-term executive retention have been established therein.

The Beneficiaries of the Plan shall be a) members of the Boards of Directors, the Management team and, in particular, General Managers, Division Managers, Department and/or Project Managers of Forthnet and its subsidiaries, b) other executives of the Company and its subsidiaries, at the discretion of the Board of Directors. Persons belonging to the above categories and affiliated to the company even after establishment of the plans shall also be considered Beneficiaries.

As authorized by the General Assembly of shareholders, the Board of Directors decided, on 25.09.2006, to approve the stock option plan operation regulation, provided further details on the plans and established the specific criteria and objectives required for their implementation.

6. FINANCIAL FIGURES

- Statement of Income

The company and group results for the year (01.01.2006 – 31.12.2006), compared to the corresponding period in the previous financial year and in accordance with International Financial Reporting Standards (IFRS), are as follows:

(Amounts in €)	Group		Change (%)	Company		Change (%)
	01.01-31.12.2006	01.01-31.12.2005		01.01-31.12.2006	01.01-31.12.2005	
Revenue	97,600,534	91,559,451	6.60%	92,756,031	87,959,198	5.45%
Cost of sales	(81,598,133)	(64,654,130)	26.21%	(78,123,727)	(62,185,395)	25.63%
Gross Profit	**16,002,401**	**26,905,321**	**-40.52%**	**14,632,304**	**25,773,803**	**-43.23%**
Other operating income	887,154	1,953,944	-54.60%	748,106	1,610,583	-53.55%
Selling and Distribution Expenses	(28,272,508)	(19,813,632)	42.69%	(27,147,739)	(18,773,267)	44.61%
General Administrative Expenses	(6,131,180)	(5,720,540)	7.18%	(5,693,350)	(5,179,464)	9.92%
Research and Development Expenses	(1,199,578)	(1,375,561)	-12.79%	(1,199,578)	(1,375,561)	-12.79%
Operating Profit/(Loss)	**(18,713,711)**	**1,949,532**	**-1,059.91%**	**(18,660,257)**	**2,056,094**	**-1,007.56%**
Profit before Taxes, Interest & Depreciation	**(4,975,933)**	**13,543,913**	**-136.74%**	**(5,619,953)**	**11,039,593**	**-150.,91%**
Share of Profit/(losses) of associates accounted for under the equity method	6,148	12,100	-49.19%	-	-	-
New financial results (Income/Expenses)	(672,374)	(1,640,267)	-59.00%	(512,088)	(1,542,922)	-66.81%
(Losses) before taxes	**(19,379,937)**	**321,365**	**-6,130.51%**	**(19,172,345)**	**513,172**	**-3,836.05%**

The Company's revenue reached €92,756,031 in year 2006, compared to €87,959,198 in year 2005, up 5%; the Group's revenue reached €97,600,534 in 2006, up 7% from €91,559,451 in 2005. The Company's gross profit reached €14,632,304 in year 2006, compared to €25,773,803 in 2005, down (43%); the Group's gross profit reached €16,002,401, down (40%) from €26,905,321 in the previous fiscal year.

Other operating income was added to these amounts, mainly subsidies research programme, while operating expenses and interest expenses were deducted. In addition, interest income has been added, the Company's losses before taxes reached (€19,172,345) in year 2006, as opposed to profit of €513,172 in 2005; at Group level, losses equal to €19,379,937 resulted, compared to profits before taxes equal to €321,365 in 2005.

- Revenue Analysis

The following table presents an analysis of Group and Company revenue during the years 2005 and 2006, in accordance with International Financial Reporting Standards (IFRS):

	Group 31 December				Company 31 December		
	2006	2005	Change (%)		2006	2005	Change (%)
Operating Revenue							
Telephony (Voice)	52,380,023	50,398,065	3.93%		52,380,023	50,398,065	3.93%
Telephony (Carrier to Carrier)	-	3,501,639	-		-	3,501,639	-
Internet Access	18,837,720	14,644,496	28.63%		18,837,720	14,644,496	28.63%
Internet Leased Lines	7,207,327	6,995,352	3.03%		7,207,327	6,995,352	3.03%
Data Connectivity Services	2,655,014	2,537,103	4.65%		2,655,014	2,537,103	4.65%
LMDS	3,001,749	2,451,913	22.42%		3,001,749	2,451,913	22.42%
Data Center Services	2,145,598	1,523,465	40.84%		2,145,598	1,523,465	40.84%
Interactive Marketing	1,928,108	2,675,233	-27.93%		1,928,108	2,675,233	-27.93%
Services (shipping reservations, hotel reservations etc.) FORTH crs	3,988,940	2,697,689	47.87%		-	-	-
Other income from services	4,895,971	3,503,789	39.73%		4,427,941	3,009,557	47.13%
Sales of equipment and consumables	560,084	630,707	-11.20%		172,551	222,375	-22.41%
Total Operating Revenue	**97,600,534**	**91,559,451**	**6.60%**		**92,756,031**	**87,959,198**	**5.45%**
Other Income							
Subsidies	617,695	1,319,892	-53.20%		494,812	912,109	-45.75%
Other	269,459	634,052	-57.50%		253,294	698,474	-63.74%
Total – Other Income	**887,154**	**1,953,944**	**-54.60%**		**748,106**	**1,610,583**	**-53.55%**
Grand Total - Revenue	**98,487,688**	**93,513,395**	**5.2%**		**93,504,137**	**89,569,781**	**4.39%**

Forthnet's total revenue increased by 4% in 2006 compared to year 2005, while the Group's revenue increased by 5%. In particular, the company 's highest increase in revenue compared to 2005 presented the sales in Data Center Services (41%) and Internet Access services (29%). Moreover, other income from services increased by 47%. Telephony income increased by 4%, while LMDS sales went up 22%.

Finally, Internet Leased Lines and Data Connectivity Services sales went up 3% and 5% respectively in year 2006, compared to 2005. The highest decrease in sales presented Interactive Marketing services (-28%) and sales of Equipment and consumables (-22%). Additionally, the revenue from subsidies decreased by (-46%), while other income decreased by (-64%).

The Group's highest increase is presented in the same services as in Company, while the revenue of subsidiary company FORTHcrs, increased by 48% compared to 2005. The highest decrease compared to 2005 is presented, at Interactive Marketing services (-28%) and sales of Equipment and consumables (-11%). The revenue of subsidies decreased by (-53%), and that of other income by (-57%).

- Subsidiary Companies

FORTHcrs S.A.

In year 2006, FORTHcrs continued to develop in the tourism, transport and entertainment sectors. It maintained its leadership in the provision of shipping reservation systems, enhanced its client list and completed software adaptation to the needs caused by the liberalization of fares. The company developed software for agency networks abroad and enhanced its promotion activities. The company approached the cruising sector, through agreements with two companies, one in Greece and one abroad.

At the same time, it expanded the international agency network, and distributed around 16.2 million tickets (increase 8.6%). The company completed new products for the agencies, such as online sales applications, equipment proposals, consumables, telecommunications services and automatic ticketing booths. Demand for room reservations via the electronic RoomView system increased by more than 100% in year 2006. It was decided to restructure the product by increasing the profitability coefficient, improving its content and cooperation terms with hotels, vendors and agencies, as well as to transfer the software to a new web application. In the entertainment sector, FORTHcrs focussed on the provision of ticketing technology, through the implementation of major projects, such as the Thessaloniki Science Centre & Technology Museum and the Cultural Capital of Europe Patras 2006. FORTHcrs is participating in the General Secretariat for Sports tender for the "Implementation of access control systems for sports venues – fan card – ticket management". Finally, the company relocated to new offices and upgraded its service systems and network infrastructure; also, it completed an investment study amounting to €2 million, which was approved for funding.

TELEMEDICINE TECHNOLOGIES S.A.

In year 2006, TELEMEDICINE TECHNOLOGIES S.A. continued to develop and promote CleanWEB™, the Electronic Clinical Study Processing product, and enhanced its market positioning, with major new clients and extensive usage. In particular, 57 clinical studies were implemented (some using PDAs or DPP - digital pen and paper). 690 active investigation centers are involved in the studies, as well as all University hospitals in France, and a large number of regional hospitals, with 26,700 eCRF (electronic clinical trial forms) and 19,000 patients in most disease categories.
In the tele-medicine, remote medical training and medical information software system development sectors, Telemedicine Technologies continued to develop and promote MEDSKY, a product developed jointly by EUTELSAT/SKYLOGIC, which serves tele-medicine and medical training scenarios on satellite connections.

7. 2007 OUTLOOK

In year 2007, the group will continue to implement its investment plan for the development of a national broadband network with combined telephony, Internet and content services (triple play). In this respect, the group will continue to expand its private telecommunications infrastructure; in order to improve the existing service provision cost structure and the provision of new, innovative services. Also, the company will continue to place emphasis on the enrichment of the existing portfolio of services, through the provision of tailored made services to customers – with the ultimate objective to increase its market share and maintain its leadership on the Greek telecommunications market.

In particular:

- Internet Access Services /Broadband

As regards the field of broadband services, in year 2007 the company will focus its efforts on a significant development of its subscriber base, with particular emphasis on private infrastructure, through the following actions:

- Creation of products combining voice and data services (2play), for domestic users and small or medium enterprises;
- Enrichment of internet ADSL products with added value services;

- Promotion of the advantages of the company’s private network and customer transfer to private infrastructure;
- Development of added value services in order to confront price reductions indirectly;
- Preservation of competitive pricing policies and enhancement of the sales network;
- Expansion of the company’s communication & advertising policy and development of customer support.

Emphasis will be placed on the enhancement of dial up clientele, by creating a pool of potential broadband service users. The company will continue to support NetKey prepaid access card services, through an upgrading of the product and the commercial and advertising policy thereof. Finally, added value services are being designed in order to promote the use of broadband services at home, with applications relevant to home entertainment and security.

- Telephony

For year 2007, interest in the Fixed Telephony sector will be focussing on the following:

- Launch of low-cost Unbundled Local Loop (ULL) programmes and gradual systematic conversion of Call by Call (CBC) subscriber to ULL in areas covered by the private network.
- Aggressive policy for the attraction of new ULL subscribers in the areas covered by the private network.
- Systematization of the customer retention strategy in view of the introduction of ULL subscribers.
- Further exploitation of Premium Services (800, 801, & 90) for higher penetration in the existing corporate customer base, and attraction of new customers.

- Business Telecom Services

A new commercial approach is already being developed for the provision of all Business Services, focussing on the adoption of a single pricing policy irrespective of access medium technology (local circuit). The application of this policy will favour the intensive exploitation of the Company’s private Telecoms Network, as it will develop and cover an increasing number of geographical areas. Placing emphasis on promotion of the service rather than the technology ensures a transfer of existing clientele to services implemented via private infrastructure, which is as transparent as possible. This entails cost minimization and further reinforcement of commercial customer relations.
Competitive pressure on **Internet Leased Line Services** is expected to continue and intensify in year 2007, from lower-cost and quality of service ADSL services. Forthnet’s reaction to this trend will be based primarily on the differentiation of internet leased line services in order to satisfy the increased requirements of existing and new customers, as well as on the introduction of new SDSL services via Forthnet’s private network.
MPLS technology will provide leverage for **Data Connectivity Service** development. Similarly, the services in question will be reinforced through the provision of managed services. The service will continue to be provided via leased lines and ADSL lines, to cover a significant number of potential customers.
As regards **Leased Lines** services, the gradual development of private infrastructure will allow the company to reinforce its position on this market, by exploiting the cost reductions brought about by providing these services via its own network. The company aims to attract a large share of customers by addressing OTE's existing clientele (we estimate that there are 15,000 lines in operation), and also by addressing customers with increased needs for net capacity, via long-term leases (IRU). With respect to the LMDS network, the target for year 2007 is for it to constitute the access medium for fast implementation of Internet Leased Line & Data Connectivity Services, and less for the provision of net capacity, which will be provided by alternative infrastructure (Fiber Optic circuits and Unbundled Local Loop). Similarly, Forthnet’s optical fibre network will function as a dual-purpose network, acting as a local loop for Internet Leased Lines and Leased Line services, allowing us to provide our customers with very high capacities.

- EBusiness Services

The main objectives for Forthnet eBusiness Services in year 2007 include: preservation of an annual growth rate of more than 20%; further increases to the subscriber base for Web Hosting services; preservation of leadership in domain name services; and approaches to existing and new corporate customers for the provision of combined eBusiness services (Data Center, Interactive Marketing, Application Development, Business applications etc.) for the achievement of cross-sales.

- Content Services

In year 2007, the company will focus on the development of broadband content and IPTV services in the content services sector. The process for development of broadband content and IPTV services for Forthnet users began in year 2006. Contacts with IPTV infrastructure and platform vendors have been initiated and contacts with content providers have been planned. The company’s main moves in year 2007 for the content sector are aimed at the creation of suitable infrastructure for IPTV service compatibility, the acquisition of popular content from content providers, the creation of added value services relating to content, and finally the development of combined access-voice-content services: 3play services.

- Public Sector Projects

Within current year 2007, provisions for billing Public Sector projects will be around €3.7 million from projects awarded and contracted in 2006 and previous years, an amount that is certain to increase with new project awards, of those currently being at the evaluation stage. The non-executed balance of Public Sector projects for period 2008-2010 amounts to approximately

€4 million.

- FORTHcrs Services

In year 2007, FORTHcrs will exploit the results of decisions made in 2006 concerning the restructuring of its products, in order to return to profitability, enhance its market positioning and implement its 5-year business plan in Greece and abroad for reservation, ticketing and dynamic packaging systems for combined transport, tourism and entertainment.

No significant events or losses affecting the company's financial position and outlook have incurred since the end of the financial year, and there are no indications of such events.

Following the above, we hereby request that you:

- Approve the Financial Statements for the Company and the Group for the financial year ending on December 31st, 2006.
- Exempt the Board of Directors and the auditors from all responsibility for the activities of year 2006, in accordance with the law and the company's articles of association.
- Appoint an ordinary and a deputy certified auditor for year 2007.

Heraklion, 19 March 2007

For the Board of Directors

The Chief Executive Officer

Pantelis Tzortzakis

CERTIFIED AUDITORS' CERTIFICATE

It is hereby certified that the above Report, together with the Annex, comprising of eighteen (18) pages, are those mentioned in the Audit Report issued on March 20th, 2007.

Athens, 20 March 2007

The Certified Auditors

Christos Pelentridis SOEL REG. NO. 17831	Stavros Saloustros SOEL REG. NO. 14611
ERNST & YOUNG (HELLAS) CERTIFIED AUDITORS S.A. SOEL REG. NO. 107	SOL S.A. CERTIFIED AUDITORS SOEL REG. NO. 125

9.2 INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
HELLENIC COMPANY FOR TELECOMMUNICATIONS
AND TELEMATIC APPLICATIONS S.A. ''Forthnet S.A.'':

Report on the Financial Statements
We have audited the accompanying financial statements of HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A. ''Forthnet S.A.''(the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise of the balance sheet as at December 31, 2006, and the statements of income, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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

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

Opinion
In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2006 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union.

Report on Other Legal and Regulatory Requirements
The Board of Directors' Report is consistent with the aforementioned financial statements.

Athens, March 20, 2007

The Certified Auditors Accountants

Christos Pelentridis SOEL REG. NO. 17831	Stavros Saloustros SOEL REG. NO. 14611
ERNST & YOUNG (HELLAS) CERTIFIED AUDITORS S.A. SOEL REG. NO. 107	SOL S.A. CERTIFIED AUDITORS SOEL REG. NO. 125
ERNST & YOUNG	ΣΟΛ α.ε. ΟΡΚΩΤΟΙ ΕΛΕΓΚΤΕΣ ΛΟΓΙΣΤΕΣ

9.3 STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2006

		The Group		The Company	
	Notes	01.01-31.12.2006	01.01-31.12.2005	01.01-31.12.2006	01.01-31.12.2005
Revenues	4	97.600.534	91.559.451	92.756.031	87.959.198
Cost of Sales	8	(81.598.133)	(64.654.130)	(78.123.727)	(62.185.395)
Gross Profit		**16.002.401**	**26.905.321**	**14.632.304**	**25.773.803**
Selling and Distribution expenses	8	(28.272.508)	(19.813.632)	(27.147.739)	(18.773.267)
Administrative expenses	8	(6.131.180)	(5.720.540)	(5.693.350)	(5.179.464)
Research and Development expenses	8	(1.199.578)	(1.375.561)	(1.199.578)	(1.375.561)
Other income	4	887.154	1.953.944	748.106	1.610.583
Share of profit/(losses) of associates accounted for under the equity method	10	6.148	12.100	-	-
Financial income	7	2.160.779	105.013	2.257.822	101.727
Financial expenses	7	(2.833.153)	(1.745.280)	(2.769.910)	(1.644.649)
PROFIT/(LOSS) BEFORE INCOME TAXES		**(19.379.937)**	**321.365**	**(19.172.345)**	**513.172**
Income taxes	9	2.680.501	(1.435.229)	2.714.996	(1.410.466)
NET PROFIT /(LOSS)		**(16.699.436)**	**(1.113.864)**	**(16.457.349)**	**(897.294)**
To:					
Equity holders of the parent		(16.698.583)	(1.125.527)	(16.457.349)	(897.294)
Minority interests		(853)	11.663	-	-
		(16.699.436)	**(1.113.864)**	**(16.457.349)**	**(897.294)**
Earnings/(loss) per share:					
Basic		(0,56)	(0,07)	(0,55)	(0,05)
Diluted		(0,56)	(0,07)	(0,55)	(0,05)
Weighted average number of shares:					
Basic	29	29.858.763	16.860.058	29.858.763	16.860.058
Diluted	29	29.903.421	17.129.192	29.903.421	17.129.192

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

9.4 BALANCE SHEET AS AT DECEMBER 31, 2006

	Notes	The Group 31.12.2006	The Group 31.12.2005	The Company 31.12.2006	The Company 31.12.2005
ASSETS					
Non-Current Assets:					
Property, plant and equipment	11	83.989.579	63.770.821	83.320.495	49.964.172
Intangible assets	12	11.877.639	9.844.006	10.219.844	1.885.869
Goodwill	10	727.519	727.519	512.569	-
Investments in subsidiaries	10	-	-	3.453.650	22.058.070
Investments in associates accounted for using the equity method	10	61.548	55.400	44.500	44.500
Other non-current assets		185.488	192.732	142.260	68.677
Available for sale financial assets	13	379.877	326.325	330.149	290.625
Deferred income taxes	9	9.100.690	5.391.362	8.787.650	4.189.527
Total non-current assets		**106.322.340**	**80.308.165**	**106.811.117**	**78.501.440**
Current Assets:					
Inventories	14	1.288.591	487.249	1.169.126	414.864
Trade accounts receivable	15	30.590.574	31.463.637	28.399.734	30.971.612
Prepayments and other receivables	16	7.743.424	4.339.576	7.739.451	4.171.301
Financial assets at fair value through profit or loss	17	68.130.477	-	68.130.477	-
Cash and cash equivalents	18	24.977.304	8.170.642	24.021.062	7.872.012
Total current assets		**132.730.370**	**44.461.104**	**129.459.850**	**43.429.789**
TOTAL ASSETS		**239.052.710**	**124.769.269**	**236.270.967**	**121.931.229**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent company					
Share capital	19	45.478.005	20.212.447	45.478.005	20.212.447
Share premium		142.188.659	50.068.723	142.188.659	50.068.723
Other reserves	20	3.583.262	3.090.478	2.960.592	2.467.808
Accumulated deficit		(39.772.739)	(23.074.156)	(39.257.515)	(20.879.577)
		151.477.187	**50.297.492**	**151.369.741**	**51.869.401**
Minority interest		36.785	38.329	-	-
Total equity and liabilities		**151.513.972**	**50.335.821**	**151.369.741**	**51.869.401**
Non-Current Liabilities:					
Long term loans	22	-	33.531.684	-	33.531.684
Finance lease obligations	23	2.382.161	2.571.055	2.321.144	2.450.214
Other long-term liabilities	26	1.219.750	2.228.055	1.219.750	2.228.055
Reserve for staff retirement indemnities	28	1.046.603	832.098	992.167	784.499
Government grants	27	26.564	204.257	-	162.421
Total non-current liabilities		**4.675.078**	**39.367.149**	**4.533.061**	**39.156.873**
Current Liabilities:					
Trade accounts payable	24	36.453.050	22.397.134	35.840.231	20.694.931
Short-term borrowings	22	1.004.391	3.711.986	-	2.000.000
Current portion of interest bearing loans and borrowings	22	34.000.000	-	34.000.000	-
Deferred income		6.342.211	5.096.002	6.342.211	5.096.002
Short-term portion of finance lease obligations	23	179.071	169.353	129.070	121.991
Income tax payable		316.494	322.344	279.464	228.526
Accrued and other current liabilities	25	4.568.443	3.369.480	3.777.189	2.763.505
Total current liabilities		**82.863.660**	**35.066.299**	**80.368.165**	**30.904.955**
TOTAL LIABILITIES AND EQUITY		**239.052.710**	**124.769.269**	**236.270.967**	**121.931.229**

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

9.5 STATEMENT OF CHANGES IN EUITY FOR THE YEAR ENDED DECEMBER 31, 2006

	Attridutable to equity holders of the parent company					Minority Interests	Total equity
The Group	**Share capital**	**Share premium**	**Other Reserves**	**Accumulated deficit**	**Total**		
Balance at December 31, 2004	**19.885.000**	**49.486.127**	**2.692.862**	**(21.948.629)**	**50.115.360**	**291.880**	**50.407.240**
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
Loss for the year 2005	-	-	-	(1.125.527)	(1.125.527)	11.663	(1.113.864)
Balance at December 31, 2005	**20.212.447**	**50.068.723**	**3.090.478**	**(23.074.156)**	**50.297.492**	**38.329**	**50.335.821**
Issuance of share capital	25.265.558	94.638.786	-	-	119.904.344	-	119.904.344
Share capital issuance costs	-	(2.518.850)	-	-	(2.518.850)	-	(2.518.850)
Minority interest on reserves distributed by subsidiary	-	-	-	-	-	(691)	(691)
Loss for the year 2006	-	-	-	(16.698.583)	(16.698.583)	(853)	(16.699.436)
Employee stock option plan	-	-	492.784	-	492.784	-	492.784
Balance at December 31, 2006	**45.478.005**	**142.188.659**	**3.583.262**	**(39.772.739)**	**151.477.187**	**36.785**	**151.513.972**

The Company	**Share capital**	**Share premium**	**Other Reserves**	**Accumulated deficit**	**Total**
Balance at January 1, 2004	**19.885.000**	**49.486.127**	**2.070.192**	**(19.982.283)**	**51.459.036**
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
Loss for the year 2005	-	-	-	(897.294)	(897.294)
Balance at December 31, 2005	**20.212.447**	**50.068.723**	**2.467.808**	**(20.879.577)**	**51.869.401**
Subsidiary Absorption	-	-	-	(1.920.589)	(1.920.589)
Issuance of share capital	25.265.558	94.638.786	-	-	119.904.344
Share capital issuance costs	-	(2.518.850)	-	-	(2.518.850)
Employee stock option plan	-	-	492.784	-	492.784
Loss for the year 2006	-	-	-	(16.457.349)	(16.457.349)
Balance at December 31, 2006	**45.478.005**	**142.188.659**	**2.960.592**	**(39.257.515)**	**151.369.741**

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

9.6 CASH FLOW STATEMENT(INDIRECT METHOD) FOR THE YEAR ENDED DECEMBER 31, 2006

	The Group		The Company	
	01.01-31.12.2006	01.01-31.12.2005	01.01-31.12.2006	01.01-31.12.2005
Cash Flows from Operating Activities				
Profit/(loss) before income taxes	(19.379.937)	321.365	(19.172.345)	513.172
Adjustments for:				
Depreciation and amortization	13.737.778	11.594.381	13.040.304	8.983.499
Gains on disposal of investments	-	(48.886)	-	(48.645)
(Gains)/losses on disposal of financial assets	(11.962)	51.386	(15.236)	(16.700)
Financial (income)/expenses	672.374	1.640.267	512.088	1.542.922
Share of profit/(losses) of associates accounted for under the equity method	(6.148)	(12.100)	-	-
Allowance for doubtful accounts receivable	3.330.000	1.250.000	3.100.000	1.200.000
Provision for staff retirement indemnities	262.837	269.472	243.691	247.132
Other provisions	644.784	397.616	644.784	397.616
Operating profit/(losses) before working capital changes	**(750.274)**	**15.463.501**	**(1.646.714)**	**12.818.996**
(Increase)/decrease in:				
Inventories	(801.342)	(226.109)	(754.262)	(231.268)
Trade accounts receivable	(1.587.290)	(9.642.656)	(2.195.219)	(8.095.466)
Prepayments and other receivables	(4.273.495)	(2.077.486)	(4.038.387)	(3.312.724)
Increase/(decrease) in:				
Trade accounts payable	4.389.022	(137.649)	4.316.986	93.728
Deferred income	1.246.209	1.045.674	1.246.209	1.045.674
Accrued and other current liabilities	(1.543.222)	422.347	(1.723.791)	121.497
Interest paid	(2.043.096)	(1.632.435)	(1.988.318)	(1.531.803)
Payment of staff retirement indemnities	(40.028)	(97.729)	(36.023)	(84.998)
(Increase)/decrease in other non-current assets	7.244	(46.877)	(225)	(14.728)
Increase/(decrease) in other long-term liabilities	-	(1.666.965)	-	(1.846.630)
Net Cash from (used in) Operating Activities	**(5.396.272)**	**1.403.616**	**(6.819.744)**	**(1.037.722)**
Cash Flows from Investing Activities				
Capital expenditure for property, plant and equipment	(20.437.872)	(14.759.259)	(20.137.184)	(11.812.870)
Purchase/development of intangible assets	(4.703.336)	(1.295.473)	(3.711.524)	(909.626)
Disposals for property, plant and equipment and intangible assets	50.187	90.296	46.467	90.089
Purchase of available for sale financial assets	(53.552)	(22.605)	(39.525)	(17.505)
Increase in subsidiaries share capital	-	(280.714)	-	(280.714)
Interest and related income received	2.160.779	105.013	2.257.822	101.727
Proceeds from sale of financial assets	-	318.137	-	317.267
Purchase of financial assets at fair value through profit or loss	(68.282.477)	-	(68.282.477)	-
Net Cash used in Investing Activities	**(91.266.271)**	**(15.844.605)**	**(89.866.421)**	**(12.511.632)**
Cash Flows from Financing Activities				
Proceeds from the issuance of share capital	116.356.667	910.043	116.356.667	910.043
Proceeds from long-term borrowings	-	33.531.684	-	33.531.684
Repayment of long-term borrowings	-	(17.277.124)	-	(17.277.124)
Net change in short-term borrowings	(2.707.595)	(4.904.704)	(3.500.000)	(5.300.000)
Net change in finance lease creditors	(179.176)	2.030.513	(121.991)	1.862.310
Distribution on reserves from subsidiary to minority interests	(691)	-	-	-
Net Cash from Financing Activities	**113.469.205**	**14.290.412**	**112.734.676**	**13.726.913**
Net increase/(decrease) in cash and cash equivalents	**16.806.662**	**(150.577)**	**16.048.511**	**177.559**
Cash and cash equivalents at the beginning of the year	**8.170.642**	**8.321.219**	**7.872.012**	**7.694.453**
Cash and cash equivalents of acquisitions companies	**-**	**-**	**100.539**	**-**
Cash and cash equivalents at the end of the year	**24.977.304**	**8.170.642**	**24.021.062**	**7.872.012**

The accompanying notes are on integral part of these consolidated financial statements.

9.7 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2006

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 40 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 for the year ended December 31, 2006 include the financial statements of Forthnet and its subsidiaries, Forth CRS S.A. and Telemedicine Technologies S.A. while those for the year ended December 31, 2005 include the financial statements of Forthnet and its subsidiaries Mediterranean Broadband Access S.A., Forth CRS S.A. and Telemedicine Technologies S.A.

Mediterranean Broadband Access S.A., which was merged through absorption by Forthnet based on decision K2-5962/28.04.2006 of the Prefecture has been granted a special license in accordance with the decision No. 203/10.01.2001 of the plenary assembly of EETT regarding the installation, application and use of a Public Telecommunications Wireless Network and the provision of Fixed Public Voice Telephony services.

The merger through absorption of Mediterranean Broadband Access S.A. was accounted for in the separate financial statements of Forthnet based on the pooling of interest method as such merger was made at intragroup level and lacked commercial substance. Based on the accounting treatment followed when the pooling of interest applies and the respective provision of Law 2166/93, the commercial transactions and activities of the absorbed entity subsequent to the date of the absorption (December 31, 2005) are made on behalf of the absorbing entity. As a result, the separate statement of income of Forthnet for 2006 includes the results of the absorbed subsidiary from January 1, 2006. Consequently, the separate statement of income for the year ended December 31, 2006 is not comparable with that of 2005.

Appendix I has been prepared for comparability purposes and presents the separate balance sheet and statement of income for fiscal year 2006 together with a proforma separate balance sheet and statement of income for fiscal year 2005 on the assumption that the absorption of the Mediterranean Broadband Access S.A. had been effected as at January 1, 2005, in order to include the balance sheet and the statement of income of the absorbed subsidiary.

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, 2006, amounted to 759 while that of the Company to 702. At December 31, 2005, the respective number of employees was 637 for the Group and 579 for the Company.

2. BASIS OF PRESENTATION:

(a) Basis of Preparation of Financial Statements: The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

These financial statements have been prepared under the historical cost convention except for the valuation of available for sale financial assets and financial assets at fair value through profit or loss (including derivative financial instruments), at fair value.

The preparation of financial statements, in accordance with IFRS, requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies which have been adopted. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed on note 2(d).

(b) 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, 2007, onwards (except if mentioned otherwise below). The Group's and the Company's Management's assessment regarding the effect of these new standards and interpretations is as follows:

IFRS 7, *Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements Capital Disclosures* (effective for financial years beginning on or after January 1, 2007).

IFRS 7 requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk, It replaces IAS 30, (Disclosures in the Financial Statements of Banks and Similar Financial Institutions) and disclosure requirements in IAS 32, (Financial Instruments: Disclosure and Presentation). It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

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

IFRS 8 replaces IAS 14 *Segment Reporting* and adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Group is in the process of assessing the impact this new standard will have on its financial statements. This Standard has not yet been endorsed by the EU.

IFRIC 7, *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* (effective for financial years beginning on or after March 1, 2006).

IFRIC 7 requires entities to apply IAS 29 Financial Reporting in Hyperinflationary Economies in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency, as if the economy had always been hyperinflationary. IFRIC 7 is not relevant to the Group's operations.

IFRIC 8, *Scope of IFRS 2* (effective for financial years beginning on or after May 1, 2006).

IFRIC 8 clarifies that IFRS 2 Share-based payment will apply to any arrangement when equity instruments are granted or liabilities (based on the value of an entity's equity instrument) are incurred by an entity, when the identifiable consideration appears to be less that the fair value of the instruments given. IFRIC 8 is not relevant to the Group's operations.

IFRIC 9, *Reassessment of Embedded Derivatives* (effective for financial years beginning on or after June 1, 2006).

IFRIC 9 requires an entity to assess whether a contract contains an embedded derivative at the date an entity first becomes a party to the contract and prohibits reassessment unless there is a change to the contract that significantly modifies the cash flows. IFRIC 9 is not relevant to the Group's operations.

IFRIC 10, *Interim Financial Reporting and Impairment* (effective for financial years beginning on or after November 1, 2006).

This Interpretation may have an impact on the financial statements should any impairment losses be recognised in the interim financial statements in relation to available for sale equity investments, unquoted equity instruments carried at cost and goodwill as these may not be reversed in later interim periods or when preparing the annual financial statements. This Interpretation has not yet been endorsed by the EU.

IFRIC 11, *IFRS 2-Group and Treasury Share Transactions* (effective for financial years beginning on or after March 1, 2007).

This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent. IFRIC 11 is not relevant to the Group's operations. This Interpretation has not yet been endorsed by the EU.

IFRIC 12, *Service Concession Arrangements* (effective for financial years beginning on or after January 1, 2008).

The Interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognizes a financial asset and / or an intangible asset. IFRIC 12 is not relevant to the Group's operations. This Interpretation has not yet been endorsed by the EU.

(c) Approval of Financial Statements:

The Board of Directors of Forthnet approved the separate and consolidated financial statements for the year ended December 31, 2006, on March 19, 2007. These financial statements are still subject to final approval by the annual General Assembly of Shareholders.

(d) Significant Accounting Judgements and Estimates:

The Group makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgments that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(a) ***Allowance for doubtful receivables***: The Group's management periodically reassess the adequacy of the allowance for doubtful receivables in conjunction with its credit policy and taking into consideration reports from its legal department, which are prepared following the processing of historical data and recent developments of the cases they are handling.

(b) ***Provision for income taxes:*** According to IAS 12, income tax provisions are based on estimations as to the taxes that shall be paid to the tax authorities and includes the current income tax for each fiscal year, the provision for additional taxes which may arise from future tax audits and the recognition of future tax benefits. The final clearance of income taxes may be different from the relevant amounts which are included in these financial statements.

(c) ***Depreciation rates:*** The Group's assets are depreciated over their estimated remaining useful lives. These useful lives are periodically reassessed to determine whether the original period continues to be appropriate. The actual lives of these assets can vary depending on a variety of factors such as technological innovation and maintenance programs.

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 the power to control. All subsidiaries (companies in which the Group has direct or indirect ownership of 50% or 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the sum of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquired plus any costs directly attributable to the acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Where the cost of the acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income. Paragraph (f) outlines the accounting policy on goodwill.

Minority interests are stated at the minority's proportion of the fair values of the identifiable assets and liabilities at the date of acquisition including the minority's proportion on the subsidiary's equity movement up to balance sheet date.

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 recognised as goodwill.

Any deficit of amounts paid over the percentage of the carrying amount of equity acquired is recognised directly in the statement of income.

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 recognised 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 re-measurements 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:

Classification	Annual Rates
Buildings	2.50%
Installations on buildings	10%-11%
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 represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, at the date of acquisition. Goodwill on acquisitions of subsidiaries is reflected separately in the balance sheet. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment.

Negative goodwill is recognised where the fair value of the Group's interest in the net assets of the acquired entity exceeds the cost of acquisition and is taken to income immediately.

(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.

The Company's intangible assets include the cost of a license for the provision of Fixed Wireless Access Telecommunications of the absorbed company, Mediterranean Broadband Access S.A. The license was awarded in accordance with the decision No. 203/ 10.01.2001 of EETT for a term of fifteen (15) years at a cost of approximately € 8.5 million. The license is being amortised 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:

Classification	Annual Rates
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 recognised 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. Impairment losses which were accounted for in prior years are reversed only when there is sufficient evidence that the assumptions used in determining the recoverable amount have changed. In these circumstances, the related reversal is recognised as income.

(j) Investments and Other (primary) Financial Assets: Financial assets which fall within the scope of IAS 39 are classified based on their nature and characteristics in the following three categories:

- Financial assets at fair value through profit and loss,
- Loans and receivables,
- Available-for-sale financial assets.

Financial assets are initially recognised at acquisition cost which represents the fair value and, in certain circumstances, plus directly attributable transaction costs. The purchase and sale of investments is recognised on the date of the transaction which is the date on which the Group commits to purchase or sell the related financial asset.

The classification of the above mentioned financial assets is determined after initial recognition and, where allowed the designation is re-assessed periodically.

(i) Financial assets at fair value through profit and loss:

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in income.

(ii) Loans and receivables:

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Available-for-sale financial assets:

Available-for-sale financial assets (primary) are those non-derivative financial assets that are designated as available for sale or are not classified in any of the two preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised 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.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models.

(k) Inventories: Inventories are stated at the lower of cost or net realizable value. Cost is determined based on a first-in, first-out method and the monthly weighted average price for a specific category (ADSL in a box). 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.

(l) 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.

(m) 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.

(n) Borrowing Costs: Borrowing costs are recognised as an expense in the period in which they are incurred in accordance with the basic treatment of IAS 23 “Borrowing Costs”.

(o) 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. Gains or losses are recognised in the statement of income either through the amortisation process or where the liabilities are written-off.

(p) Stock Option Plan: The Group has established stock option plans for its employees. The cost of the respective transactions is measured at the fair value of the stock or stock options as of the date of the approval of the plans by the management which is considered the granting date. The fair value is measured through the application of the appropriate valuation models.

The cost of the stock option plans is recognised during the period the requirements are gradually fulfilled and which ends at the date the executives participating in the plan have vested their rights of exercise/purchase of stock (vesting date). For options that are not vested, no expense is recognised except for the options whose vesting depends on the fulfillment of specific external market parameters. Options are considered to be vested when all the performance requirements have been fulfilled independent of the fulfillment of the external market parameters. In case of cancellation of any stock option plans, these are accounted for as if they were vested at the date of cancellation and the non-recognised expenses to date are immediately recognised to the statement of income. In case a cancelled stock option plan is substituted by a new one, it is treated as an amendment of the cancelled plan.

(q) 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.

(r) 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 recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(s) 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.

(t) 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 recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from goodwill amortisation 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 recognised 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 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.

(u) **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 internet services (Internet Access, Internet Leased Lines, Data Connectivity Services, LMDS etc.) are recognised at the time such services are provided to subscribers – customers.

Billed revenue which has been deferred and will be recognised as income in subsequent periods for the Company and the Group at December 31, 2006 and 2005 amounted to € 6,342,211 and € 5,096,002 , respectively.

Unbilled revenues (mainly voice telephony) for the Group and the Company at December 31, 2006 and 2005, amounted to € 4,308,983 and € 4,700,196 and € 4,308,073 and € 4,516,447, respectively.

(v) **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 ordinary shares outstanding during each year, excluding the average number of shares purchased as treasury shares.

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 impact on the convertible redeemable preference shares (i.e. stock option plan).

(w) **Reserve for Staff Retirement Indemnities**: Staff retirement obligations are calculated at the present 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 28 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 recognised on a straight-line basis over the average period until the benefits under the plan become vested. Actuarial gains or losses are recognised based on the corridor approach 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.

(x) **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.

(y) **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.

3.1. PRESENTATION CHANGES:

Certain reclassifications have been made to the 2005 consolidated financial statements to conform to those of 2006 and are as follows: (a) in the Company's statement of cash flows an amount of € 3,180,634 relating to purchases of property, plant and equipment of € 2,953,217 and purchases of intangible assets of € 227,417 have been reclassified and are reflected as a decrease in trade accounts payable. In the Group's statement of cash flows an amount of € 4,013,683 relating to purchases of property, plant and equipment of € 3,689,815 and purchases of intangible assets of € 323,868 have been reclassified and are reflected as a decrease in trade accounts payable, (b) in the Company's and Group's statements of cash flows the amounts of € 835,637 and € 869,827, respectively have been reclassified from trade accounts receivable to prepayments and other receivables.

4. REVENUES:

Revenues in the accompanying financial statements are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Operating Revenues:				
Fixed telephone (Voice)	52,380,023	50,398,065	52,380,023	50,398,065
Fixed telephone (Transit)	-	3,501,639	-	3,501,639
Internet Access	18,837,720	14,644,496	18,837,720	14,644,496
Internet Leased Lines	7,207,327	6,995,352	7,207,327	6,995,352
Data Connectivity Services	2,655,014	2,537,103	2,655,014	2,537,103
LMDS	3,001,749	2,451,913	3,001,749	2,451,913
Data Center Services	2,145,598	1,523,465	2,145,598	1,523,465
Interactive Marketing	1,928,108	2,675,233	1,928,108	2,675,233
Services (ticketing, reservations, etc.) Forth CRS	3,988,940	2,697,689	-	-
Other revenues from services rendered	4,895,971	3,503,789	4,427,941	3,009,557
Sales of equipment and consumables	560,084	630,707	172,551	222,375
Total Operating Revenues	**97,600,534**	**91,559,451**	**92,756,031**	**87,959,198**
Other Income:				
Government grants	617,695	1,319,892	494,812	912,109
Other	269,459	634,052	253,294	698,474
Total Other Income	**887,154**	**1,953,944**	**748,106**	**1,610,583**
Total Revenues	**98,487,688**	**93,513,395**	**93,504,137**	**89,569,781**

5. PAYROLL COST:

Payroll cost in the accompanying financial statements is analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Wages and salaries	15,800,946	12,682,697	14,244,570	11,192,640
Social security costs	3,855,430	3,250,650	3,413,732	2,858,097
Staff retirement indemnities (Note 28)	262,837	269,472	243,691	247,132
Stock option plans	492,784	397,616	492,784	397,616
Other staff costs	230,183	218,650	207,314	196,552
Total	**20,642,180**	**16,819,085**	**18,602,091**	**14,892,037**
Less: amounts capitalized	(2,893,148)	(1,251,968)	(2,402,697)	(933,937)
Payroll expense (Note 8)	**17,749,032**	**15,567,117**	**16,199,394**	**13,958,100**

6. DEPRECIATION AND AMORTISATION:

Depreciation and amortisation in the accompanying financial statements are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Depreciation on buildings	490,843	451,722	479,423	444,173
Depreciation on network equipment	9,786,256	8,012,731	9,782,201	6,645,141
Depreciation on transportation equipment	6,354	6,336	5,120	5,120
Depreciation on furniture and equipment	1,139,673	1,071,613	888,758	858,889
Depreciation on property, plant and equipment (Note 11)	**11,423,126**	**9,542,402**	**11,155,502**	**7,953,323**
Amortisation on fixed wireless access license	659,218	659,218	659,218	-
Amortisation on software and other intangible assets	1,655,434	1,392,761	1,225,584	1,030,176
Amortisation on intangible assets (Note 12)	**2,314,652**	**2,051,979**	**1,884,802**	**1,030,176**
Depreciation and amortisation (Note 8)	**13,737,778**	**11,594,381**	**13,040,304**	**8,983,499**

7. FINANCIAL INCOME / (EXPENSES):

Financial income/(expenses) in the accompanying financial statements are analysed as follows:

	The Group December 31,		The Company December 31,	
	2006	**2005**	**2006**	**2005**
Interest on long-term borrowings (Note 22)	(1,587,264)	(686,167)	(1,587,264)	(686,167)
Interest on short-term borrowings (Note 22)	(240,031)	(660,750)	(190,504)	(570,732)
Finance charges paid under finance leases	(150,386)	(154,534)	(141,920)	(149,105)
Interest on services related to the acquisition of Internet Hellas S,A,	(66,820)	(112,845)	(66,820)	(112,845)
Bond loan costs (Note 22)	(486,319)	-	(486,319)	-
Other financial costs	(383,239)	(130,984)	(377,989)	(125,800)
Total financial expenses	**(2,833,153)**	**(1,745,280)**	**(2,769,910)**	**(1,644,649)**
Interest earned on cash at banks and on time deposits (Note 18)	760,462	53,289	758,195	50,258
Interest on bonds (Note 17)	1,399,700	-	1,399,700	-
Other financial income	617	51,724	99,927	51,469
Total financial income	**2,160,779**	**105,013**	**2,257,822**	**101,727**
Total financial income/(expenses), net	**(672,374)**	**(1,640,267)**	**(512,088)**	**(1,542,922)**

8. ANALYSIS OF EXPENSES:

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

	The Group December 31,		The Company December 31,	
	2006	**2005**	**2006**	**2005**
Payroll and related costs (Note 5)	17,749,032	15,567,117	16,199,394	13,958,100
Third party fees and services	8,174,931	7,970,912	6,872,548	6,964,300
Rentals	1,356,167	1,228,365	1,137,815	537,562
Commissions on sales	7,627,753	3,160,129	7,601,015	3,141,634
Repairs and maintenance	2,686,576	2,149,822	2,575,958	1,862,340
Interconnection fees (Voice)	30,990,797	30,596,340	30,990,797	30,596,340
Leased lines (Voice)	2,290,524	2,439,723	2,290,524	2,439,723
Other telecommunications costs	16,357,772	7,915,504	16,357,772	11,002,173
Taxes and duties	609,991	534,335	587,165	467,313
Sundry expenses	1,241,925	1,116,833	1,001,219	962,867
Advertising and promotion costs	7,410,949	4,516,309	7,305,014	4,436,191
Depreciation and amortisation (Note 6)	13,737,778	11,594,381	13,040,304	8,983,499
Allowance for doubtful accounts receivable (Note 15)	3,330,000	1,250,000	3,100,000	1,200,000
Cost of sales of inventory and consumables	3,637,204	1,524,093	3,104,869	961,645
Total expenses	**117,201,399**	**91,563,863**	**112,164,394**	**87,513,687**

The above expenses are analysed as follows:

	The Group December 31,		The Company December 31,	
	2006	**2005**	**2006**	**2005**
Cost of sales	81,598,133	64,654,130	78,123,727	62,185,395
Selling and distribution expenses	28,272,508	19,813,632	27,147,739	18,773,267
Administrative expenses	6,131,180	5,720,540	5,693,350	5,179,464
Research and development costs	1,199,578	1,375,561	1,199,578	1,375,561
	117,201,399	**91,563,863**	**112,164,394**	**87,513,687**

9. INCOME TAXES:

In accordance with Greek tax regulations, the corporate tax rate is applied by societe anonymes for fiscal year 2006 is 29% (32% through December 31, 2005).

In November 2004, a new tax act was approved whereby the corporate tax rate for companies is gradually being 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 onwards it is further reduced to 25%.

The amounts of income taxes which are reflected in the accompanying statements of income are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Current income taxes	-	21,291	-	-
Deferred income taxes	(2,680,501)	1,413,938	(2,714,996)	1,410,466
Total (credit)/debit for income taxes reflected in the statements of income	**(2,680,501)**	**1,435,229**	**(2,714,996)**	**1,410,466**

Forthnet and its subsidiary, Forth CRS S.A., have not been audited by the tax authorities for the fiscal years 2003 through 2006. In addition, the absorbed subsidiaries, Mediterranean Broadband Access S.A. and Internet Hellas S.A. had not been audited by the tax authorities for the fiscal years 2001 through 2005 and 1999 through 2004, respectively.

The absorbed subsidiary, Hellas Net International Distribution Systems S.A. has been audited by the tax authorities through to the date of absorption by the parent company while 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.

The reconciliation of income taxes reflected in statements of income and the amount of income taxes determined by the application of the Greek statutory tax rate to pretax income is summarized as follows:

	December 31,	
	2006	2005
The Group		
Profit before tax	**(19,379,937)**	**321,365**
Income tax calculated at the nominal applicable tax rate (29% and 32%, respectively)	(5,620,182)	102,837
Tax effect of non tax deductible expenses and non taxable income	1,253,767	236,026
Tax losses for which no deferred income tax asset was recognised	-	29,507
Reversal of deferred income tax on previously recognised tax losses	800,000	844,663
Tax effect of change in tax rates	885,914	222,196
Income tax reported in the statements of income	**(2,680,501)**	**1,435,229**
The Company		
Profit before tax	**(19,172,345)**	**513,172**
Income tax calculated at the nominal applicable tax rate (29% and 32%, respectively)	(5,559,980)	164,215
Tax effect of non tax deductible expenses and non taxable income	1,186,504	220,085
Tax losses for which no deferred income tax asset was recognised	-	29,507
Reversal of deferred income tax on previously recognised tax losses	800,000	844,663
Tax effect of change in tax rates	858,480	151,996
Income tax reported in the statements of income	**(2,714,996)**	**1,410,466**

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.

The movement of the deferred tax asset is as follows:

	December 31, 2006	December 31, 2005
The Group		
Beginning balance	**5,391,362**	**6,805,300**
Income taxes [credit/(debit)]	2,680,501	(1,435,229)
Tax charged to equity (share capital issuance costs)	1,028,827	21,291
Ending balance	**9,100,690**	**5,391,362**
The Company		
Beginning balance	**4,189,527**	**5,599,993**
Income taxes [credit/(debit)]	2,714,996	(1,410,466)
Business combinations (absorptions)	854,300	-
Tax charged to equity (share capital issuance costs)	1,028,827	-
Ending balance	**8,787,650**	**4,189,527**

The movement in deferred tax assets and liabilities during the year is as follows:

The Company	January 1, 2006	(Debit)/Credit to P&L	(Debit)/Credit to equity	Additions due to merger	December 31, 2006
Deferred income tax assets:					
Deferred costs	1,960,351	(1,787,169)	-	854,300	1,027,482
Staff retirement indemnities	196,125	51,916	-	-	248,041
Tax losses carried forward	800,000	3,930,240	1,028,827	-	5,759,067
Property, plant and equipment	1,268,358	494,542	-	-	1,762,900
Other	10,553	(10,553)	-	-	-
Total	**4,235,387**	**2,678,976**	**1,028,827**	**854,300**	**8,797,490**
Deferred income tax liabilities:					
Other	(45,860)	36,020	-	-	(9,840)
Total	**(45,860)**	**36,020**	**-**	**-**	**(9,840)**
Net deferred income tax asset	**4,189,527**	**2,714,996**	**1,028,827**	**854,300**	**8,787,650**

The Group	January 1, 2006	(Debit)/Credit to P&L	(Debit)/Credit to equity	December 31, 2006
Deferred income tax assets:				
Deferred costs	2,195,993	(1,100,219)	-	1,095,774
Staff retirement indemnities	208,025	53,626	-	261,651
Tax losses carried forward	800,000	4,026,980	1,028,827	5,855,807
Property, plant and equipment	2,047,850	(284,950)	-	1,762,900
Other	185,354	(47,201)	-	138,153
Total	**5,437,222**	**2,648,236**	**1,028,827**	**9,114,285**
Deferred income tax liabilities:				
Other	(45,860)	32,265	-	(13,595)
Total	**(45,860)**	**32,265**	**-**	**(13,595)**
Net deferred income tax asset	**5,391,362**	**2,680,501**	**1,028,827**	**9,100,690**

During the current fiscal year, the Company and the Group incurred tax losses of € 23,036,267 and € 23,423,230, respectively for which a deferred tax asset was recognised. The Company's management believes that these tax losses will be recovered through profits of the following five years. In addition, at December 31, 2006, there were accumulated tax losses of € 3,439,079 for the Company and € 3,448,052 for the Group for which no deferred tax asset was recognised.

10. SUBSIDIARIES AND ASSOCIATES - GOODWILL:

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

	Country of Incorporation	Equity Interest		As at December 31,	
		2006	2005	2006	2005
Mediterranean Broadband Access S.A.	Kallithea, Attica, Greece	-	100.00%	-	18,604,420
Forth CRS S.A.	P, Faliro, Attica, Greece	99.31%	99.31%	3,139,169	3,139,169
Telemedicine Technologies S.A.	Paris, France	94.40%	94.40%	314,481	314,481
				3,453,650	**22,058,070**

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 was absorbed by Forthnet in accordance with Law 2166/93 and Law 2190/20, with effective date being December 31, 2005. On May 9, 2006, the decision K2-5962/28.4.2006, with which the merger was approved was recorded in the Societes Anonymes Register.

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, and onwards.

Telemedicine Technologies S.A.:

Telemedecine 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 up to 2007. The provision of services commenced in 2005. The 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.

As at December 31, 2005, the balance of the services to be provided amounted to € 2,228,055 and was included in "Other long-term liabilities" in the accompanying 2005 balance sheet (Note 26).

As at December 31, 2006, the balance of the services to be provided amounted to € 1,260,931 and was included in "Accrued and other current liabilities" in the accompanying 2006 balance sheet (Note 25).

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

	Registered Office	Equity Interest		Balance at December 31,	
		2006	2005	2006	2005
Forthe-com S.A.	Thessaloniki, Greece	45.00%	45.00%	-	-
Athlonet S.A.	Kallithea, Attica, Greece	44.00%	44.00%	61,548	55,400
				61,548	**55,400**

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

Based on the decision of the General Assembly of Shareholders of December 18, 2006, the company will be liquidated effective December 31, 2006.

Athlonet S.A: Athlonet S.A.'s principle activities are the provision of information regarding sports with electronic and other means. Athlonet S.A.'s acquisition cost which appears in the Parent's financial statements amounts to € 44,500.

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

	December 31,	
	2006	2005
Share of associate's balance sheet:		
Current assets	76,685	68,914
Non - current assets	1,794	2,151
Current liabilities	(16,931)	(15,665)
Net assets	**61,548**	**55,400**
Share of associate's revenue and profit/(loss):		
Revenue	229,896	191,686
Profit/(loss) for the year	6,148	12,100
Carrying amount of investment	**61,548**	**55,400**

Goodwill in the Company's balance sheet is analysed as follows:

	December 31,	
	2006	2005
MBA	512,569	-

Goodwill in the consolidated balance sheet is analysed as follows:

	December 31,	
	2006	2005
MBA	512,569	512,569
Forth CRS	24,595	24,595
Telemedicine	190,355	190,355
Total	**727,519**	**727,519**

11. PROPERTY, PLANT AND EQUIPMENT:

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

THE GROUP	Land	Buildings	Telecommunication equipment	Transportation Means	Furniture & Other Equipment	Construction in Progress (CIP)	Total
COST							
At January 1, 2005	**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**
Additions	-	775,826	20,194,794	-	1,458,830	9,263,409	31,692,859
Transfers from CIP	535,200	4,419,306	785,970	-	411,842	(6,165,068)	(12,750)
Disposals	-	-	(39,080)	-	(90,398)	-	(129,478)
At December 31, 2006	**1,672,789**	**14,152,828**	**94,573,911**	**62,008**	**9,755,171**	**7,900,200**	**128,116,907**
DEPRECIATION							
At January 1, 2005	**-**	**(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)**
Depreciation expense	-	(490,843)	(9,786,256)	(6,354)	(1,139,673)	-	(11,423,126)
Disposals	-	-	7,677	-	83,576	-	91,253
At December 31, 2005	**-**	**(2,510,752)**	**(35,227,966)**	**(23,830)**	**(6,364,780)**	**-**	**(44,127,328)**
NET BOOK VALUE							
At January 1, 2005	**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**
At December 31, 2006	**1,672,789**	**11,642,076**	**59,345,945**	**38,178**	**3,390,391**	**7,900,200**	**83,989,579**

THE COMPANY	Land	Buildings	Telecommunication equipment	Transportation Means	Furniture & Other Equipment	Construction in Progress (CIP)	Total
COST							
At January 1, 2005	**1,137,589**	**8,682,707**	**49,780,248**	**51,205**	**4,948,203**	**97,456**	**64,697,408**
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)
At December 31, 2005	**1,137,589**	**8,866,662**	**59,379,281**	**51,205**	**5,754,588**	**4,501,544**	**79,690,869**
Additions	-	738,863	20,031,494	-	1,316,971	9,263,409	31,350,737
Business combinations	-	-	15,889,004	-	48,347	300,315	16,237,666
Transfers from CIP	535,200	4,419,306	785,970	-	411,842	(6,165,068)	(12,750)
Disposals	-	-	(34,554)	-	(65,536)	-	(100,090)
At December 31, 2006	**1,672,789**	**14,024,831**	**96,051,195**	**51,205**	**7,466,212**	**7,900,200**	**127,166,432**
DEPRECIATION							
At January 1, 2005	**-**	**(1,544,484)**	**(17,393,930)**	**(7,207)**	**(2,884,721)**	**-**	**(21,830,342)**
Depreciation expense	-	(444,173)	(6,645,141)	(5,120)	(858,889)	-	(7,953,323)
Disposals	-	-	10,598	-	46,370	-	56,968
At December 31, 2005	**-**	**(1,988,657)**	**(24,028,473)**	**(12,327)**	**(3,697,240)**	**-**	**(29,726,697)**
Depreciation expense	-	(479,423)	(9,782,201)	(5,120)	(888,758)	-	(11,155,502)
Business combinations	-	-	(3,004,232)	-	(28,365)	-	(3,032,597)
Disposals	-	-	5,754	-	63,105	-	68,859
At December 31, 2006	**-**	**(2,468,080)**	**(36,809,152)**	**(17,447)**	**(4,551,258)**	**-**	**(43,845,937)**
NET BOOK VALUE							
At January 1, 2005	**1,137,589**	**7,138,223**	**32,386,318**	**43,998**	**2,063,482**	**97,456**	**42,867,066**
At December 31, 2005	**1,137,589**	**6,878,005**	**35,350,808**	**38,878**	**2,057,348**	**4,501,544**	**49,964,172**
At December 31, 2006	**1,672,789**	**11,556,751**	**59,242,043**	**33,758**	**2,914,954**	**7,900,200**	**83,320,495**

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, 2006 and 2005, amounted to € 2,911,298 and € 3,229,108 respectively. For the Group the related amounts are € 3,019,041 and € 3,396,831 at December 31, 2006 and 2005. The net book value of property, plant and equipment held under finance leases are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Land	535,200	535,200	535,200	535,200
Buildings	2,120,518	2,133,854	2,120,518	2,133,854
Telecommunication and other equipment	363,323	727,777	255,580	560,054
Total	**3,019,041**	**3,396,831**	**2,911,298**	**3,229,108**

12. INTANGIBLE ASSETS:

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

THE GROUP	Purchased Software	Internally Generated Software	Licenses & Other Intangibles	Intangibles Under Development	Total
COST					
At January 1, 2005	**4,620,930**	**2,280,054**	**9,588,084**	**670,028**	**17,159,096**
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)
At December 31, 2005	**5,850,639**	**2,558,729**	**9,524,078**	**423,253**	**18,356,699**
Additions	2,980,670	922,101	40	432,182	4,334,993
Transfers from intangibles under development	35,268	-	-	(22,518)	12,750
Disposals	-	-	-	-	-
At December 31, 2006	**8,866,577**	**3,480,830**	**9,524,118**	**832,917**	**22,704,442**
AMORTISATION					
At January 1, 2005	**(3,406,972)**	**(1,492,690)**	**(1,561,052)**	**-**	**(6,460,714)**
Amortisation expense	(1,149,289)	(13,072)	(889,618)	-	(2,051,979)
At December 31, 2005	**(4,556,261)**	**(1,505,762)**	**(2,450,670)**	**-**	**(8,512,693)**
Amortisation expense	(1,200,434)	(77,636)	(1,036,582)	-	(2,314,652)
Amortisation transfers	542	-	-	-	542
At December 31, 2006	**(5,756,153)**	**(1,583,398)**	**(3,487,252)**	**-**	**(10,826,803)**
NET BOOK VALUE					
At January 1, 2005	**1,213,958**	**787,364**	**8,027,032**	**670,028**	**10,698,382**
At December 31, 2005	**1,294,378**	**1,052,967**	**7,073,408**	**423,253**	**9,844,006**
At December 31, 2006	**3,110,424**	**1,897,432**	**6,036,866**	**832,917**	**11,877,639**

THE COMPANY	Purchased Software	Internally Generated Software	Licenses & Other Intangibles	Intangibles Under Development	Total
COST					
At January 1, 2005	**5,555,384**	**103,644**	**840,000**	**319,732**	**6,818,760**
Additions	902,413	234,620	-	-	1,137,033
Transfers from intangibles under development	-	-	-	(319,732)	(319,732)
Disposals	(38,000)	-	-	-	(38,000)
At December 31, 2005	**6,419,797**	**338,264**	**840,000**	**-**	**7,598,061**
Additions	2,646,771	922,101	-	-	3,568,872
Business combinations	-	244,946	8,748,083	-	8,993,029
Transfers from intangibles under construction	12,750	-	-	-	12,750
Disposals	-	-	-	-	-
At December 31, 2006	**9,079,318**	**1,505,311**	**9,588,083**	**-**	**20,172,712**
AMORTISATION					
At January 1, 2005	**(4,433,773)**	**(103,643)**	**(144,600)**	**-**	**(4,682,016)**
Amortisation expense	(786,704)	(13,072)	(230,400)	-	(1,030,176)
At December 31, 2005	**(5,220,477)**	**(116,715)**	**(375,000)**	**-**	**(5,712,192)**
Amortisation expense	(849,240)	(77,636)	(957,926)	-	(1,884,802)
Business combinations	-	(122,424)	(2,233,992)	-	(2,356,416)
Amortisation transfers	542	-	-	-	542
At December 31, 2006	**(6,069,175)**	**(316,775)**	**(3,566,918)**	**-**	**(9,952,868)**
NET BOOK VALUE					
At January 1, 2005	**1,121,611**	**1**	**695,400**	**319,732**	**2,136,744**
At December 31, 2005	**1,199,320**	**221,549**	**465,000**	**-**	**1,885,869**
At December 31, 2006	**3,010,143**	**1,188,536**	**6,021,165**	**-**	**10,219,844**

13. AVAILABLE FOR SALE FINANCIAL ASSETS:

Available for sale financial assets are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Shares – unlisted	379,877	326,325	330,149	290,625
	379,877	**326,325**	**330,149**	**290,625**

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

14. INVENTORIES:

Inventories in the accompanying financial statements are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Merchandise	1,188,802	433,143	1,169,126	414,864
Consumables	99,789	54,106	-	-
Total	**1,288,591**	**487,249**	**1,169,126**	**414,864**

15. TRADE ACCOUNTS RECEIVABLE:

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

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Domestic customers	27,076,607	24,651,571	25,548,092	24,839,607
Foreign customers	1,014,945	1,264,959	890,974	1,208,401
Accounts payable due to state owned companies	1,529,463	1,447,424	1,529,463	1,447,424
Cheques and notes receivable	4,430,986	3,970,857	3,493,542	3,359,733
Unbilled revenue	4,308,983	4,700,196	4,308,073	4,516,447
	38,360,984	**36,035,007**	**35,770,144**	**35,371,612**
Less: Allowance for doubtful accounts receivable	(7,770,410)	(4,571,370)	(7,370,410)	(4,400,000)
	30,590,574	**31,463,637**	**28,399,734**	**30,971,612**

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

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Beginning balance	**4,571,370**	**3,321,370**	**4,400,000**	**3,200,000**
Provision (Note 8)	3,330,000	1,250,000	3,100,000	1,200,000
Less: Utilisation	(130,960)	-	(129,590)	-
Ending balance	**7,770,410**	**4,571,370**	**7,370,410**	**4,400,000**

16. PREPAYMENTS AND OTHER RECEIVABLES:

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

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Receivables due from the Greek State	476,922	491,002	463,245	210,952
Prepaid expenses	2,892,649	1,718,019	2,772,002	1,479,901
Value added tax	3,498,098	120,080	3,498,098	109,967
Advances to personnel	9,770	40,945	4,555	33,058
Advances to suppliers	234,655	807,824	50,935	1,378,784
Other debtors	631,330	1,161,706	950,616	958,639
	7,743,424	**4,339,576**	**7,739,451**	**4,171,301**

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS:

Financial assets at fair value through profit or loss are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Bank bonds	68,282,477	-	68,282,477	-
Less: changes in fair value	(152,000)	-	(152,000)	-
Total	**68,130,477**	-	**68,130,477**	-

The above mentioned financial assets consist of bank bonds with an interest coupon and are held for trading purposes.

The gain or loss from the fair valuation of the financial assets, is included in financial income/ expenses.

Interest earned on bank bonds is accounted for on an accrual basis and for the year ended December 31, 2006, amounted to € 1,399,700 for the Group and the Company and is included in financial income in the accompanying statement of income.

18. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents in the accompanying financial statements are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Cash in hand	56,439	41,904	55,537	40,914
Cash at banks	4,020,865	3,628,738	3,065,525	3,331,098
Time deposits	20,900,000	4,500,000	20,900,000	4,500,000
	24,977,304	**8,170,642**	**24,021,062**	**7,872,012**

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, 2006, amounted to € 760,462 and € 758,195 for the Group and the Company, respectively, (for the year ended December 31, 2005, € 53,289 and € 50,258 for the Group and the Company, respectively) and is included in financial income in the accompanying statements of income.

19. 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, 2004, the Company's ordinary share capital 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.

On March 17, 2006, the Extraordinary General Shareholders Meeting decided to increase the Company's share capital, with cash contribution, by € 25,265,558 through the issuance of 21,411,490 new ordinary shares, with nominal value € 1.18 each. The specific increase was in favour of the existing shareholders with a ratio five (5) new ordinary shares for every four (4) existing ordinary shares, at an exercise price of € 5.60 per each new share. On May 23, 2006, the share capital increase was completed and the total gross capital contributed amounted to € 119,904,344, while the difference between the exercise price and the nominal value of each share, of € 94,638,786 was credited, according to law and the articles of Incorporation, to the account «Share Premium».

As a result, the Company's ordinary share capital as at December 31, 2006, amounted to € 45,478,005 divided into 38,540,682 authorised ordinary shares of € 1.18 par value each. All issued shares are fully paid.

20. OTHER RESERVES:

Other reserves are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
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	890,400	397,616	890,400	397,616
Other	71,300	71,300	-	-
Total reserve	**3,583,262**	**3,090,478**	**2,960,592**	**2,467,808**

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 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.

21. 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:

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

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

No dividends were paid during the year ended December 31, 2005. Also, due to accumulated losses no dividend distribution is being proposed for the year ended December 31, 2006.

22. LONG-TERM AND SHORT-TERM BORROWINGS:

a) Long-term loans:

Long-term loans for the Group and the Company at December 31, 2006 and 2005, are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Bond loan	34,000,000	33,531,684	34,000,000	33,531,684
Less current portion:				
- Bond loan	(34,000,000)	-	(34,000,000)	-
Long-term portion	**-**	**33,531,684**	**-**	**33,531,684**

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 and 5.30% at December 31, 2006).

Through December 31, 2006, the first two series of the Bond had been drawn-down amounting to € 34 million. The Bond drawn-downs were initially recognised at cost (€ 34 million), being the fair value of the consideration received net of issuance costs (€ 468.3 thousand) associated with the borrowings.

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, and (iii) 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)] ≥ 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] ≤ 4.

At December 31, 2006 and based on the results of fiscal year 2006, the Company was not in compliance with the above mentioned financial ratios. For this reason, the total balance of the Bond was classified as short-term while the related unamortized issuance costs were charged to the 2006 statement of income.

The Company's management is currently discussing, with the main banks participating in the consortium, changes to the main terms of the Bond so that these take into account the Company's business plan and its new capitalization structure.

In addition, during the time frame permitted by the agreement (during May 2007), a waiver will be obtained with respect to the Company's non-compliance with the above mentioned financial ratios which contributes an event of default.

The annual payments required to be made on all long-term loans subsequent to December 31, 2006 and 2005, for the Group and the Company are as follows:

	The Group		**The Company**	
Maturity	**December 31,**		**December 31,**	
	2006	**2005**	**2006**	**2005**
Within one year	34,000,000	-	34,000,000	-
2-5 years	-	30,440,769	-	30,440,769
Over 5 years	-	3,090,915	-	3,090,915
	34,000,000	**33,531,684**	**34,000,000**	**33,531,684**

The total interest expense on long-term debt for the years ended December 31, 2006 and 2005, amounted to € 1,587,264 and € 686,167, respectively for the Group and the Company and are included in financial expenses (Note 7) in the accompanying statements of income.

b) Short-term borrowings:

Forth CRS and Telemedicine have short-term borrowings with an annual variable interest rates of 5% to 6%. The table below presents the credit lines available to the Group and the Company as well as the utilized portion.

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Credit lines available	13,310,000	13,400,000	11,600,000	11,600,000
Unused portion	(12,305,609)	(9,688,014)	(11,600,000)	(9,600,000)
Used portion	**1,004,391**	**3,711,986**	**-**	**2,000,000**

The total interest expense for short-term borrowings for the years ended December 31, 2006 and 2005, amounted to € 240,031 and € 660,750, respectively, for the Group and to € 190,504 and € 570,732, respectively for the Company and is included in financial expenses (Note 7), in the accompanying statements of income.

23. FINANCE LEASE OBLIGATIONS:

The finance lease obligations relate to:

- Leasing of a building at Antigonis 58, Peristeri, Attica, with a 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 analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Obligation under finance lease	2,561,232	2,740,408	2,450,214	2,572,205
Less: Current portion	(179,071)	(169,353)	(129,070)	(121,991)
Long-term portion	**2,382,161**	**2,571,055**	**2,321,144**	**2,450,214**

Future minimum lease payments under the finance lease in relation with the present value of the net minimum lease payments for the Group and the Company as at December 31, 2006 and 2005, are as follows:

	The Group		The Company	
	As at December 31, 2006		As at December 31, 2006	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	320,091	**179,071**	264,294	**129,070**
After one year but no more than five years	1,386,051	**827,791**	1,321,471	**766,774**
Over five years	1,894,108	**1,554,370**	1,894,107	**1,554,370**
Total minimum lease payments	3,600,250	**2,561,232**	3,479,872	**2,450,214**
Less: amounts representing finance charges	(1,039,018)	-	(1,029,658)	-
Present value of minimum lease payments	**2,561,232**	**2,561,232**	**2,450,214**	**2,450,214**

	The Group		The Company	
	As at December 31, 2005		As at December 31, 2005	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	319,157	**169,353**	264,294	**121,991**
After one year but no more than five years	1,449,065	**845,560**	1,321,470	**724,719**
Over five years	2,158,402	**1,725,495**	2,158,402	**1,725,495**
Total minimum lease payments	3,926,624	**2,740,408**	3,744,166	**2,572,205**
Less: amounts representing finance charges	(1,186,216)	-	(1,171,961)	-
Present value of minimum lease payments	**2,740,408**	**2,740,408**	**2,572,205**	**2,572,205**

24. TRADE ACCOUNTS PAYABLE:

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

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Domestic suppliers	25,151,440	17,175,731	24,771,686	15,807,624
Foreign suppliers	5,023,786	2,737,625	5,018,303	2,722,484
Post dated cheques payable	6,277,824	2,483,778	6,050,242	2,164,823
	36,453,050	**22,397,134**	**35,840,231**	**20,694,931**

Trade accounts payable include balances due to the suppliers for the acquisition of property, plant and equipment. The related balances due for the acquisition of property, plant and equipment as at December 31, 2006, amounted to € 10,886,644 and € 11,213,554 for the Group and the Company, respectively (for the year ended December 31, 2005, € 4,013,683 and € 3,180,624 for the Group and the Company, respectively).

25. ACCRUED AND OTHER CURRENT LIABILITIES:

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

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Social security payable	924,665	742,386	825,647	644,331
Value added tax	82,986	56,457	-	-
Other taxes and duties	493,551	324,188	390,504	241,993
Customer advances	1,173,484	1,394,498	1,123,190	1,371,741
Liability for the acquisition of Internet Hellas (Note 10)	1,260,931	-	1,260,931	-
Other current liabilities	632,826	851,951	176,917	505,440
	4,568,443	**3,369,480**	**3,777,189**	**2,763,505**

26. OTHER LONG - TERM LIABILITIES:

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

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Liability for the acquisition of Internet Hellas (Note 10)	-	2,228,055	-	2,228,055
Other long-term liabilities	1,219,750	-	1,219,750	-
	1,219,750	**2,228,055**	**1,219,750**	**2,228,055**

27. GOVERNMENT GRANTS:

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

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Grants received	1,606,851	1,606,851	1,514,051	1,514,051
Released (credit) to the statement of income	(1,580,287)	(1,402,594)	(1,514,051)	(1,351,630)
Ending balance	**26,564**	**204,257**	**-**	**162,421**

28. 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, 2006 and 2005, amounted to € 3,855,430 and € 3,250,650, respectively for the Group and € 3,413,732 and € 2,858,097, 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, 2006 and 2005, have as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Present value of unfunded obligations	1,203,206	930,300	1,142,774	876,036
Unrecognised actuarial loss	(156,603)	(98,202)	(150,607)	(91,537)
Net Liability in Balance Sheet	**1,046,603**	**832,098**	**992,167**	**784,499**
Components of net periodic pension cost				
Service cost	194,412	157,306	180,490	147,179
Interest cost	36,937	32,993	35,031	31,218
Amortisation of unrecognised net loss	375	63	195	172
Regular charge to operations	**231,724**	**190,362**	**215,716**	**178,569**
Additional cost of extra benefits	31,113	79,110	27,975	68,563
Total charge to operations	**262,837**	**269,472**	**243,691**	**247,132**
Reconciliation of benefit obligation				
Present value of liability at start of period	930,300	659,844	876,036	624,351
Service cost	194,412	157,306	180,490	147,179
Interest cost	36,937	32,993	35,031	31,218
Benefits paid	(40,028)	(97,729)	(36,023)	(84,998)
Extra payments or expenses	31,113	79,110	27,975	68,563
Actuarial gains/(loss)	50,472	98,776	59,265	89,723
Present value of liability at the end of year	**1,203,206**	**930,300**	**1,142,774**	**876,036**
Principal Assumptions				
Discount Rate	4.1%	4.0%	4.1%	4.0%
Rate of compensation increase	4.5%	4.5%	4.5%	4.5%
Increase in consumer price index	2.9%	2.5%	2.9%	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, 2006 and 2005, amounted to € 31,113 and € 79,110 respectively for the Group and € 27,975 and € 68,563 respectively for the Company.

29. LOSS PER SHARE:

Basic loss per share amounts are calculated by dividing net 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 loss per share amounts are calculated by dividing the net loss attributable to ordinary shareholders of the Parent by the weighted average number of ordinary shares outstanding during the year, adjusted for the impact on the convertible redeemable preference shares (i.e. stock option plan).

The following reflects the net loss and share data used in the basic and diluted earning per share computations as at December 31, 2006 and 2005:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Net loss attributable to the shareholders of the parent	**(16,698,583)**	**(1,125,527)**	**(16,457,349)**	**(897,294)**
Total weighted average number of ordinary shares	**29,858,763**	**16,860,058**	**29,858,763**	**16,860,058**
Effect of dilution resulting from share options	44,658	269,134	44,658	269,134
Adjusted weighted average number of ordinary shares for diluted loss per share	**29,903,421**	**17,129,192**	**29,903,421**	**17,129,192**

30. 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 to the members of the Board of Directors 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.

(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 per share.

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 the personnel of the Group and to the members of the Board of Directors 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 was not exercised.

Plan–Year 2006: The plan for 2006 was initially approved on June 30, 2006, by Forthnet's Shareholders Ordinary General Assembly and is administered by the Board of Directors which granted the stock options on September 25, 2006.

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

(i) **Eligibility:** Options can be granted to the Company's and its related companies members of the Board of Directors, to General Managers, Directors of Departments, as well as other executives, whose contribution, duties and accountability are considered as key factors for the achievement of the Company's goals as at April 30, 2007 and, as long as the following cumulative conditions are met: (a) the number of joint-installed urban centers (b) the number of active customers of ADSL broadband services and, (c) the number of kilometers of owned network of fiber optic on Pan-Hellenic level.

(ii) **Entitlement to Options:** The total number of shares under the option plan granted shall be 311,593 at an exercise price of € 5.36 per share.

The fair value of the options as at September 25, 2006, was determined using the Black & Scholes model.

The main assumptions affecting the model are the share price at the grant date of € 7.3, exercise price, dividend yield, discount rate of 3.5% and the volatility of the share price of 18.49%.

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.

LONG-TERMS PLANS:

1st 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 that would allow to the General Managers, Directors and members of the Board of Directors of the Group to exercise the stock option plan in year 2004 once certain financial targets are met.

Under the above scheme, 452,920 shares in 2004 should 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 to the Board of Directors decision dated December 30, 2004. According to the above decision, 175,423 shares were issued under this scheme 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 could 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.

2nd plan

This plan was approved on June 30, 2006, by the Shareholders General Assembly Meeting and is administered by the Board of Directors which granted the stock options on September 25, 2006.

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

(i) **Eligibility:** Options can be granted to the Company's and its related companies members of the Board of Directors, to General Managers, Directors of Departments, as well as other executives, whose contribution, duties and accountability are considered as key factors for the achievement of the Company's goals. The options can be exercised by fiscal year 2011 or sooner according to the following criteria/targets: (a) profit before taxes, interest and depreciation for fiscal year 2010 or (b) the average share price as at December 2010 or (c) an event that will bring changes to the Company's shareholding structure.

(ii) **Entitlement to Options**: The total number of shares under the option plan granted shall be 1,746,000 at an exercise price of € 5.36 per share.

The fair value of the options as at September 25, 2006, was determined using the Black & Scholes model.

The main assumptions affecting the model are the share price at the grant date of € 7.3, exercise price, dividend yield, discount rate of 4.5% and the volatility of the share price of 49.72%.

The volatility is the variance between the expected volatility in the share price and is computed using statistical analyses of the daily share prices and calculated in accordance with the duration of options safeguards.

The Company's Board of Directors have the right to grant 742,407 options which correspond to 742,407 shares based on criteria and targets to be set at a future date.

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

	December 31,			
	2006		2005	
	No.	EP	No.	EP
Outstanding at the beginning of the year	-	-	442,750	3.47
Granted during the year	2,057,593	5.36	168,517	3.30
Exercised during the year	-	-	(277,497)	3.30
Forfeited during the year				
- Plan year 2004	-	-	(165,253)	3.76
- Plan year 2005	-	-	(168,517)	3.30
Outstanding at the end of the year	**2,057,593**	**5.36**	**-**	**-**

31. RELATED PARTIES:

The Company and the Group purchase goods and services from and provides services to certain related parties 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.

The Company's transactions and account balances with related companies are as follows:

Related Party	Relation with Forthnet	Fiscal Years	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Technology and Research Foundation	Shareholder	2005	118,904	192,667	112,335	88,171
		2006	127,734	78,752	14,192	2,071
Intracom S.A.	Shareholder	2005	163,926	22,588	25,883	-
		2006	-	-	-	-
Mediterranean Broadband Access S.A.	Absorbed Company	2005	423,845	2,523,849	2,700,109	23,202
		2006	-	-	-	-
Forth CRS S.A.	Subsidiary	2005	134,046	4,929	808,532	370
		2006	98,745	25,433	419,489	11,723
Telemedicine Technologies S.A.	Subsidiary	2005	-	-	56,675	-
		2006	-	-	336,675	-
Forth e-com S.A.	Associated	2005	48,633	20,884	493,955	20,972
		2006	18,074	520,000	-	-
Athlonet S.A.	Associated	2005	6,499	18,827	486	7,824
		2006	17,674	14,278	-	2,998
Total:		**2005**	**895,883**	**2,783,744**	**4,197,975**	**140,539**
		2006	**262,227**	**638,463**	**770,356**	**16,792**

The receivable in the balance due from Telemedicine Technologies S.A. relates to a loan of € 280,000 granted by the Company during the year 2006.

Technology and Research Foundation owned 11.71%, and 20.31% of the ordinary shares of Forthnet as at December 31, 2006 and 2005, respectively and is represented by two non-executive members on Forthnet's Board of Directors.

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

Novator Equities Limited owned 38.65% and 21.89% of the ordinary shares of Forthnet as at December 31, 2006 and 2005, respectively and is represented by two non-executive members on Forthnet's Board of Directors.

Cycladic Catalyst Master Fund owned 11.31% of the ordinary shares of Forthnet as at December 31, 2006 and is represented by one non-executive member on Forthnet's Board of Directors.

The Group's transactions and account balances with related companies are as follows:

Related Party	Relation with the Group	Fiscal Years	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Technology and Research Foundation	Shareholder	2005	118,904	192,667	112,335	88,171
		2006	127,734	78,752	14,192	2,071
Intracom S.A.	Shareholder	2005	163,926	22,588	25,883	-
		2006	-	-	-	-
Forth e-com S.A.	Associated	2005	48,633	20,884	493,955	20,972
		2006	18,074	520,000	-	-
Athlonet S.A.	Associated	2005	6,499	18,827	486	7,824
		2006	17,674	14,278	-	2,998
Total:		**2005**	**337,992**	**254,966**	**632,659**	**116,967**
		2006	**163,482**	**613,030**	**14,192**	**5,069**

Salaries and fees for the members the Board of Directors and the general managers of the Group for the fiscal years 2005 and 2006, are analysed as follows:

	The Group		**The Company**	
	2006	**2005**	**2006**	**2005**
Salaries and fees for executive members of the BoD	262,213	228,371	262,213	228,371
Salaries and fees for non executive members of the BoD	135,800	68,500	135,800	68,500
Salaries and fees for general managers	1,042,991	835,207	905,914	800,342
	1,441,004	**1,132,078**	**1,303,927**	**1,097,213**

Furthermore, benefits provided by the Group and the Company for the current fiscal year to members of the Board of Directors and Management relating to stock option plans amounted to € 199,706.

In addition, benefits provided by the Group and the Company for the current fiscal year to members of the Board of Directors and Managerial executives relating to termination compensation amounted to € 119,115 and € 115,919, respectively.

32. 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 34).

Compensation of Senior Executives: According to the employment contracts of the Chief Executive Officer and certain senior executives, there is a provision for the payment of compensation at the end of their employment term which liability has been included in the provision for staff retirement indemnities. In addition, in case of early termination of their contracts by the Company without grounds or in case of forced resignation, the Company shall pay to them an additional compensation. The amount of the additional compensation amounted to approximately € 1.2 million, at December 31, 2006.

License terms and obligations: The Fixed Wireless Access Telecommunications infrastructure license granted to one of the absorbed 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 obligations of the above license.

Operating Lease Commitments: The Group has entered into commercial operating lease agreements for the lease of a 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, 2006 and 2005, are as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Within one year	1,146,604	1,263,169	1,029,524	533,507
2-5 years	3,500,680	4,244,674	3,068,513	1,010,112
Over 5 years	314,649	469,328	314,649	225,960
Total	**4,961,933**	**5,977,171**	**4,412,686**	**1,769,579**

Guarantees:

Letters of guarantee issued by the Group to various beneficiaries as at December 31, 2006 and 2005, are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Good execution of agreements	3,217,905	1,779,386	3,217,905	1,623,457
Participation in biddings	6,069,250	84,228	6,069,250	84,228
Guarantee for advance payments received	1,529,407	967,912	1,529,407	967,912
Total	**10,816,562**	**2,831,526**	**10,816,562**	**2,675,597**

Contractual Commitments:

The outstanding contractual commitments for the Group and the Company at December 31, 2006, amounted to approximately € 30 million. In addition, the outstanding balance of the contractual commitments relating to the maintenance of international capacity telecommunication lines (OA&M charges), amounted to approximately € 7 million.

33. 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 are reflected in the accompanying balance sheets.

The fair value of variable rate loans and borrowings approximate the amounts appearing in balance sheets.

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, 2006, in relation to each class of recognised 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.

34. LITIGATION - ARBITRATION

Forthnet's, outstanding judicial claims against third parties amount to approximately € 35.4 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 (preferential treatment by OTE to its subsidiary, OTEnet), approximately € 291 thousand consisting of a claim against OTE for moral damages that the Company has suffered for the same cause. In addition, there is a pending claim of approximately € 3.6 million against OTE 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.

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 Company's position has 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. It is impossible to predict the impact (positive) on the Company's financial results as, it is estimated that even if any or all of the applications were to be accepted, the case will be brought to the Management which will have to evaluate again the critical fees. There are still outstanding appeals, in the Court of Appeal of Athens, against the decision of EETT for the new regulation of preselection.

In addition, there are outstanding decisions related to two hearings from EETT which took place in 2005, of which, the first one relates to OTE's denial to recognize wholesale volume discounts and the second one to the return of amounts unduly paid. Furthermore, there are outstanding decisions relating to the Company's accusations associated to violations relating to the purchases of wholesale broadband access as well as with leased lines.

It should be noted that for the above claims, no related revenue has been provided by the Company in its financial statements.

35. SUBSEQUENT EVENTS:

The Company is in the last stages of finalising two contracts with the Information Society S.A. which are part of the Operational Programme «INFORMATION SOCIETY» and specifically for subprojects 6 and 7 within the framework of «Financing Business for the development of Broadband Access in Greece». According to the provisions of the contracts, the total budget for the two sub projects is € 55.6 million of which, € 42.3 million concerns Action Line I (Development of Broadband Access), while the amount of € 13.3 million concerns Action Line II (Increasing the demand for Broadband Services). The available financing for both Action Lines amounts to 50% of the chosen budget while the implementation will have to be completed by October 31, 2008.

In addition, in accordance with the decision No. 28757/ΥΠΕ/4/00447/Ν.3299/Ε/22.12.2006 of the Ministry of Finance, the Company's business plan regarding the establishment of an integrated broadband services network of high speed and technology for the supply of new services relating to data, voices and content services in the regions of Attica and Thessaloniki was approved for funding under Investment Law 3299/2004. The approved investment amounts to € 28.54 million. It is expected that during March 2007, the related ministerial decision will be published in the Government Gazette. The cost of the investment will be subsidized by 30% or € 8.56 million and the Company's management expects that it will be completed within 2007.

APPENDIX I
STATEMENT OF INCOME

	The Company	
	01.01-31.12.2006	**Pro-Forma 01.01-31.12.2005**
Revenues	92.756.031	87.959.198
Cost of Sales	(78.123.727)	(62.578.482)
Gross Profit	**14.632.304**	**25.380.716**
	(27.147.739)	(18.820.342)
Selling and Distribution expenses	(5.693.350)	(5.260.443)
Administrative expenses	(1.199.578)	(1.375.561)
Research and Development expenses	748.106	1.765.599
Share of profit/(losses) of associates accounted for under the equity method	2.257.822	102.787
Financial income	(2.769.910)	(1.723.637)
Financial expenses		
PROFIT/(LOSS) BEFORE INCOME TAXES	**(19.172.345)**	**69.119**
Income taxes	2.714.996	(1.350.069)
NET PROFIT /(LOSS)	**(16.457.349)**	**(1.280.950)**

APPENDIX I
BALANCE SHEET

	The Company	
	31.12.2006	Pro-Forma 31.12.2005
ASSETS		
Non-Current Assets:		
Property, plant and equipment	83.320.495	63.169.242
Intangible assets	10.219.844	8.380.830
Goodwill	512.569	512.569
Investments in subsidiaries	3.453.650	3.453.650
Investments in associates accounted for using the equity method	44.500	44.500
Other non-current assets	142.260	142.034
Available for sale financial assets	330.149	290.625
Deferred income taxes	8.787.650	5.043.827
Total non-current assets	**106.811.117**	**81.037.277**
Current Assets:		
Inventories	1.169.126	414.864
Trade accounts receivable	28.399.734	29.281.313
Prepayments and other receivables	7.739.451	3.701.064
Financial assets at fair value through profit or loss	68.130.477	-
Cash and cash equivalents	24.021.062	7.972.551
Total current assets	**129.459.850**	**41.369.792**
TOTAL ASSETS	**236.270.967**	**122.407.069**
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent company		
Share capital	45.478.005	20.212.447
Share premium	142.188.659	50.068.723
Other reserves	2.960.592	2.467.808
Accumulated deficit	(39.257.515)	(22.800.167)
Total equity and liabilities	**151.369.741**	**49.948.811**
Non-Current Liabilities:		
Long term loans	-	33.531.684
Finance lease obligations	2.321.144	2.450.214
Other long-term liabilities	1.219.750	2.228.055
Reserve for staff retirement indemnities	992.167	792.090
Government grants	-	162.421
Total non-current liabilities	**4.533.061**	**39.164.464**
Current Liabilities:		
Trade accounts payable	35.840.231	21.503.237
Short-term borrowings	-	3.500.000
Current portion of interest bearing loans and borrowings	34.000.000	-
Deferred income	6.342.211	5.096.002
Short-term portion of finance lease obligations	129.070	121.991
Income tax payable	279.464	285.316
Accrued and other current liabilities	3.777.189	2.787.248
Total current liabilities	**80.368.165**	**33.293.794**
TOTAL LIABILITIES AND EQUITY	**236.270.967**	**122.407.069**

9.8. EXPLANATORY REPORT AS PER ARTICLE 11a, L. 3371/2005

This explanatory report from the Board of Directors to the Ordinary General Assembly of shareholders contains detailed information concerning the issues raised by paragraph 1, article 11a, L. 3371/2005.

- **Company share capital structure**

The company's share capital amounts to forty-five million four hundred and seventy-eight thousand and four euros and seventy-six cents (€45,478,004.76) and is divided into thirty-eight million five hundred and forty thousand six hundred and eighty-two (38,540,682) common nominal shares, with a nominal value of one euro and eighteen cents (€1.18) each.

The Company's shares are listed for trading on the Athens Stock Market Exchange.

Shareholders are legally and automatically entitled to exercise all the rights and undertake all the obligations, without limitation, arising from legislation on joint stock companies, the provisions of these articles of association, the decisions of the General Assembly of Shareholders and the decisions of the Board of Directors. In particular, and without limitation: a) shareholders exercise their rights in relation to company administration only through the General Assembly; b) each share grants the holder one (1) vote at the General Assembly; c) each shareholder, wherever they may live or be resident, is subject to Hellenic Legislation and is considered to be permanently resident at the company's registered office, where they must appoint an attorney and notify the company thereof; and d) shareholders, general successors or creditors thereof, as well as legal holders of company shares (trustees, depositories, lenders, etc.) are not, under any circumstances, entitled to cause the confiscation or sealing of company books, or of any other asset thereof, or attempt its distribution or liquidation.

Furthermore, each share grants its holder the following:

- rights to the dividend arising from the Company's annual profits, in accordance with the provisions of law and the articles of association;
- the right to undertake the contribution after completion of the liquidation process and the balance of company asset liquidation, proportionately to the shareholder's holding in the share capital;
- stock options at all Company share capital increases in cash and the issuance of new shares;
- rights to receive copies of the financial statements and the reports issued by the Company's certified auditors and Board of Directors;
- the right to participate in the General Assembly, which is divided into the following individual rights: legalization, attendance, participation in discussions, submission of proposals on items on the agenda, recording of opinions in the minutes, and voting.

The General Assembly of Company shareholders reserves all its rights during the liquidation process.

Also, shareholders representing 1/20 or 1/3 of the company's paid-up share capital are entitled to the minority rights foreseen by law and by the company's legal articles of association.

- **Limitations on the transfer of Company shares**

Company shares are transferred as foreseen by Law, and the articles of association foresee no limitations on their transfer, especially in view of the fact that they are intangible shares listed on the Athens Stock Exchange.

- **Significant direct or indirect holdings in the sense of P.D. 51/1992**

The shareholders (natural or legal entities) directly or indirectly holding more than 5% of the total number of company shares are listed in the following table:

NAME	SHARES	PERCENTAGE
NOVATOR EQUITIES LTD*	6,432,451	21.01%
TECHNOLOGY AND RESEARCH FOUNDATION (ITE)	4,412,465	11.45%
CYCLADIC CATALYST MASTER FUND	3,157,057	8.19%
CYRTE INVESTMENTS GP 1 B.V.	2,892,454	7.50%

* NOVATOR EQUITIES LTD indirectly holds 4.32% of company shares through NORDEA BANK DANMARK A/S, according to a notification thereof; this holding is included in its overall holding (21.01%) as shown above.

- **Shares granting special audit rights**

There are no Company shares granting special audit rights to their holders.

- **Limitations on voting rights**

No limitations on voting rights arising from Company shares are foreseen by the Company's articles of association.

- **Company shareholder agreements**

The Company is not aware of any agreements between its shareholders that could give rise to limitations on the transfer of its shares or the exercise of voting rights arising from its shares.

- **Rules for appointment and replacement of members of the B.o.D. and amendments to the articles of association**

The rules foreseen by the Company's articles of association with respect to the appointment and replacement of members of its Board of Directors and amendments to the provisions of its articles of association are no different than those foreseen by C.L. 2190/1920.

- **B.o.D or B.o.D. member competence for the issuance of new shares or the acquisition of own shares**

a. According to the provisions of article 13 par. 1, items b) and c), C.L. 2190/1920, and combined with the provisions of article 5 of the articles of association, the Company's Board of Directors may, following a relevant decision made by the General Assembly and subjected to the publicity formalities of article 7b, C.L. 2190/1920, increase the Company's share capital through the issuance of new shares or issue a bond loan with convertible bonds, subject to a decision made with a majority of at least two thirds (2/3) of all its members. In this case, the share capital may be increased by up to the paid-up capital amount on the date on which the General Assembly granted the said power to the Board of Directors. The aforementioned power granted to the Board of Directors may be renewed by the General Assembly for a period not exceeding five years for each renewal.

   Within the framework of the above provisions, the Ordinary General Assembly of shareholders (17.3.2006) approved a decision to grant the following rights to the Board of Directors for five years, i.e. until 16.3.2011, for decisions made with a majority of two thirds (2/3) of its members:

   (i) to increase the company's share capital partially or fully through the issuance of new shares, for amounts not exceeding the company's paid-up share capital on the date of the General Assembly, in accordance with the provisions of the articles of association and the law, and

   (ii) to issue a bond loan, as per article 3a, C.L. 2190/1920 and the articles of association, with bonds convertible to shares, up to the amount of the company's paid-up share capital on the date of the General Assembly, in accordance with the provisions of the articles of association and the law.

b. According to the provisions of article 13 par. 9, C.L. 2190/1920, the General Assembly may decide to institute a stock option plan for members of the Board of Directors and employees, in the form of stock option rights as per the specific provisions of the said decision. The General Assembly's decision shall state, in particular, the maximum number of shares that can be issued, which may not exceed 1/10 of the existing shares, according to the law, if the beneficiaries exercise the stock option right, the price and terms for provision of the shares to beneficiaries.

   The Board of Directors shall issue a decision regulating all other relevant details not otherwise established by the General Assembly, issue the stock option certificates and shall issue shares to the beneficiaries that have exercised their right, in December of each year, simultaneously increasing the share capital and certifying the relevant increase thereof.

   Within the framework of the above legislative provisions, the General Assemblies of shareholders on 17.3.2006 and 30.6.2006 established stock option plans to be implemented in the period 2007-2011, setting the targets thereof, and offering 2,800,000 shares at 5.36 euros each, and in accordance with the specific provisions of individual B.o.D. decisions.

c. The General Assembly of shareholders on 30.6.2006 decided on the option to acquire up to 2,000,000 own shares at a minimum price of 0.30 euros and a maximum price of 20 euros; it also established the overall period for acquisition of the above own shares, at twelve months from the date of the General Assembly, and authorized the Board of Directors to decide on the individual deadlines for own share acquisition, the corresponding individual number of shares, and to take any further action according to the law (article 16&5, C.L. 2190/1920) and within the framework of the above mandate. The Board of Directors has not exercised the above power to this date.

- **Important decisions validated, amended or expiring in the event of a change in control following a public offer**

There are no agreements that are validated, amended or expire in the event of a change in Company control, specifically following a public offer.

- **Agreements with members of the Board of Directors or Company employees**

There are no agreements between the Company and members of its Board of Directors or its employees that foresee compensation in the event of resignation or dismissal without serious grounds or expiry of the term or employment thereof, in particular due to a public offer.

In any event, the labour contracts of the Chief Executive Officer and certain Senior Executives foresee the payment of compensation on expiry thereof. The relevant liability has been included in provisions for retirement benefits. Moreover, in the event of contract termination without liability thereof or in the event of forced resignation, the said parties are entitled to additional compensation.

Also, in the event of changes to the control of the company, the stock options rights granted to beneficiaries within the framework of the stock option plan decided by the GAs of 17.3.2006 and 30.6.2004 and specified by the BoD on 25.9.2006 shall mature; as a result, beneficiaries (members of the Company's Board of Directors and those of affiliated companies, General Managers, Managers, Division and Department Managers and other Company executives), shall be entitled to exercise the relevant right earlier than the anticipated and agreed exercise dates.

9.9. TABLE OF DISTRIBUTION AS AT DECEMBER 31, 2006

It is hereby notified, in accordance with decision no. 58/28.12.2000 of the Athens Stock Exchange, that from the company's share capital increase by cash and share options exercised by old shareholders, which took place on the basis of decision no. 18/17.03.2006 of the company's shareholders Extraordinary General Assembly and approved by the Athens Stock Exchange Board of Directors meeting on 25.05.2006, raised a net capital of €116,362,366 (total amount €119,904,344 less issuing expenses equal to €3,541,978). The exercise period for the stock option was from 08.05.2006 to 22.05.2006. From this share capital increase 21,411,490 new common shares have issued with a nominal value of €1.18 each, which were listed for trading on the Athens Stock Exchange on 29.05.2006. The company's share capital increase was confirmed by the Board fo Directors on 23.05.2006.

Amounts in €	Intended use of funds according to Prospectus				Funds allocation			Unused funds
	2006	2007	2008	Total (2006-2008)	Until 30/6/2006	01/07 to 31/12/2006	Total up until 31/12/2006	
Development - Installation of Optical Fibre Networks and Acquisition of International Capacity	5.000.000	17.500.000	10.000.000	32.500.000	-	4.770.125	4.770.125	27.729.875
Development of Broadband Infrastructure and Services	13.000.000	16.000.000	10.904.344	39.904.344	410.649	4.616.716	5.027.365	34.876.979
Procurement of EDP software and hardware	3.000.000	3.000.000	1.500.000	7.500.000	130.605	2.365.729	2.496.334	5.003.666
Market share expansion	10.000.000	20.000.000	-	30.000.000	-	6.180.967	6.180.967	23.819.033
Working capital increase	6.000.000	-	-	6.000.000	6.000.000	-	6.000.000	-
Issuing expenses	4.000.000	-	-	4.000.000	545.396	2.996.582	3.541.978	458.022
Total	**41.000.000**	**56.500.000**	**22.404.344**	**119.904.344**	**7.086.650**	**20.930.119**	**28.016.769**	**91.887.575**

Notes:

1. The category "Development - Installation of Optical Fibre Networks and Acquisition of International Capacity" is related to investments for the development of fibre optics network in the region of Attica and Thessaloniki, as well as the purchase of high capacity fibre optics lines necessary for the company's network interconnection with overseas.
2. The category "Development of Broadband Infrastructure and Services" is related to investments in broadband access infrastructure equipment, transmission systems, preparation of broadband access sites and infrastructure in building facilities and procurement of broadband access terminal equipment The difference in relation to the budgeted sum is due to the delayed delivery of OTE's exchanges.
3. The category "Procurement of EDP software and hardware" is related to investments for the procurement of IT systems (equipment and software).
4. The category "Market share expansion" is related to expenses made for the promotion of the company's services. These expenses are advertising, suitable marketing policies and the enhancement of the commercial agreements. The difference in relation to the budgeted sum is due to the delayed delivery of OTE's exchanges (see note.2), resulting in the delay of the new commercial policy's application.
5. The category "Working Capital" is related to the partial repayment of the company's short term borrowings.
6. The category "Issuing expenses" is related to expenses made for consulting fees, taxes and duties, various directly related expenses to issue as well as the fees paid to the financial advisor.
7. The unused funds as at 31.12.2006 equal to € 91,887,575 are invested as follows:

- Bonds	68.130.477
- Time Deposits	20.900.000
- Sight Deposits	2.857.098
Total	**91.887.575**

Chairman of the BoD	Chief Executive Officer	Financial Director	Chief Accountant
Ioannis Averof	Pantelis Tzortzakis	Georgios Karakovounis	Spyros Kosmas
I.D. N 772354	I.D. X 072948	I.D. N 536124	I.D. Ξ 324578
		O.E.E.License No 0036987 A' Class	O.E.E.License No 0016310 A' Class

REPORT OF FINDINGS OF THE AGREED UPON PROCEDURES TO THE BOARD OF DIRECTORS OF FORTHNET S.A

We have performed the following agreed upon procedures related to the attached "Table of Distribution from capital raised through share capital increase of «FORTHNET S.A.» («the Company») with cash". The specific report is solely responsibility of the Company's Administration. Our work has been done based on the International Standards on Related Services «ISRS 4400», which is applied in agreed upon procedures cases. Our responsibility is to proceed in the agreed upon procedures below and report our findings. The agreed upon procedures and findings are as follows:
1. It is confirmed that the data in the columns with title: «Intended use of funds according to Prospectus» result indeed from the company's prospectus.
2. It is confirmed that the data in the columns with title: «Funds allocation»: (a) until 30.06.2006 result from the related published statement as of August 28th 2006 and (b) from July 1st to December 31st 2006 result from the company's accounting books.

As a result of the above agreed upon procedures we have not traced any exemptions. Based on the fact that the above procedures do not present an audit or a review according to the International Standards on Auditing and the International Survey Standards, we do not express any audit opinion, beyond our findings. Our report is solely provided to the FORTHNET's S.A. Board of Directors regarding their obligations to the Supervising Authorities. The present report is limited to the data provided above and does not include the Company's financial statements.

Athens, 20 March 2007

The Certified Auditors Accountants

Christos Pelentridis SOEL REG. NO. 17831	Stavros Saloustros SOEL REG. NO. 14611
ERNST & YOUNG (HELLAS) CERTIFIED AUDITORS S.A. SOEL REG. NO. 107	SOL S.A. CERTIFIED AUDITORS SOEL REG. NO. 125
ERNST & YOUNG	ΣΟΛ α.ε. ΟΡΚΩΤΟΙ ΕΛΕΓΚΤΕΣ ΛΟΓΙΣΤΕΣ

9.10.FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31st, 2006

forthnet

HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A. (FORTHNET S.A.)

FINANCIAL DATA & INFORMATION FOR THE PERIOD (01/01/2006 - 31/12/2006)

(Published based on Corporate Law 2190, article 135 for corporations that report annual financial statements, consolidated or not, according to IFRS)

The financial data and information provided below, aim to provide a general overview of **FORTHNET S.A** financial situation and results.
As a result of this, we recommend to any potential investor, that before engage in any type of investment activity or any other kind of transaction with the Company, to visit the Company's web site at the electronic addrress www.forthnet.gr, where all interim condensed financial statements according to IFRS as well as the Audit Review report are posted.

(Amounts in euro)

GENERAL INFORMATION:

Head Office :	Technology Park of Crete - Vasilika - Voutes 710 03 - Heraklion - Crete
S.A. Register:	34461/06/B/95/94
Authority:	Ministry of Development, Secretary of Commerce
Date of Approval of the Annual Financial Statements:	19th March 2007
The Certified Auditors - Accountants:	Chris Pelendridis, Stavros Saloustros
Auditing Companies:	ERNST & YOUNG , SOL S.A.
Review Report:	Upon approval
Website:	www.forthnet.gr

Board of Directors:
Averof Ioannis - Chairman, Non executive member
Gonticas Constantine - Vice-chairman, Non executive member
Tzortzakis Pantelis - Chief Executive Officer, Executive member
Stratos Iason, Non executive member
Traganitis Apostolos, Non executive member
Gulandris Dimitrios, Non executive member
Koutsoudakis Georgios, Non executive member
Pagiatakis Alkiviadis, Non executive member
McInroy Bruce, Non executive member

ANNUAL BALANCE SHEET

	GROUP		COMPANY	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
ASSETS				
Non current assets	106.322.340	80.308.165	106.811.117	78.501.440
Inventories	1.288.591	487.249	1.169.126	414.864
Trade accounts receivable	30.590.574	31.463.637	28.399.734	30.971.612
Other current assets	100.851.205	12.510.218	99.890.990	12.043.313
TOTAL ASSETS	**239.052.710**	**124.769.269**	**236.270.967**	**121.931.229**
EQUITY AND LIABILITIES				
Non-Current Liabilities	4.675.078	39.367.149	4.533.061	39.156.873
Current Bank Liabilities	35.004.391	3.711.986	34.000.000	2.000.000
Othrer Current Liabilities	47.859.269	31.354.313	46.368.165	28.904.955
Total Liabilities (a)	87.538.738	74.433.448	84.901.226	70.061.828
Share capital	45.478.005	20.212.447	45.478.005	20.212.447
Other Equity Elements	105.999.182	30.085.045	105.891.736	31.656.954
Total Shareholders equity (b)	151.477.187	50.297.492	151.369.741	51.869.401
Minority interests (c)	36.785	38.329	-	-
Total Equity (d)= (b)+(c)	151.513.972	50.335.821	151.369.741	51.869.401
TOTAL LIABILITIES AND EQUITY (e) = (a) + (d)	**239.052.710**	**124.769.269**	**236.270.967**	**121.931.229**

ANNUAL STATEMENT OF INCOME

	GROUP		COMPANY	
	01.01-31.12.2006	01.01-31.12.2005	01.01-31.12.2006	01.01-31.12.2005
Revenues	97.600.534	91.559.451	92.756.031	87.959.198
Gross Profit / (Loss)	16.002.401	26.905.321	14.632.304	25.773.803
Profi/ (Losses) before taxes, financing and investing activities	**(18.713.710)**	**1.949.532**	**(18.660.257)**	**2.056.094**
Profit/ (Losses) before taxes, financing, investing activities and depreciation	**(4.975.932)**	**13.543.913**	**(5.619.953)**	**11.039.593**
Profit/ (Loss) Before Income Taxes	**(19.379.937)**	**321.365**	**(19.172.345)**	**513.172**
Income taxes	2.680.501	(1.435.229)	2.714.996	(1.410.466)
Profit/ (Loss) After Income Taxes from Continuing Operations (a)	**(16.699.436)**	**(1.113.864)**	**(16.457.349)**	**(897.294)**
Profit/ (Loss) After Income Taxes from Discontinuing Operations (b)	-	-	-	-
Profit/ (Loss) After Income Taxes (From Continuing and Discontinuing Operations) (c)	**(16.699.436)**	**(1.113.864)**	**(16.457.349)**	**(897.294)**
Attributable to:				
Equity holders of the parent	(16.698.583)	(1.125.527)	(16.457.349)	(897.294)
Minority interests	(853)	11.663	-	-
(Losses) after taxes per share - Basic (in €):	(0,56)	(0,07)	(0,55)	(0,05)

STATEMENT OF CHANGES IN EQUITY

	GROUP		COMPANY	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Shareholder's Equity at beginning of period including minority interests (01.01.2006 and 01.01.2005 respectively)	**50.335.821**	**50.407.240**	**51.869.401**	**51.459.036**
- Profit/ (Losses) after taxes	(16.699.436)	(1.113.864)	(16.457.349)	(897.294)
	33.636.385	**49.293.376**	**35.412.052**	**50.561.742**
- Issuance of share capital	117.385.494	910.043	117.385.494	910.043
- Increase of paricipation in subsidiary	-	(265.214)	-	-
- Absorption of Subsiadiary	-	-	(1.920.589)	-
- Distribution of reserves of a subsidiary to minority shareholders	(691)	-	-	-
- Employee stock option plan	492.784	397.616	492.784	397.616
Shareholder's Equity at the end of period including Minority interests (31.12.2006 and 31.12.2005 respectively)	**151.513.972**	**50.335.821**	**151.369.741**	**51.869.401**

ANNUAL CASH FLOW STATEMENT

	GROUP		COMPANY	
	01.01 - 31.12.2006	01.01 - 31.12.2005	01.01 - 31.12.2006	01.01 - 31.12.2005
Cash flow from Operating activities				
Profit/ (Loss) before taxes	(19.379.937)	321.365	(19.172.345)	513.172
Add / Less adjustments for:				
Depreciation and amortization	13.737.778	11.594.381	13.040.304	8.983.499
Provisions	3.744.837	1.519.472	3.495.691	1.447.132
Employee stock option plan	492.784	397.616	492.784	397.616
(Gains)/ Losses on disposal of property, plant, equipment and intangible assets	(11.962)	51.386	(15.236)	(16.700)
Gains on disposal of financial assets	(2.166.927)	(165.999)	(2.257.822)	(150.372)
Financial (income)/expenses, net	2.833.153	1.745.280	2.769.910	1.644.649
Add/ less adjustments for changes in working capital related to operating activities:				
Increase / (decrease) Inventories	(801.342)	(226.109)	(754.262)	(231.268)
Increase/ (decrease) Trade accounts receivable and prepayments	(5.853.541)	(11.767.019)	(6.233.831)	(11.422.918)
(Increase) / decrease Liabilities (other than Bank loans)	4.051.981	(434.322)	3.803.381	(670.729)
Less:				
Interest and related expenses paid	(2.043.096)	(1.632.435)	(1.988.318)	(1.531.803)
Net cash from operating activities (a)	(5.396.272)	1.403.616	(6.819.744)	(1.037.722)
Cash flow from Investing activities				
Increase of participartion in subsidiary	-	(280.714)	-	(280.714)
Capital expenditure for property, plant and equipment	(25.141.208)	(16.054.732)	(23.848.708)	(12.722.496)
Purchase of property, plant, equipment and intangible assets	50.187	90.296	46.467	90.089
Interest and related income received	2.160.779	105.013	2.257.822	101.727
Purchases of financial assets at fair value with changes in net results	(68.282.477)	-	(68.282.477)	-
Purchase of available for sale financial assets	(53.552)	(22.605)	(39.525)	(17.505)
Proceeds from sale of financial assets	-	318.137	-	317.267
Net cash used in investing activities (b)	(91.266.271)	(15.844.605)	(89.866.421)	(12.511.632)
Cash flow from Financing activities				
Proceeds from the issuance of Share capital Increase	116.356.667	910.043	116.356.667	910.043
Proceeds from long-term borrowings	-	33.531.684	-	33.531.684
Repayment of long-term borrowings	-	(17.277.124)	-	(17.277.124)
Distribution of reserves of a subsidiary to minority shareholders	(691)	-	-	-
Net change in short-term borrowings	(2.707.595)	(4.904.704)	(3.500.000)	(5.300.000)
Net change in finance lease creditors	(179.176)	2.030.513	(121.991)	1.862.310
Net cash from financing activities (c)	113.469.205	14.290.412	112.734.676	13.726.913
Net increase / (decrease) in Cash (a) + (b) + (c)	**16.806.662**	**(150.577)**	**16.048.511**	**177.559**
Cash at Beginning of period	**8.170.642**	**8.321.219**	**7.872.012**	**7.694.453**
Cash of absorped companies	-	-	**100.539**	-
Cash at the end of period	**24.977.304**	**8.170.642**	**24.021.062**	**7.872.012**

ADDITIONAL DATA AND INFORMATION

1. The above financial statements during the period 1/1/2006-31/12/2006, have been approved by the members of the Board on 19/03/2007.
2. The parent company has not been tax audited during the fiscal years 2003-2006, while the absorbed companies MBA S.A. & INTERNET HELLAS S.A. for the fiscal years 2001-2005 and 1999-2004 respectively.
3. At 31/12/2006 the Group's total number of employees reached 759, while the parent company's 702. At 31/12/2005 the Group's relative number of employees was 637, while the parent company's 579.
4. There are not any real burden on the Group's real estate.
5. There are no disputes or issues under arbitration, or decisions issued by legal or arbitration bodies affecting the Group's financial status.
6. Same accounting methods and assessments have been used as in prior fiscal years.
7. The companies which are incorporated in the consolidated financial statements are:

Copmany name	Head office	Percentage participation	Consolidation method	Unaudited tax years
FORTH CRS S.A.	Greece	99.31%	Full	4 (2003-2006)
TELEMEDICINE TECHNOLOGIES SA	France	94.40%	Full	-

8. All balance sheet and statement of income information of the 100% subsiadiary MBA S.A., which has been absorbed in the Spin off balance sheet of 31/12/2005, have been incorporated in FORTHnet's balance sheet as of 1/1/2006.
Consequently the parent company's FORTHnet S.A. financial information in the current period annual financial statements are not comparable to the corresponding period of the previous fiscal year. Additional information can be found in the financial statements.
9. Some financial items of the previous fiscal year have been restated in order to be comparable to the current fiscal years' items. More information are provided in the financial state
10. The accumulated sales and purchases since the begining of the current fiscal year as well as the companys' trade accounts receivable and payable balances at the end of the curre that have resulted from the transactions with its related parties, according to IFRS 24, are as follows:

(Amounts in euro)	Group	Company
a) Sale of Goods and Services	163.482	262.227
b) Purchase of Goods and Services	613.030	638.463
c) Receivables	14.192	770.356
d) Liabilities	5.069	16.792
e) Fees of Managers and members of the Board of Directors	1.441.004	1.303.927
f) Amounts owed by Managers and members of the Board of Directors	-	-
g) Amounts to Managers and members of the Board of Directors	53.354	53.354

Heraklion, 19th March 2007

PRESIDENT OF B.O.D.	CHIEF EXECUTIVE OFFICER	CHIEF FINANCIAL OFFICER	FINANCIAL DIRECTOR	CHIEF ACCOUNTANT
AVEROF IOANNIS I.D. number N 772354	TZORTZAKIS PANTELIS I.D. number X 072948	KANELLOPOULOS PAVLOS I.D. N 006982	KARAKOVOUNIS GEORGE I.D. number N 536124 License Number 0036987	KOSMAS SPYROS I.D. number Ξ 324578 License Number 0016310

10. INTERCOMPANY TRANSACTIONS

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

2006	In € thousand	Purchase of					
	Company	Forthnet S.A.	FORTH CRS S.A.	FORTH e-com S.A.*	ATHLONET S.A.*	FORTH	Total
Sale of	Forthnet S.A.,		98.75	18.07	17.67	127.73	262.23
	FORTH CRS S.A.	25.43					25.43
	FORTH e-com S.A.*	520.00					520.00
	ATHLONET S.A.*	14.28					14.28
	FORTH	78.75					78.75
	Total	638.46	98.75	18.07	17.67	127.73	

** Not consolidated with the Company*

2006	In € thousand		Liability of					
	Company	Forthnet S.A.	FORTH CRS S.A.	TELEMEDICINE TECHNOLOGIES S.A.	FORTH e-com S.A.*	ATHLONET S.A.*	FORTH	Total
Receivable of	Forthnet A,E,		419.49	336.67	0.00	0.00	14.19	770.35
	FORTH CRS S.A.	11.72						11.72
	FORTH e-com S.A.*	0.00						0.00
	ATHLONET S.A.*	3.00						3.00
	FORTH	2.07						2.07
	Total	16.79	419.49	336.67	0.00	0.00	14.19	

** Not consolidated with the Company*

11. ARTICLE 10 L. 3401/2005 INFORMATION

DATE	SUBJECT	ADDRESS
19/01/2006	19/01/2006 Commencement of trading of shares of the Stock Option Plan	www.ase.gr
02/02/2006	2/2/2006 Answer to ASE's Letter with regard to the development of privately-owned infrastructure in metropolitan networks in Athens and Thessaloniki	www.ase.gr
02/02/2006	02/02/2006 Changes in Shareholders - Participation Interest	www.ase.gr
02/02/2006	02/02/2006 Announcement	www.ase.gr
06/02/2006	06/02/2006 Resignation of Board of Directors Members	www.ase.gr
07/02/2006	07/02/2006 Answer to ASE's Letter with regard to the Increase in the Share Capital of the company	www.ase.gr
07/02/2006	07/02/2006 New composition of the Board of Directors	www.ase.gr
07/02/2006	07/02/2006 Correction of certain amounts from Financial Data and Information of the Group for the periods 1/1/05 - 30/6/05 and 1/1/05 until 30/09/05 as well as in the Interim Financial Statements of the Group for the same periods.	www.ase.gr
13/02/2006	13/02/2006 Repeat of the company's announcement on 7/2/2006 with regard to the amounts reform from the Financial Data and Information of the Group for the periods 1/1/05 - 30/6/05 and 1/1/05 until 30/09/05 as well as in the Interim Financial Statements of the Group for the same periods.	www.ase.gr
14/02/2006	14/02/2006 Answer to ASE's Letter	www.ase.gr
23/02/2006	23/02/2006 Invitation to the Extraordinary General Assembly of Shareholders	www.ase.gr
15/03/2006	15/03/2006 Financial Results of FORTHnet S.A. for the fiscal year ended at December 31, 2005 - Sales Increase (+13.6%), Profitability	www.ase.gr
16/03/2006	16/03/2006 Mr. Spyros Kosmas assumes the position of Chief Accountant	www.ase.gr
20/03/2006	20/03/2006 BoD's incorporation	www.ase.gr
21/03/2006	21/03/2006 Decisions of the Shareholders General Assembly Meeting	www.ase.gr
29/03/2006	29/03/2006 Effectuation of the Investment Plan 2006-2009	www.ase.gr
10/04/2006	10/04/2006 Changes in Shareholders - Participation Interest	www.ase.gr
10/04/2006	10/04/2006 Changes in Shareholders - Participation Interest	www.ase.gr
19/04/2006	19/04/2006 Planned Corporate Actions	www.ase.gr
26/04/2006	26/04/2006 The Prospectus approved by the Capital Market Commission (CMC) at Investors disposal	www.ase.gr
26/04/2006	26/04/2006 Attendance in the processes of undertaking of work or supplies according to the provisions of paragraph 1, Artcl.15, L. 2328/1995	www.ase.gr
27/04/2006	27/04/2006 Share capital increase through cash payment and a pre-emptive right in favour of old shareholders: Ex-rights date & pre-emptive rights trading period	www.ase.gr
10/05/2006	10/05/2006 Announcement of First Quarter 2006 Results: Significant increase in ADSL subscribers - Increase in revenues - Increase in customer acquisition costs	www.ase.gr
12/05/2006	12/05/2006 Merger by absorption of the company "MEDITERRANEAN BROADBAND ACCESS S.A."	www.ase.gr
17/05/2006	17/05/2006 Supplement of the Prospectus approved by the Capital Market Commission (CMC)	www.ase.gr
24/05/2006	24/05/2006 Full subscription: Share capital increase through cash payment and a preemptive right in favour of existing shareholders	www.ase.gr
25/05/2006	25/05/2006 Commencement of trading of shares after a share capital increase with cash payment	www.ase.gr
07/06/2006	07/06/2006 Invitation of Ordinary General Assembly of Shareholders of "HELLENIC TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS SOCIETE ANONYME" and with the discreet title FORTHnet A.E.	www.ase.gr
08/06/2006	08/06/2006 Schedule of Planned Corporate Actions	www.ase.gr
08/06/2006	08/06/2006 Answer to ASE's Letter	www.ase.gr
13/06/2006	13/06/2006 Announcement	www.ase.gr
15/06/2006	15/06/2006 Answer to ASE's Letter	www.ase.gr
19/06/2006	19/06/2006 Annual Report for the Fiscal Year 2005	www.ase.gr
30/06/2006	30/06/2006 Treasury Shares were not acquired	www.ase.gr
04/07/2006	04/07/2006 Decisions of the Shareholders General Assembly Meeting	www.ase.gr
04/07/2006	04/07/2006 Purchase of Treasury Shares	www.ase.gr
06/07/2006	06/07/2006 Announcement	www.ase.gr
12/07/2006	12/07/2006 Changes in Shareholders - Participation Interest	www.ase.gr
31/08/2006	31/08/2006 FORTHnet Results H1 2006	www.ase.gr
09/10/2006	09/10/2006 Announcement	www.ase.gr
30/11/2006	30/11/2006 FORTHnet Results for the 9-months to Sep 2006	www.ase.gr

12. AVAILABILITY OF FINANCIAL STATEMENTS

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