

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

FINANCIAL STATEMENTS

PARENT COMPANY AND CONSOLIDATED AS AT

31 DECEMBER 2005

IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING

STANDARDS

FREE TRANSLATION FROM THE GREEK ORIGINAL

The attached Financial Statements are those that were approved by the Board of Directors of COSMOTE MOBILE TELECOMMUNICATIONS S.A on 3 March 2006 and have been published by posting on the Internet at the web site address www.COSMOTE.gr

COSMOTE MOBILE TELECOMMUNICATIONS SA
FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED) AS AT 31 DECEMBER 2005

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BOARD OF DIRECTORS REPORT
OF COSMOTE MOBILE TELECOMMUNICATIONS S.A.
ON THE STAND ALONE AND CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2005

The Board of Directors of COSMOTE MOBILE TELECOMMUNICATIONS S.A. (“COSMOTE” or the Company) presents its Report for the Annual Standalone and Consolidated Financial Statements for the year ended on 31 December 2005, according to article 136 of Codified Law 2190/1920.

The Financial Statements were prepared in accordance with the International Financial Reporting Standards.

2005 ACHIEVEMENTS

2005 has been a milestone year for COSMOTE with important developments and significant achievements that highlight the Company’s transition to a new era of growth and opportunities.

During 2005 the Company, while maintaining its leading position in the intensely competitive domestic market, set the foundations to become a leading mobile operator in South East Europe with an extensive footprint in five regional markets, with the acquisition and integration of three new companies in the Balkans (GLOBUL in Bulgaria, COSMOFON in FYROM and COSMOTE ROMANIA - formerly COSMOROM - in Romania). Today, through these companies along with AMC in Albania, the Company is addressing 45 million potential customers, in a market with significant growth potential and multiple business opportunities.

To highlight this new era of growth for the Company, COSMOTE unveiled in 2005 its new logo. It also introduced to the Greek market 3rd generation i-mode services and continued to introduce innovative products, such as a new range of bundled packages and the “family pack” scheme, aiming to encourage its customers’ usage and traffic on its network.

The Company’s successful strategic planning is evident in its financial and operational performance for 2005, which proves its ability to achieve and surpass its targets. In 2005 COSMOTE succeeded in achieving its revenue and profitability growth targets, maintaining high returns for its shareholders, in contrast to the general negative performance of the sector in Europe. Group operating revenues for 2005 posted an annual increase of 13.2%. Turnover growth was driven mainly by the increased usage in Greece, the consolidation of GLOBUL and COSMOFON for 5 and approximately 4 ½ months respectively (adding approximately 9%) and the ongoing growth in Albania. COSMOTE Group net income, after tax and minority interests, increased by 10% compared to 2004.

In Greece, COSMOTE continues to enjoy growth mainly from higher usage while at the same time improving its margins profitability and cash flow generation, despite the intense competitive environment and the maturity of the market. AMC sustains its profitability levels and gains from the increasing penetration levels. GLOBUL, having invested in a robust network during the last few years while being focused on a competitive commercial policy, continues its impressive performance on all fronts, within an intensifying competitive environment and new challenges, due to the launch of the third operator in the Bulgarian mobile market and the accelerated growth of its subscriber base. COSMOFON showed positive operating profitability (EBITDA) for the first time and enhanced its market share; finally, COSMOTE ROMANIA launched operations as scheduled and is now focusing on its plan of exploiting the attractive prospects of the market, investing heavily in enhancing its telecommunication network.

The diverse profile of COSMOTE's operations in South East Europe and their promising outlook are expected to provide the ground for continuing the Group's profitable growth over the coming years.

SOURCES AND USES OF CAPITAL

During 2005, since the time, the new acquisitions were consolidated for the first time and onwards, COSMOTE Group capital expenditure reached approximately EURO 263 million. On a yearly basis, capital expenditure for all Group companies reached approximately EURO 333 million in 2005. Significant investments were undertaken by GLOBUL, totaling approximately EURO 127 million for the financial year 2005, in order to further enhance its telecommunication network coverage and capacity so as to accommodate the requirements of its expanding customer base. Looking ahead, COSMOTE will continue to invest heavily in Romania in accordance with its targets. Investments in mature networks are expected to be limited to below 10% of sales over time, allowing the Group to enhance its free cash flow generation.

The Group's main sources of capital during 2005 were the three bond loans fully adopted subscribed by OTE plc, as it is further described in detail in the notes to the Annual Financial Statements. Total Group net debt¹ amounted approximately EURO 1,0 billion, including EURO 336 million debt of the international subsidiaries. The Group's free cash flow for 2005 was EURO 65.7 million.

The relevant net debt to equity ratio for the Group is:

	31/12/2005	31/12/2004
Net Debt to Equity	131.5%	8.5%

DIVIDEND POLICY

The Board of Directors intends to recommend to the 9th Annual General Shareholders Assembly the distribution of an annual dividend for the fiscal year 2005 of a total amount of EURO 216,897,271.5 (EURO 0.65 per share).

2006 OUTLOOK

2006 will be a challenging year (intense competition, high penetration, regulatory environment) both in Greece and abroad. The Group is already starting to reap the benefits of a carefully planned expansion strategy and will continue striving to improve its presence in the countries that the Group operates, ultimately targeting sustainable profitable growth, while it investigates opportunities for expansion in new developing markets.

The Management's main targets for 2006 are:

- Improve market position in all countries the Group operates
- Exploit rapid penetration in the Balkan markets and usage growth in all markets it operates
- Expand distribution network
- Maximize profitability and free cash flow generation on Group level by exploiting synergies and CAPEX savings
- Explore potential new investment opportunities with growth characteristics
- Maintain dividend policy
- Sustain an optimal capital structure in the medium term, taking into account potential expansion opportunities

Net Debt: Total of long term and short term borrowings minus cash and cash equivalents

COSMOTE MOBILE TELECOMMUNICATIONS S.A.INCOME STATEMENTS (PARENT COMPANY AND CONSOLIDATED) FOR THE YEAR ENDED
31 DECEMBER 2005

(In thousands of EURO, unless otherwise is stated)

		<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>NOTE</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Operating revenue	5	1,797,608	1,587,797	1,517,464	1,470,696
Operating expenses	6	(1,272,264)	(1,100,714)	(1,047,983)	(1,032,924)
Gross profit		525,344	487,083	469,481	437,772
Other revenue	6.2	11,965	2,832	513	298
Other expenses	6.2	(14,538)	(1,458)	(2,886)	(1,108)
		(2,573)	1,374	(2,373)	(810)
Financial income	6.3	7,594	5,163	14,989	4,993
Financial expenses	6.3	(24,770)	(11,273)	(17,827)	(10,836)
		(17,176)	(6,110)	(2,838)	(5,843)
Profit before tax		505,595	482,347	464,270	431,119
Income tax expense	6.4	(164,545)	(166,925)	(148,639)	(153,266)
Profit after tax		341,050	315,422	315,631	277,853
Attributable to:					
Parent Company		339,921	309,135	315,631	277,853
Minority interest		1,129	6,287	-	-
Net Profit for the year after taxes		341,050	315,422	315,631	277,853
Basic earnings per share (EURO)	9	<u>1.02</u>	<u>0.93</u>	<u>0.95</u>	<u>0.84</u>
Diluted earnings per share (EURO)	9	<u>1.02</u>	<u>0.93</u>	<u>0.95</u>	<u>0.84</u>

The attached Financial Statements on pages 4 to 56 which have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, have been approved by the Board of Directors on 3 March 2006 and are signed, of its behalf, by:

Chairman of the BOD

Managing Director

Panagis Vourloumis

Evangelos Martigopoulos

Chief Financial Officer

Accounting Director

Elias Fotiadis

John Hohorelos

The attached notes on pages 12 to 56 are an integral part of these Financial Statements.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
BALANCE SHEETS (PARENT COMPANY AND CONSOLIDATED) AS AT 31 DECEMBER 2005
(In thousands of EURO, unless otherwise is stated)

	Notes	THE GROUP		THE COMPANY	
		31/12/2005	31/12/2004	31/12/2005	31/12/2004
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	1,462,856	901,836	737,827	782,093
Goodwill	12	62,415	60,729	-	-
Licences	12	391,405	237,407	223,276	237,407
Investments	13	909	1,710	707,783	92,794
Deferred tax assets	8	11,332	5,045	1,067	2,511
Other non- current assets		3,205	2,716	3,013	2,525
Total Non-Current Assets		1,932,122	1,209,443	1,672,966	1,117,330
Current Assets					
Inventories	14	26,099	16,015	14,522	15,563
Trade receivables	15	205,307	146,737	125,833	111,718
Due from related companies	10	17,687	25,472	23,051	27,476
Mutual funds	16	834	800	834	800
Other current assets	17	37,016	16,142	17,072	14,810
Cash and cash equivalents	18	330,113	264,360	217,487	239,496
Total Current Assets		617,056	469,526	398,799	409,863
TOTAL ASSETS		2,549,178	1,678,969	2,071,765	1,527,193
EQUITY AND LIABILITIES					
Equity					
Share capital	19	156,264	155,658	156,264	155,658
Share premium reserve	19	173,445	160,708	173,445	160,708
Legal reserve	20	52,751	45,717	52,088	45,054
Consolidation reserve	13	(185,688)	-	-	-
Translation reserve	22	3,766	3,194	34	-
Retained earnings		450,985	606,838	340,062	520,205
Total equity attributable to equity holders of the Parent Company		651,523	972,115	721,893	881,625
Minority interest		105,403	27,364	-	-
Total Equity		756,926	999,479	721,893	881,625
Long term liabilities					
Borrowings	23	1,124,059	-	837,579	-
Employee retirement benefits	24	4,051	2,902	4,019	2,902
Deferred tax liabilities	8	7,712	13,657	-	-
Other long-term liabilities	25	19,285	33,097	17,809	32,662
Total Long-term Liabilities		1,155,107	49,656	859,407	35,564
Current liabilities					
Current portion of non current liabilities		16,189	16,141	16,141	16,141
Short-term borrowings	23,27	201,192	348,923	201,000	347,226
Trade payables	28	260,584	114,763	148,691	106,064
Due to related companies	10	12,248	1,113	5,688	462
Income tax payable		65,781	86,226	62,505	84,920
Other current liabilities	29	81,151	62,668	56,440	55,191
Total Current Liabilities		637,145	629,834	490,465	610,004
Total Liabilities		1,792,252	679,490	1,349,872	645,568
TOTAL EQUITY AND LIABILITIES		2,549,178	1,678,969	2,071,765	1,527,193

The attached notes on pages 12 to 56 are an integral part of these Financial Statements.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

STATEMENTS OF MOVEMENT IN EQUITY (PARENT COMPANY AND CONSOLIDATED) FOR THE YEAR ENDED 31 DECEMBER 2005

(In thousands of EURO, unless otherwise is stated)

	THE GROUP								THE COMPANY				
	Share capital	Share premium reserve	Legal reserve	Translation reserve	Retained earnings	Total	Minority interest	Total	Share capital	Share premium reserve	Legal reserve	Retained earnings	Total
Balance 01/01/2004	155,165	151,543	31,086	(6,804)	477,928	808,918	23,020	831,938	155,165	151,543	31,086	421,916	759,710
Income statement effect													
Profit for the year	-	-	-	-	309,135	309,135	6,287	315,422	-	-	-	277,853	277,853
Equity effect													
Increase of share capital	493	8,253	-	-	-	8,746	-	8,746	493	8,253	-	-	8,746
Transfer to legal reserve	-	-	14,631	-	(14,631)	-	-	-	-	-	13,968	(13,968)	-
Dividends	-	-	-	-	(165,596)	(165,596)	-	(165,596)	-	-	-	(165,596)	(165,596)
Employee Stock Option Plan	-	912	-	-	-	912	-	912	-	912	-	-	912
Foreign exchange differences	-	-	-	9,998	2	10,000	(1,943)	8,057	-	-	-	-	-
Equity effect	493	9,165	14,631	9,998	(180,225)	(145,938)	(1,943)	(147,881)	493	9,165	13,968	(179,564)	(155,938)
Balance as at 31/12/2004	155,658	160,708	45,717	3,194	606,838	972,115	27,364	999,479	155,658	160,708	45,054	520,205	881,625

The attached notes on pages 12 to 56 are an integral part of these Financial Statements.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

STATEMENTS OF MOVEMENT IN EQUITY (PARENT COMPANY AND CONSOLIDATED) FOR THE YEAR ENDED 31 DECEMBER 2005

(In thousands of EURO, unless otherwise is stated)

	THE GROUP									THE COMPANY					
	Share capital	Share premium reserve	Legal reserve	Consolidation reserve	Translation reserve	Retained earnings	Total	Minority interest	Total	Share capital	Share premium reserve	Legal reserve	Translation reserve	Retained earnings	Total
Balance 01/01/2005	155,658	160,708	45,717	-	3,194	606,838	972,115	27,364	999,479	155,658	160,708	45,054	-	520,205	881,625
Income statement effect															
Profit for the year	-	-	-	-	-	339,921	339,921	1,129	341,050	-	-	-	-	315,631	315,631
Equity effect															
Increase of share capital	606	11,833	-	-	-	-	12,439	-	12,439	606	11,833	-	-	-	12,439
Transfer to legal reserve	-	-	7,034	-	-	(7,034)	-	-	-	-	-	7,034	-	(7,034)	-
Dividend distribution	-	-	-	-	-	(488,740)	(488,740)	-	(488,740)	-	-	-	-	(488,740)	(488,740)
Acquisition of new subsidiaries	-	-	-	(185,688)	-	-	(185,688)	75,714	(109,974)	-	-	-	-	-	-
Employee Stock Option Plan	-	904	-	-	-	-	904	-	904	-	904	-	-	-	904
Foreign exchange differences	-	-	-	-	572	-	572	1,196	1,768	-	-	-	34	-	34
Equity effect	606	12,737	7,034	(185,688)	572	(495,774)	(660,513)	76,910	(583,603)	606	12,737	7,034	34	(495,774)	(475,363)
Balance as at 31/12/2005	156,264	173,445	52,751	(185,688)	3,766	450,985	651,523	105,403	756,926	156,264	173,445	52,088	34	340,062	721,893

The accompanying notes on pages 12 to 56 are an integral part of these Financial Statements.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.**STATEMENTS OF CASH FLOWS (PARENT COMPANY AND CONSOLIDATED) FOR THE YEAR ENDED 31 DECEMBER 2005**

(In thousands of EURO, unless otherwise is stated).

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Cash flows from operating activities				
Net profit before tax and minority interest	505,595	482,347	464,270	431,119
Adjustments to:				
Provisions & foreign exchange differences	5,928	13,416	12,139	10,929
Depreciation	229,190	188,034	169,826	167,822
Gain on investments	(7,594)	(5,163)	(14,989)	(4,993)
Interest and other financial expenses	24,770	11,273	17,827	10,836
	757,889	689,907	649,073	615,713
Trade Receivables	(9,265)	3,488	(22,643)	(14,260)
Due from related companies	7,817	1,487	4,424	15,314
Due to related companies	6,112	(395)	992	(124)
Inventories	(626)	(6,178)	1,041	(6,204)
Trade payables	75,447	(33,985)	42,625	(31,260)
Other non-current assets	(494)	1,331	(488)	1,305
Other current liabilities	1,695	11,323	(1,933)	12,039
Other current assets	(8,064)	6,653	(2,262)	4,577
Cash flows from operating activities	830,511	673,631	670,829	597,100
Income tax paid	(188,973)	(151,878)	(167,470)	(144,845)
Interest expenses paid	(20,536)	(11,273)	(13,594)	(10,516)
Net cash flows from operating activities	621,002	510,480	489,765	441,739
Cash flows from investment activities				
Purchase of property, plant and equipment and intangible assets	(259,332)	(227,507)	(110,656)	(201,066)
Acquisition of subsidiaries	(486,743)	-	(614,989)	-
Disposal of subsidiaries	-	112	-	112
Acquisition of investments	-	(1,244)	-	(1,244)
Payment of 1 st installment of 3G	(16,141)	-	(16,141)	-
Acquisition of securities	-	(800)	-	(800)
Disposal of securities	9,559	-	-	-
Interest income received/Dividends	7,594	5,163	14,989	4,993
Net cash in investing activities	(745,063)	(224,276)	(726,797)	(198,005)
Cash flows from financing activities				
Proceeds from the increase of share capital	12,439	8,746	12,439	8,746
Proceeds from borrowings	1,016,021	-	1,038,500	-
Repayments of borrowings	(349,956)	(19,025)	(347,226)	-
Dividends payable from a subsidiary to minority interest	-	(2,669)	-	-
Dividends paid	(488,690)	(165,596)	(488,690)	(165,596)
Net cash used from financing activities	189,814	(178,544)	215,023	(156,850)
Net increase/(decrease) in cash and cash equivalents	65,753	107,660	(22,009)	86,884
Cash and Cash equivalents at beginning of the year	264,360	156,700	239,496	152,612
Cash and Cash equivalents at the end of the year	330,113	264,360	217,487	239,496

The attached notes on pages 12 to 56 are an integral part of these Financial Statements.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

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COSMOTE MOBILE TELECOMMUNICATIONS S.A.

NOTES TO THE FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED).

(In thousands of EURO, unless otherwise is stated)

1. Incorporation and activities of the Group

COSMOTE MOBILE TELECOMMUNICATIONS S.A. (hereinafter referred to as the "Company" or "COSMOTE") was incorporated in 1996 as a societate anonime, in order to provide mainly mobile telecommunications services (is located at the 44, Kifissias Avenue, Maroussi, R.N 36581/06/B/96/102).

The Consolidated Financial Statements of COSMOTE and its subsidiaries (hereinafter referred to as "Group") are included in the Consolidated Financial Statements of OTE AE (is located at the 99, Kifissias Avenue Maroussi, R.N 347/06/B/86/10).

The Group except of COSMOTE comprises from the following consolidated subsidiaries:

<u>Company</u>	<u>Line of Business</u>	<u>Location</u>	<u>Ownership Interest</u>	
			<u>31/12/2005</u>	<u>31/12/2004</u>
• COSMO-HOLDING ALBANIA (1)	Holding Company	Greece	97%	97%
• OTE MTS Holding BV (2)	Holding Company	Holland	100%	-
• S.C. COSMOTE ROMANIAN MOBILE TELECOMMUNICATIONS S.A. (3)	Mobile Telecommunications Services	Romania	70%	-
• COSMOBULGARIA MOBILE EAD (GLOBUL) (4)	Mobile Telecommunications Services	Bulgaria	100%	-

(1) COSMOS-ALBANIA S.A., with the common use title of COSMO-HOLDING ALBANIA ("CHA") holds 85% of the share capital of Albania Mobile Communications Sh.a ("AMC"). AMC is one of the two mobile telecommunications companies in Albania. The shareholders of AMC are except of CHA, the Albanian State, with a percentage of 12.68% and third parties with a percentage of 2.32%. Since August 2000 COSMOTE participates in CHA with a percentage of 97% and TELENOR MOBILE COMMUNICATIONS A.S. with a percentage of 3%.

(2) In August 2005 through the acquisition of the shares of the Dutch holding company OTE MTS Holding BV, COSMOTE acquired the 100% of the shares of the mobile telecommunication company, COSMOFON MOBILE TELECOMMUNICATIONS AD-Skopje ("COSMOFON").

(3) In July 2005, the 70% of the Romanian mobile telecommunication company, COSMOROM was acquired. The other shareholder of COSMOROM is ROMTELECOM which holds the 30% of its share capital. It is noted that since 24 October 2005, COSMOROM was renamed to S.C. COSMOTE ROMANIAN MOBILE TELECOMMUNICATIONS S.A ("COSMOTE ROMANIA").

(4) In August 2005, COSMOTE acquired the 100% of the shares of the mobile telecommunications company, COSMOBULGARIA MOBILE EAD ("GLOBUL").

The Company's and Group's employees at 31 December 2005 amounted to 2,182 and 4,121 respectively.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

NOTES TO THE FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED).

(In thousands of EURO, unless otherwise is stated)

2. Basis of preparation of the Financial Statements

2.1 Preparation of the Financial Statements: The attached Parent and Consolidated Financial Statements (hereinafter referred to as the «Financial Statements») have been prepared on the historical cost basis, except for the valuation of assets and liabilities which are at fair value. As further explained in note 2.2 the Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretation which have been adopted by the European Union, by applying IFRS 1 «First Time Adoption of International Financial Reporting Standards», with a transition date of 1 January 2004.

2.2 First Time Adoption of IFRS: The Company's Financial Statements were prepared until 31 December 2004 in accordance with the Codified Law 2190/1920 and Greek Accounting Principles (Greek GAAP), which in many cases differed from IFRS. In accordance with European Law 1606/2002 and based on the Law 3229/04 as amended by Law 3301/04, Greek companies that are listed on any Stock Exchange (domestic or foreign) must prepare their financial statements beginning with the year commencing 1 January 2005 and onwards in accordance with IFRS. In accordance with IFRS 1 and the abovementioned laws, the aforementioned companies must provide comparative financial statements, in accordance with IFRS at least for one year (31 December 2004).

The attached Financial Statements have been prepared in accordance with IFRS, which were in force as at 31 December 2005, which is the first year of preparation of Financial Statements where IFRS have been applied. Explanations of how the transition to IFRS has affected the Group's Financial Statements are presented in Note 4.

The accounting policies presented below, are implemented on a consistent basis in all years and by all the Group's subsidiaries.

2.3 Effect of recently issued accounting standards (IFRS or IAS) and interpretations: The Group applies the provisional regulations of IFRS 2 («Share-based payments»), that was issued in 19 February 2004 related to the stock options that have been granted to the employees subsequent to 7 November 2002 and have not vested until the date of the adoption of this standard.

In accordance with the relevant provisions of IFRS 1, a company while compiling the first financial statements based on the IFRS, should apply the IFRS which will be in force during the closing date of the first financial statements for all the periods that are presented and for the transitory balance sheet as well. Consequently, since the date of the first annual financial statements of the Group based on IFRS is the 31 December 2005, all revised or new issued standards discussed above were applied for the preparation of the Financial Statements.

3. Significant Accounting Policies

The significant accounting policies adopted and followed for the preparation of the Financial Statements, in accordance with IFRS, are the following:

3.1 Management's Estimates: The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions which may affect the accounting principles and the amounts recorded in the financial statements. Those estimates and assumptions are revised on a continuous basis.

The revisions are recognized at the period they are made and effect the related reporting period if the revision effect only the current period, or the revision period and the following periods, if the revision effects both the current and the future periods. Those estimates and assumptions are based using the existing experience and other factors that are considered reasonable, under the existent circumstances. Those estimates are the basis of the decision making related to the accounting value of assets and liabilities.

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3.2 Basis of consolidation:

3.2.1 Subsidiaries The Consolidated Financial Statements include the financial statements of COSMOTE and those of the subsidiaries it controls directly or indirectly. Control exist when the parent company has the power, directly or indirectly, to govern the financial and operating policies of the subsidiaries so as to obtain benefits from them. The financial statements of the subsidiaries are consolidated with the full consolidation method and are prepared on the same reporting date, using the same accounting policies with those of COSMOTE. Appropriate adjustments are made, when necessary, to ensure consistency in accounting policies used. Intercompany balances and transactions and any intercompany profit or loss are eliminated in the Consolidated Financial Statements. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

3.2.2. Associates Associates are those entities, in which the Group has significant influence but not control over, the financial and operating policies. Significant influence, is mainly assumed to exist, when the parent company has the right to participate to the decisions of the financial and business policies, without exercising control over those decisions. The investments in associates are consolidated using the equity method. According to this method the investments initially are recognized at cost which is equal to fair value, and are adjusted to recognize the Group's share of the gains or losses after the date of the acquisition until the date that the ownership ceases and also for any changes in investment's equity. Furthermore the investment is adjusted for any accumulated impairment loss.

When the Group's share of losses, exceeds its interest in an associate, the carrying amount is reduced to nill and recognition of further losses is discontinued except to the extend that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Appropriate adjustments to the accounting policies followed by the associates are made when necessary to ensure consistency with the accounting policies of the Group.

At the Stand Alone Financial Statements of COSMOTE, the investments in subsidiaries and associates, are recognized at cost, less any accumulated impairment loss.

3.3 Investments on Financial Assets: Financial assets are classified as current assets and they are initially recognized at the fair value of the price paid while the resulted gains or losses are recorded in the Income Statement. Subsequent to the initial recognition and according to the purpose for which the assets were acquired, the investments are recorded at their fair value and any changes are recognized in the income statement. Held-to-maturity investments are carried at amortized cost less any impairment loss.

Investments which held to maturity or which can be sold presented as available for sales investments. After the initial recognition, these investments are carried at their fair value. Gains or losses derived from the evaluation of the available for sale investments, are presented in a separate account in Equity. In case of investments with interest, the interest which is calculated based on the effective interest method is recognized in the income statement.

Investments held for trading or are available for sale are recognized/derecognized on the date the Group is committed to purchase/sell the investments. Investments not held to maturity are recognized/derecognized on the day they are transferred to/by the Group.

3.4 Foreign currency translation: The Company maintains its books in Euro. Transactions in foreign currency are converted to Euro according to the foreign exchange rates ruling at the date of the transaction. At the balance sheet date, assets and liabilities which are denominated in foreign currencies, are translated to EURO using the foreign exchange rates at the respective

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balance sheet date. Gains or losses resulting from foreign exchange differences are recognized in the Income Statement.

Non monetary assets and liabilities, denominated in foreign currencies that are stated at cost are translated to EURO at foreign exchange rates ruling at the acquisition date and accordingly there are no exchange differences. Non monetary assets and liabilities denominated in foreign currencies that are state at fair value are translated to EURO at foreign exchange rates ruling at the dates the values were determined. In this case, exchange differences are part of gains or losses that derive from the evaluation of fair value and are recorded in the Income Statement or in the Equity, depending on the nature of the monetary asset and liability.

Except for operations in highly inflationary economies, where their financial statements are restated to current purchasing power prior to translation to the reporting currency, the functional currency of the Group's operations outside of Greece is the local country's foreign currency. Assets and liabilities as well as the goodwill and the fair value adjustments arising on consolidation of operations outside Greece are translated to EURO using exchange rates ruling at the Balance Sheet date. The revenues and expenses of foreign operations are translated to EURO using the average exchange rates ruling during the year which approximately the foreign exchange rates ruling at the date of transaction. All resulting exchange differences (gains or losses) are recognized in a separate component in Equity and are transferred to the Income Statement of the Group when the subsidiaries are sold.

3.5 Goodwill: Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired in business combinations. Until December 31, 2003, goodwill was amortized on a straight-line basis. Since 1 January 2004, goodwill is no longer amortized, but is instead tested for impairment (at least annually). Impairment test is carried out in accordance with the provisions of IAS 36, "Impairment of Assets". As a result, after the initial recognition, goodwill is measured at cost less any accumulated impairment losses. An impairment loss recognized for goodwill shall not be reversed in a subsequent period. Goodwill resulted on acquisitions of subsidiaries is presented as an Intangible Asset. Goodwill arising from the acquisitions of associates is included in the investments' cost. In accordance with IFRS 1 "First Time Adoption of International Financial Reporting Statements", a company which implements IFRS (for the first time) can choose not to apply IAS 22 nor IFRS 3 which replaces it, retroactively, in consolidations which took place prior to the transition to IFRS. Practically, during the first adoption of IFRS, companies which are included in the consolidated financial statements, according to the previous accounting principles can deviate from IFRS 3 and IAS 22. The Company decided not to adopt IAS 22 and IFRS 3, retroactively. Consequently, the Company recognized all the assets and liabilities which arose in previous combinations, except for a) financial assets and liabilities which had been written off in accordance with the previous accounting principles b) assets and liabilities which had not been recognized in the consolidated financial statements, according to IFRS c) wrote off any asset or liability which did not meet the criteria of recognition according to IFRS and finally recognized the book value of goodwill, at the transition date calculated according to the previous accounting principles. At 31 December 2005, the Company has carried out the required annual impairment test of goodwill and concluded that no impairment existed.

3.6 Property, plant and equipment: Items of property, plant and equipment are stated at cost, plus interest costs incurred during the period of construction, less accumulated depreciation and impairment losses.

The cost and related accumulated depreciation of property, plant and equipment sold or retired are removed from the related accounts at the time of sale or retirement, and any gain or loss is included in the Income Statements.

Expenditure incurred to replace a component of an item of the property, plant and equipment are capitalized in the cost of the related asset, if it is probable that the future economic benefits

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embodied in the item will flow to the Group. All other expenditures are recognized in the Income Statement as an expense, as incurred.

The costs related to asset retirement obligations are recognized in the period in which they are generated, if a reasonable estimate of their fair value can be made. The related asset retirement costs are capitalized as part of the carrying amount of the property, plant and equipment.

3.7 Depreciation: Depreciation of property, plant and equipment is charged to the Income Statement on a straight-line basis, over the estimated useful lives of the items, which are reviewed periodically.

3.8 Intangible assets: Intangible assets that are acquired separately, are stated at cost whereas intangible assets acquired through a business combination are stated at fair value as at the date of the acquisition. The useful life of intangible assets is assessed to be either finite or indefinite. The cost of intangible assets with a finite useful life is amortized with the straight-line method over their estimated useful life. The cost of intangible assets with an indefinite useful life is not amortized. No residual values are recognized. The useful life of intangible assets are reviewed on an annual basis. Intangible assets with indefinite useful life are tested for impairment at least annually in an individualized level or in a level of generating cash flow.

Licenses which are considered as an intangible asset are recorded at their acquisition cost and are amortized over their useful life and in any case, until the end of their legal duration.

The amortization of Intangible Assets with a finite useful life begins when the asset is available for use.

Subsequent expenditure on Intangible Assets, is capitalized only when it increases the future economic benefits embodied in the specific asset to which is related. All other expenditure is expensed as incurred.

3.9 Share capital issuance costs: Share capital issuance costs, net of the related deferred tax, are reflected as a deduction of share premium reserve.

3.10 Cash and cash equivalents: Cash and cash equivalents comprise cash balances and cash deposits. For purposes of the statements of cash flows, time deposits and other highly liquid investments with maturities of three months (at the date of acquisition) or less, are considered to be cash equivalents.

3.11 Long-term Assets/Liabilities: Long-term assets or liabilities, which are interest free or bear interest lower than prevailing market interest rates, are initially recognized in their net present value. The differences arising from discounting are presented as financial income/expenses in the Income Statement.

3.12 Inventories: Group's inventories that are consisted of sim cards, prepaid airtime cards, telephones and other accessories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated selling expenses. The reversal of any write-down, is recognized in the Income Statement in the period in which the reversal occurs.

3.13 Accounts receivable and allowance for doubtful accounts: Accounts receivable (short term) are initially recognized at their fair value. Subsequently, the related amounts are reduced for any impairment. At each balance sheet date, the collectibility of the accounts receivable are assessed based on historical trends and statistical information and a reserve is recorded for probable losses that can be quantified. The balance of such reserve is adjusted by recording a charge to the Income Statement. Receivables that are considered uncollectible are written off. Write offs of receivables' balances are made against the provision.

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3.14 Defined contributions plans: Obligations for contributions to defined pension plans are recognized as an expense in the Income Statement as incurred.

3.15 Defined benefit plans: The obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service at the date of the balance sheet. Those future benefits are discounted to determine the present value after the deduction of the fair value of any plan asset. The discount rate is the yield at the balance sheet date of the state bonds that have maturity date approximating the terms of the obligations. These obligations are calculated on the basis of financial and actuarial studies which are carried out by an independent actuarial company. Net pension cost for the year is recognized in the Income Statement and consist of the present value of the accrued benefits, interest cost on the benefits obligation, prior service cost and actuarial gains or losses. Non vested prior service costs are recognized on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the Income Statement.

The actuarial gains or losses, subsequent to 1 January 2004, are recognised during the average future working life of active employees and are included in the service cost of the year, if –at the beginning of the year- they exceed 10% of the estimated future obligation. Otherwise the actuarial gains or losses are not recognized.

3.16 Stock option plans and other benefits: The fair value of the stock option plans granted, is accounted for as an employee expense with a corresponding increase in Equity while the fair value of the other obligations are recognized as expense with a corresponding increase of the liability. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment.

The fair value of the stock option is calculated based on the generally accepted methods, taking into consideration the terms and conditions (except of market conditions) upon which these rights have been granted. As far as the stock option plan is concerned, the cost is settled, so that it reflects the real number of the registered rights, unless the restriction of the right is due to the fact that the price of the stocks did not manage to succeed the registration limit.

As far as the rest of the rights is concerned, the liability is reevaluated at each Balance Sheet date and at the deposit date, while changes in the fair value of the liability, are recognized as an expense.

3.17 Earnings per share: The basic and diluted earnings per share are calculated by dividing net profits after taxes by the weighted average number of shares of each year.

3.18 Dividends payable: The distribution of dividends is classified as a liability on the date the distribution is approved by the General Assembly of Shareholders.

3.19 Leases: Leases which transfer to the Company substantially all the risks and rewards of ownership are classified as financial leases and are accounted for by the lessee as the acquisition of an asset and the incurrence of a liability. In such case, lease payments are apportioned between the financial charges (interest cost) and the reduction of the lease liability. Financial expenses are recognized directly to income statement.

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

The lease is considered as an operating lease if based on the lease agreement the rights and obligations (risks) derived from the ownership of the asset are not transferred.

In such case the rental payments are recognized in the Income Statement as incurred based on the direct method depending on the duration of the lease.

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- 3.20 Related parties:** Transactions and balances with related parties are presented separately in the financial statements. Those related parties refer mainly to the main shareholders and the management of a company and or its subsidiaries.
- 3.21 Interest bearing loans and borrowings:** Loans are initially recognized at their fair value less any costs related to the loans. Subsequent to the initial recognition, loans are valued at their amortized cost. Gains or losses are recognized in the Income Statement through the amortization during the duration of the loans, using the effective interest rate.
- 3.22 Provisions:** Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are reviewed at each balance sheet date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed. Provisions are used only for the purpose for which they were originally recognized. Provisions are not recognized for future operating losses. Contingent assets and liabilities are not recognized.
- 3.23 Revenue:** Group's Revenues consist mainly of the sale of goods and services, net of value-added tax, rebates and discounts.

Revenues are recognized as follows:

- **Sales of goods:** Sales of goods net of discounts offered are recognized when the significant risks and rewards of ownership are transferred to the buyers and collectibility of the related receivables is reasonably assured. Retail sales are usually made either through cash payments or credit cards. In these cases the income recorded is gross, included credit cards' fees. The related credit cards' fees are recognized as distribution expenses.
- **Provision of services:** The income from provision of services is recorded in the period in which the services are provided and are analyzed in the following basic categories:

-Monthly subscription fees: Revenues related to the monthly subscription fees are recognized in the month that the telecommunication service is provided.

-Revenues from network usage: Call fees consist of fees based on airtime and traffic generated by the caller, the destination of the call and the service utilized. Interconnection fees for mobile-to-mobile and fixed to mobile calls are recognized based on incoming traffic generated from other mobile operators' networks during the period where service is offered. Unbilled revenues, from the billing cycle date to the end of each period, are estimated based on traffic and are recorded at the end of each month.

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

- **Income from dividends :** Income from dividends is recognized at the date that these dividends are approved by the General Assembly of Shareholders.
- **Interest income:** Interest income is recognized on an accrued basis (using the effective interest method).

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- 3.24 Advertising costs:** Advertising costs are expensed as incurred.
- 3.25 Borrowing costs:** Underwriting, legal and other direct costs incurred in connection with the issue of long-term debt adjust the carrying amount of the debt and are recorded to the income statement based on the effective interest rate method over the duration of the debt. Borrowing costs incurred during the construction period of tangible assets attributable to these assets, are capitalized to the cost of these assets. All other borrowing costs are recognized as an expense as incurred.
- 3.26 Income tax:** Income tax for the year comprises current and deferred income tax. Income tax is recognized in the Income Statement, except to the extent that it relates to the items recognized directly to equity in which case the tax is also recognized in the Income Statement. Current income taxes are measured on the taxable income at the balance sheet date using the enacted tax rates, at the balance sheet date.

Deferred income taxes are provided using the balance sheet liability method, providing for temporary timing differences arising between the carrying amount of Assets and Liabilities for financial reporting and tax bases of Assets and Liabilities and are calculated, using enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

The following temporary differences are not provided for: goodwill non deductible for tax purposes, the initial recognition of assets and liabilities that effect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

The value of deferred income tax assets is reviewed at each balance sheet date and is reduced by the extent that future taxable income will not be available against the asset can be utilized.

- 3.27 Derivatives:** Initially, derivatives are recognized at cost. Subsequent to initial recognition they are stated at their fair value. Derivatives are presented as assets when their fair value is positive and as liabilities when their fair value is negative. Fair value of interest rate swaps is the amount that the Group will receive or pay in order to terminate the swap at the balance sheet date, taking into account the current rates and the current creditworthiness of the swap counterparties. The fair value of the forward rate swaps is the share price as at the balance sheet date, which is the present value of the quoted forward price.

For the derivatives that are used for hedging purposes, the Group does not apply hedge accounting and the gains or losses are recorded in the income statement.

- 3.28 Offsetting of receivables – payables:** The offsetting of financial assets and liabilities and the presentation of the net amount in the Financial Statements is permitted only if there is a legal right for offsetting and there is an intention for the settlement of the net amount which derives from the offsetting or for the settlement.
- 3.29 Impairment of Assets:** According to IAS 36 the recoverable amount of an asset should be valued when there is an indication that this asset will probably be impaired with the exception of Goodwill and Intangible Assets that have indefinite useful life which are tested for impairment at least annually. When the carrying amount of an asset is greater than it's recoverable amount the impairment loss is recorded in the income statement for assets that are valued at cost whereas it is considered as a reduction of the equity for assets that are presented at the revaluated amount. For the purposes of the process of the impairment test, in order to assure the existence of the indication that an asset may be impaired, at least external and internal sources of information are taken into account.

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When the carrying amount exceeds the estimated recoverable amount, an impairment loss is recognized, which is recorded directly in the Income Statement. The recoverable amount is defined as the higher of the cash-generating units fair value less costs to sell and its value in use. Net selling price is the amount that can be received from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties after deducting the cost of disposal. For the estimation of the value of use, the estimated cash flows are discounted in the present value, using a before tax interest rate, which reflects the present estimations of the market, for the time value of money and for the risks related to these assets. For an asset that does not return significantly independent cash flow, the recover amount is defined for the production unit of the cash flow the asset belongs to.

An impairment loss for goodwill is not reversed in subsequent periods. In all other assets, the impairment loss is reversed when the estimation used for the calculation of the recoverable amount has been changed.

3.30 Segment Reporting: IAS 14 ("Segment Reporting") sets criteria for the determination of the business and geographical segments. Segments are determined based on the Group's structure and its system based on the Group's financial decision makers review the financial information separately as reported by the parent company and each of the Group's reportable subsidiaries, which are included in the consolidated financial statements. The reportable segments are determined using the quantitative characteristics thresholds set by the IAS 14. Further information for the segment reporting is presented in note 7.

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4. Reconciliations between the financial statements in accordance with CL 2190/1920 and IFRS.

As mentioned in note 2 the attached financial statements have been prepared in accordance with IFRS. The accounting policies as required by IFRS were applied in the preparation of the attached financial statements and for the preparation of the attached Balance Sheet, as at 31 December 2004 and 1 January 2004.

For the preparation of the Financial Statements, according to IFRS, various amounts, that had been published in the financial statements, prepared based on the previous accounting policies (CL 2190/1920) have been adjusted.

The main adjustments that were considered necessary to be made, in order to adjust the Financial Statements, prepared based on the CL 2190/1920, to IFRS, are primarily related to:

- Expense as incurred of certain expenses which had been capitalized and were depreciated.
- Recognition of the Group's obligations to employees in relation with the future payment benefits based on their employment time, in accordance with an actuarial study.
- Recognition of dividends at the date of their approval by the General Assembly of Shareholders.
- Account for income tax as an expense.
- Account for deferred income taxes.
- Capitalization of interests expense related to the construction period of property, plant and equipment.
- Reduction of the paid in surplus by the issuance's stock which have been capitalized under the previous GAAP.
- Reversal of the Goodwill's depreciation (under the previous GAAP).
- Offset of the customers' debit with the relevant credit balances, in cases that it is permitted by IFRS.
- Offset of the advance for income tax with the income tax liability.

The following tables present the effect of the related adjustments to the Balance Sheets (Parent and Consolidated) and to the Income Statements (Parent and Consolidated), for the year ended at 31 December, 2004 and 2003. Furthermore, an explanatory table with the most significant adjustments to IFRS, related to the Equity, as of 31 December 2004 and 1 January 2004, is presented.

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Reconciliation of balance sheet, as of 1 January 2004 between IFRS & CL 2190/1920:

	THE GROUP			THE COMPANY		
	Based on CL 2190/1920	Effect of IFRS	Based on IFRS	Based on CL 2190/1920	Effect of IFRS	Based on IFRS
<u>ASSETS</u>						
Non current assets						
Property, Plant and Equipment	821,758	31,264	853,022	713,563	24,928	738,491
Intangible assets	338,919	(35,776)	303,143	271,365	(24,741)	246,624
Investments	830	358	1,188	92,098	-	92,098
Deferred taxes	-	5,191	5,191	-	2,472	2,472
Other assets	2,203	1,845	4,048	1,985	1,844	3,829
Total Non-Current Assets	1,163,710	2,882	1,166,592	1,079,011	4,503	1,083,514
Current assets						
Inventories	9,837	-	9,837	9,359	-	9,359
Trade receivables	132,265	24,917	157,182	100,834	3,538	104,372
Due from related companies	-	26,959	26,959	613	42,177	42,790
Other current assets	154,316	(130,800)	23,516	143,989	(124,602)	19,387
Cash and cash equivalents	156,619	81	156,700	152,612	-	152,612
Total Current Assets	453,037	(78,843)	374,194	407,407	(78,887)	328,520
TOTAL ASSETS	1,616,747	(75,961)	1,540,786	1,486,418	(74,384)	1,412,034
<u>LONG TERM LIABILITIES</u>						
Long-term loans	346,706	(1,120)	345,586	346,706	(1,120)	345,586
Reserve for staff retirement						
Indemnities	2,631	(523)	2,108	2,631	(523)	2,108
Deferred tax	-	17,670	17,670	-	-	-
Other long-term liabilities	49,287	(1,559)	47,728	48,846	(1,472)	47,374
Total long-term liabilities	398,624	14,468	413,092	398,183	(3,115)	395,068
<u>CURRENT LIABILITIES</u>						
Accounts payable	136,447	12,302	148,749	124,674	12,650	137,324
Short-term bank loans	21,242	-	21,242	-	-	-
Due to related companies	-	1,508	1,508	-	586	586
Taxes payable	145,739	(69,264)	76,475	145,739	(69,264)	76,475
Other current liabilities	237,346	(189,564)	47,782	230,253	(187,382)	42,871
Total Current Liabilities	540,774	(245,018)	295,756	500,666	(243,410)	257,256
TOTAL LIABILITIES	939,398	(230,550)	708,848	898,849	(246,525)	652,324
Total Assets minus total Liabilities	677,349	154,589	831,938	587,569	172,141	759,710

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	THE GROUP			THE COMPANY		
	Based on CL2190/20	Effect of IFRS	Based on IFRS	Based on CL2190/20	Effect of IFRS	Based on IFRS
<u>SHAREHOLDERS' EQUITY</u>						
Share capital	155,165	-	155,165	155,165	-	155,165
Share premium reserve	156,331	(4,788)	151,543	156,331	(4,788)	151,543
Legal reserve	32,170	(1,084)	31,086	32,171	(1,085)	31,086
Foreign exchange differences	(2,343)	(4,461)	(6,804)	-	-	-
Retained earnings	312,872	165,056	477,928	243,902	178,014	421,916
Minority interests	23,154	(134)	23,020	-	-	-
<u>Total Shareholders' Equity</u>	677,349	154,589	831,938	587,569	172,141	759,710

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Reconciliation of balance sheet, as of 31 December 2004 between IFRS & CL 2190/1920:

	THE GROUP			THE COMPANY		
	Based on CL2190/1920	Effect of IFRS	Based on IFRS	Based on CL2190/1920	Effect of IFRS	Based on IFRS
ASSETS						
Non current assets						
Property, Plant and Equipment	865,244	36,592	901,836	754,288	27,805	782,093
Intangible Assets	320,440	(22,304)	298,136	257,584	(20,177)	237,407
Investments in affiliates	1,007	703	1,710	92,434	360	92,794
Deferred taxes	-	5,045	5,045	-	2,511	2,511
Other assets	3,025	(309)	2,716	2,834	(309)	2,525
Total	1,189,716	19,727	1,209,443	1,107,140	10,190	1,117,330
Current assets						
Inventories	16,015	-	16,015	15,563	-	15,563
Trade receivables	128,704	18,033	146,737	93,851	17,867	111,718
Due from related companies	-	25,472	25,472	614	26,862	27,476
Available for sale Financial Assets	800	-	800	800	-	800
Other current assets	153,057	(136,915)	16,142	153,990	(139,180)	14,810
Cash and cash equivalents	264,360	-	264,360	239,496	-	239,496
Total current assets	562,936	(93,410)	469,526	504,314	(94,451)	409,863
TOTAL ASSETS	1,752,652	(73,683)	1,678,969	1,611,454	(84,261)	1,527,193
LIABILITIES						
Reserve for staff retirement indemnities	3,595	(693)	2,902	3,595	(693)	2,902
Deferred taxes	-	13,657	13,657	-	-	-
Other long-term liabilities	34,245	(1,148)	33,097	32,741	(79)	32,662
Total long-term liabilities	37,840	11,816	49,656	36,336	(772)	35,564
CURRENT LIABILITIES						
Current portion of non current liabilities	16,141	-	16,141	16,141	-	16,141
Short-term bank loans	348,403	520	348,923	346,706	520	347,226
Accounts payable	100,870	13,893	114,763	91,376	14,688	106,064
Due to related companies	-	1,113	1,113	-	462	462
Taxes payable	169,434	(83,208)	86,226	164,639	(79,719)	84,920
Other current liabilities	575,807	(513,139)	62,668	569,319	(514,128)	55,191
Total current liabilities	1,210,655	(580,821)	629,834	1,188,181	(578,177)	610,004
TOTAL LIABILITIES	1,248,495	(569,005)	679,490	1,224,517	(578,949)	645,568
Total Assets minus total Liabilities	504,157	495,322	999,479	386,937	494,688	881,625

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

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(In thousands of EURO, unless otherwise is stated)

Reconciliation of balance sheet, as of 31 December 2004 between IFRS & CL 2190/1920:

	THE GROUP			THE COMPANY		
	Based on CL2190/1920	Effect of IFRS	Based on IFRS	Based on CL2190/1920	Effect of IFRS	Based on IFRS
SHAREHOLDERS' EQUITY						
Share capital	155,658	-	155,658	155,658	-	155,658
Share premium reserve	164,584	(3,876)	160,708	164,584	(3,876)	160,708
Legal reserve	46,782	(1,065)	45,717	46,139	(1,085)	45,054
Foreign exchange differences	3,602	(408)	3,194	-	-	-
Retained earnings	105,991	500,847	606,838	20,556	499,649	520,205
Minority interests	27,540	(176)	27,364	-	-	-
Total Shareholders' Equity	504,157	495,322	999,479	386,937	494,688	881,625

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

NOTES TO THE FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED).

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Reconciliation of Income Statement for the year ended 31 December 2004, between IFRS and CL 2190/1920.

	THE GROUP		
	Based on CL2190/1920	Effect of IFRS	Based on IFRS
Operating revenues	1,595,443	(7,646)	1,587,797
Operating expenses	(1,112,992)	12,278	(1,100,714)
	482,451	4,632	487,083
Other revenues – expenses	(443)	1,817	1,374
Financial revenues – (expenses)	(5,817)	(293)	(6,110)
Income before tax	476,191	6,156	482,347
Income tax	(173,221)	6,296	(166,925)
Net income (after tax)	302,970	12,452	315,422
Minority Interest	(5,846)	(441)	(6,287)
Group' s Net income (after tax)	297,124	12,011	309,135

	THE COMPANY		
	Based on CL2190/1920	Effect of IFRS	Based on IFRS
Operating revenues	1,478,342	(7,646)	1,470,696
Operating expenses	(1,040,659)	7,735	(1,032,924)
	437,683	89	437,772
Other revenues – expenses	(925)	115	(810)
Financial revenues – (expenses)	(5,392)	(451)	(5,843)
Income before tax	431,366	(247)	431,119
Income tax	-	(153,266)	(153,266)
Net income (after tax)	431,366	(153,513)	277,853

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
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Explanatory table of adjustments entries made in Equity, as of 31 December between IFRS and CL 2190/1920.

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
Assets				
Capitalization of interest cost during the construction's period (1)	8,964	7,510	8,964	7,510
Recognition of expense of Olympic Games (2)	-	(3,915)	-	(3,915)
Provision for asset retirement obligation (3)	1,646	2,363	1,646	2,009
Adjustment of investments	-	358	-	-
Adjustment of licenses' amortization	1,173	1,247	1,173	1,247
Reverse of the goodwill's amortization and goodwill's evaluation (4)	6,316	(3,007)	-	-
Expenses of capitalized cost & other entries (5)	(883)	(6,865)	(4,104)	(4,820)
Deferred taxes (6)	2,511	5,191	2,511	2,472
	19,727	2,882	10,190	4,503
Current Assets				
Offset of accounts receivables-payables (7)	(12,933)	(10,077)	(12,933)	(10,077)
Advances for the Olympic Games & other	3,144	3,093	2,103	3,049
Offset of advance for income tax (8)	(83,621)	(71,859)	(83,621)	(71,859)
	(93,410)	(78,843)	(94,451)	(78,887)
Long term liabilities				
Provision for Staff Retirement Indemnities based on an actuarial study (9)	(693)	(523)	(693)	(523)
Presentation of the direct expenses incurred in connection with the loans as a reduction of the loans	(509)	(1,120)	(509)	(1,120)
Deferred taxes	13,657	17,670	-	-
Presentation of long term liability in the present value and other entries (10)	(639)	(1,559)	430	(1,472)
	11,816	14,468	(772)	(3,115)
Long term liabilities				
Income tax advance offset and other tax entries	(83,208)	(69,264)	(79,719)	(69,264)
Dividends' reversal (11)	(488,740)	(165,594)	(488,740)	(165,594)
Offset of customers – suppliers balances	(12,933)	(10,077)	(12,933)	(10,077)
Other adjustments	4,060	(83)	3,215	1,525
	(580,821)	(245,018)	(578,177)	(243,410)
Total adjustments' entries	495,322	154,589	494,688	172,141

Explanatory table of adjustments of statement of Income for the year ended 31 December 2004, between IFRS and CL 2190/1920.

	THE GROUP	THE COMPANY
	2004	2004
Offset of Revenues-Expenses (12)	(7,509)	(7,509)
Offset of Expenses-Revenues (12)	7,509	7,509
Recognition of income tax and deferred income tax in the Income Statement (13)	6,296	(153,266)
Loan expenses	(611)	(611)
Amortization of capitalized interests	(965)	(965)
Capitalization of interest during the construction's period	741	741
Amortization adjustment (14)	(1,422)	(1,422)
Other entries	7,972	2,010
	12,011	(153,513)

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

NOTES TO THE FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED).

(In thousands of EURO, unless otherwise is stated)

Explanation of the significant adjustments

1. In accordance with IFRS interests cost related mainly to the 3G license were capitalized. The depreciation rates of the capitalized interests costs are the same with those of the relevant assets.
2. In accordance with the Greek GAAP the expenses related to the use of the trade mark of the Olympic Games' were capitalized, while in accordance with IFRS those expenses were considered as advertising expenses, and accordingly they were charged in the income statement.
3. Provisions for asset retirement obligation cost for the dismantle the transmission from the leased property upon which it constructs its transmission and relay towers, in accordance with IFRS.
4. In accordance with IFRS, goodwill's depreciation, that had been recorded in accordance with the Greek GAAP, was reversed.
5. Write off of capitalized expenses which are not recognized as assets in accordance with IFRS.
6. Recognition of deferred taxes which were not recorded in accordance with Greek GAAP.
7. Offset of customers' debit and credit balances.
8. Offset advance of income tax with income tax payable in case that it derives from the same tax authority.
9. Provision for staff retirement indemnities, based on actuarial study.
10. Presentation of the long term liabilities in their present value in accordance with IFRS and not in their future value.
11. Dividends' reversal based on IFRS due to the fact that at the balance sheet date, the dividends had not been approved by the Annual General Meeting of the Shareholders'.
12. Revenues' offset in case that they are not related with the Company's main operation.
13. In accordance with IFRS income tax is considered as an expense, while in accordance with the Greek GAAP it is presented as an amount deductible from Equity, through the appropriation of profit.
14. Adjustment in depreciation of Company's license 1G, based on its useful life.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
 NOTES TO THE FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED).
 (In thousands of EURO, unless otherwise is stated)

5. Operating revenues

The analysis of operating revenues is as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Airtime revenues	717,590	649,935	577,281	577,212
Interconnection revenues	472,240	445,829	395,248	406,802
Monthly service fees	355,986	252,278	325,603	250,639
SMS revenues	139,844	137,702	127,729	134,025
Roaming revenues	50,451	42,048	39,135	39,448
Revenues from sales of handsets & accessories	49,306	45,841	35,687	45,567
Other revenues	12,191	14,164	16,781	17,003
Total Revenue	1,797,608	1,587,797	1,517,464	1,470,696

6. Analysis of expenses

6.1. Operating expenses

The analysis of operating expenses is as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Interconnection charges	356,961	322,996	311,053	300,283
Distribution expenses	345,531	325,733	309,434	320,618
Depreciation	229,190	188,034	169,826	167,822
Network operating expenses	124,881	82,654	86,496	69,946
Payroll and related cost	99,627	78,186	85,571	75,483
Cost of goods sold	50,709	42,061	30,231	41,906
Data (content) Services	20,808	20,471	20,808	20,471
Provision for bad debt	10,527	7,879	8,531	6,914
Other expenses	34,030	32,700	26,033	29,481
Total	1,272,264	1,100,714	1,047,983	1,032,924

6.1.1 Payroll expenses

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Payroll	71,658	56,283	62,118	54,010
Social security	18,114	15,125	16,093	14,695
Benefits and staff expenses	7,786	5,501	5,291	5,501
Other	2,069	1,277	2,069	1,277
Total	99,627	78,186	85,571	75,483

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
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6.2. Other revenues - expenses

Other revenues – (expenses) are analyzed as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Foreign exchange differences				
Revenues	11,311	2,479	209	291
Expenses	(10,974)	(209)	(737)	(209)
Total	337	2,270	(528)	82
Penalties	(1,967)	(804)	(1,840)	(804)
Other expenses	(1,597)	(445)	(309)	(95)
Other revenues	654	353	304	7
Total	(2,910)	(896)	(1,845)	(892)
Total Revenues	11,965	2,832	513	298
Total Expenses	(14,538)	(1,458)	(2,886)	(1,108)
	(2,573)	1,374	(2,373)	(810)

6.3. Financial revenues - expenses

The analysis of the financial revenues - expenses is as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Financial Expenses				
Interest expense	22,854	9,983	16,552	9,680
Other financial expenses	1,916	1,290	1,275	1,156
Total financial expenses	24,770	11,273	17,827	10,836
Financial Revenues				
Interest income	7,394	4,803	4,474	4,633
Dividends and other	200	360	10,515	360
Total financial revenues	7,594	5,163	14,989	4,993
Financial Income/ (expenses) (Net)	(17,176)	(6,110)	(2,838)	(5,843)

6.4 Income tax:

6.4.1 Greek Companies

In accordance with the provision of Greek tax law, the income tax rate applicable to companies up to 31 December 2004, was 35%. In accordance with the Law 3296/2004 the income tax rate decreases to 32% for the fiscal year 2005, 29% for the fiscal year 2006 and 25% from the fiscal year 2007 and onwards.

Greek tax legislation and relevant regulation are subject to interpretations by the tax authorities. Tax returns are filed annually to the tax authorities but the profits or losses declared for tax purposes remain provisional until the time when the tax authorities examine the returns and the books of the taxpayer and based on that examination a final assessment is issued. Tax losses, to the extent they are recognized by the tax authorities, may be used to set-off profits of the following five fiscal years.

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COSMOTE and its subsidiary in Greece (CHA) have not yet been audited by the tax authorities for the following fiscal years :

Company	Fiscal Years
COSMOTE	2004-2005
CHA	2000-2005

Consequently, the tax liabilities of the above mentioned companies for the unaudited tax years have not yet been finalized.

6.4.2. Tax liabilities of the subsidiaries in abroad

The subsidiaries abroad have not been audited for the following years by the tax authorities and consequently their tax liabilities for these years have not yet been finalized.

Company's name	Unaudited tax years
AMC	2002-2005
COSMOTE ROMANIA	2004-2005
COSMOFON	2001-2005
GLOBUL	2005
OTE MTS Holding BV	2001-2005

The provision for income taxes which has been charged in the Income Statement has as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Current Income tax	(166,068)	(169,230)	(147,195)	(153,305)
Deferred income tax	1,523	2,305	(1,444)	39
Total	(164,545)	(166,925)	(148,639)	(153,266)

The Group's average tax rate for 2005 is approximately 29% and for 2004 is approximately 33%. The above mentioned reduction of the average tax rate is due to the fact that the Company's tax rate is 32% for the year 2005 while for the year 2004 was 35%.

The reconciliation between income taxes as presented in the Income Statements with those resulted by the application of the enacted tax rates on the income before taxes, has as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Net Income before income taxes	505,595	482,347	464,270	431,119
Tax calculated based on the local tax rate effective in each country	(146,259)	(159,050)	(148,566)	(150,891)
Non taxable losses of consolidated companies	(7,116)	-	-	-
Non deductible expenses	(3,433)	(1,840)	(1,563)	(940)
Consolidation entries	(2,799)	(2,776)	-	-
Other	(4,938)	(3,259)	1,490	(1,435)
	(164,545)	(166,925)	(148,639)	(153,266)

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

NOTES TO THE FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED).

(In thousands of EURO, unless otherwise is stated)

7. Segment Information

The following information refers to the segments of the Group's companies which should be reported separately in the Financial Statements.

Segments are determined based on Group's structure based on the system of which the financial decision makers review the financial information, of the parent company and each of its subsidiaries, which are included in the consolidated financial statements.

Using the quantitative criteria set by the related IAS, COSMOTE and the rest of the companies which are activated in the Balkans, have been defined as segments, that must be presented separately in the Financial Statements.

The accounting policies of the segments are the same with those followed for the preparation of the Financial Statements. Management evaluates the effect of the segments based on the operating and net result.

Information concerning the segments and the reconciliation with the Group's consolidated financial statements are as follows:

2005	GREECE	ALBANIA	BULGARIA	ROMANIA	FYROM	TOTAL	Consolidation entries	GROUP
Revenues	1,507,985	137,272	129,711	5,027	17,613	1,797,608	-	1,797,608
Intercompany sales and dividends	9,479	355	308	79	59	10,280	(10,280)	-
Financial Income	15,136	1,276	161	1,335	111	18,019	(10,425)	7,594
Financial expenses	17,827	162	5,557	49	839	24,434	336	24,770
Amortization of Property, Plant & Equipment	169,826	22,585	22,615	10,128	4,047	229,201	(11)	229,190
Gains / (losses) before income taxes	464,164	59,367	17,572	(20,951)	(3,649)	516,503	(10,908)	505,595
Gains / (losses) after income taxes attributable to the parent company	320,234	41,462	14,862	(20,951)	(3,649)	351,958	(12,037)	339,921
Investments in affiliated companies	801,355	49,700	-	-	-	851,055	(850,146)	909
Assets Investments for the acquisition of assets	2,169,854	218,460	543,691	289,168	128,120	3,349,293	(800,115)	2,549,178
	109,612	9,853	60,846	73,039	9,044	262,394	-	262,394

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2004	GREECE	ALBANIA	BULGARIA	ROMANIA	FYROM	TOTAL	Consolidation entries	GROUP
Revenues	1,466,608	121,189	-	-	-	1,587,797	-	1,587,797
Intercompany sales and dividends	4,088	-	-	-	-	4,088	(4,088)	-
Financial income	19,678	105	-	-	-	19,783	(14,620)	5,163
Financial expenses	10,836	437	-	-	-	11,273	-	11,273
Amortization of Property, Plant & Equipment	167,822	20,253	-	-	-	188,075	(41)	188,034
Gains / (losses) before income taxes	446,133	50,528	-	-	-	496,661	(14,314)	482,347
Gains / (losses) after income taxes attributable to the parent company	294,248	35,482	-	-	-	329,730	(20,594)	309,135
Investments in affiliated companies	186,366	-	-	-	-	186,366	(184,656)	1,710
Assets	1,636,388	168,686	-	-	-	1,805,074	(126,105)	1,678,969
Investment for the acquisition of assets	202,134	15,248	-	-	-	217,382	-	217,382

8. Deferred income taxes

Deferred income taxes resulted from the temporary differences between the book value and the tax base of assets and liabilities are calculated using the current income tax rate, and are analyzed as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Receivables form deferred taxation				
Deferred taxation to be settled within a period more than 12 months	11,757	1,605	2,801	1,605
Deferred taxation to be settled within a year	11,273	5,820	9,964	4,805
Total	23,030	7,425	12,765	6,410
Offset of deferred tax	(11,698)	(2,380)	(11,698)	(3,899)
Deferred tax assets	11,332	5,045	1,067	2,511
Liabilities from deferred taxation				
Deferred taxation to be settled within a period more than 12 months	(14,039)	(14,109)	(6,327)	(2,710)
Deferred taxation to be settled within a year	(5,371)	(1,928)	(5,371)	(1,189)
Total	(19,410)	(16,037)	(11,698)	(3,899)
Offset of deferred tax	11,698	2,380	11,698	3,899
Deferred tax liability	(7,712)	(13,657)	-	-
Net amount	3,620	(8,612)	1,067	2,511

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The movement of the deferred income tax is as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Balance at the beginning of the year	(8,612)	(12,479)	2,511	2,472
Exchange differences	10,709	1,562	-	-
Balance transferred to Income Statement	1,523	2,305	(1,444)	39
Balance at the end of the year	3,620	(8,612)	1,067	2,511

9. Earnings, after income taxes, per share

The earnings, after income taxes, per share are calculated by dividing the profit attributable to the shareholders of the Company, by the weighted average number of shares outstanding during the year.

The earnings, after income taxes, per share are analyzed as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Profit attributable to shareholders of the parent	339,921	309,135	315,631	277,853
Weighted average number of shares (in thousands)	332,430	331,102	332,430	331,102
Basic earnings per share	<u>1.02</u>	<u>0.93</u>	<u>0.95</u>	<u>0.84</u>
Diluted earnings per share	<u>1.02</u>	<u>0.93</u>	<u>0.95</u>	<u>0.84</u>

(The earnings per share are in EURO)

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10. Transactions and balances with related parties

Related parties of the Group, are considered COSMOTE, the subsidiaries, the associated Companies, the Board of Directors and their executive directors. The related parties are companies with common shareholding structure and/or management.

The Company purchases goods and services from affiliated entities while provides services to them. The related companies have common ownership status and/or management with the Company and affiliates of such companies.

Sales to related parties consist mainly to sales of merchandise (e.g. Cosmokarta, air time cards, sim cards) etc. The prices are determined on the basis of cost plus profit. The provision of services related mainly to interconnection, technical and personnel allowance, leased lines, renting, roaming services etc.

Provision of services from related parties are on the basis of cost plus profit and are mainly related to interconnection services and of leased properties, leased lines, receiving and printing bills, sales commissions etc. At the below table, there is an analysis of the receivables and payables at 31 December 2005 and 31 December 2004 respectively.

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Receivables from:				
OTE	10,725	19,149	10,725	19,149
COSMOFON	-	4,802	5,018	4,802
COSMOTE ROMANIA	-	-	3,529	-
AMC	-	-	2,685	2,782
CHA	-	-	634	630
ROMTELECOM	520	-	-	-
OTEGlobe	5,947	-	-	-
Other	495	1,521	460	113
Total	17,687	25,472	23,051	27,476
Payables to:				
HELLASCOM	1,275	340	-	-
ROMTELECOM	765	-	-	-
OTEnet	194	45	194	-
OTEestate	227	-	227	-
OTE Plc	6,642	-	4,127	-
OTE	541	-	-	-
COSMO-MEGALA KATASTIMATA SA	-	199	-	199
OTEGlobe	911	-	3	27
OTE International Investments	731	-	-	-
Other	962	529	1,137	236
Total	12,248	1,113	5,688	462

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BORROWER	LOANS PAYABLE TO RELATED COMPANIES AT 31 DECEMBER 2005				
	LENDER				
	AMC	OTE PLC	OTE INTERNATIONAL	OTE	TOTAL
COSMOTE	49,700	988,879	-	-	1,038,579
GLOBUL	-	200,000	-	-	200,000
COSMOTE ROMANIA	-	-	16,000	-	16,000
COSMOFON	-	-	-	45,000	45,000
TOTAL	49,700	1,188,879	16,000	45,000	1,299,579
Elimination of loan undertaken by AMC	(49,700)	-	-	-	(49,700)
GROUP' S TOTAL	-	1,188,879	16,000	45,000	1,249,879

Related parties transactions, are analyzed as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Revenues				
Interconnection Fees	152,447	176,403	138,022	176,403
Sales of prepaid airtime cards and SIM cards	14,180	17,646	14,180	17,646
Management fees	8,385	13,055	15,845	13,055
Sales of prepaid packages and handsets	6,662	11,142	8,298	12,226
Other	4,339	995	2,019	1,099
Total	186,013	219,241	178,364	220,429
Expenses				
Subscribers' Commissions	81,046	80,410	81,046	80,410
Interconnection Costs	29,489	31,888	26,408	31,888
Leased lines	30,371	16,821	25,712	16,821
Enveloping Postage and collection of accounts receivable expenses	11,619	11,787	11,619	11,787
Network expenses	3,589	3,028	3,589	3,028
Rents	5,858	5,414	5,858	5,414
Interest expenses	19,132	-	9,846	-
Payroll expenses	6,749	5,585	5,842	5,585
Other	9,759	4,060	8,763	4,282
Total	197,612	158,993	178,683	159,215

Intercompany transactions of property, plant and equipment

	2005	2004
Sales from AMC to COSMOTE	20	296
Sales from COSMOTE to AMC	259	-
Sales from COSMOTE to COSMOROM	33	-

Fees paid to the members of the Board of Directors of the Group which have been charged to the Income Statement amounted to EURO 175, of which EURO 117 related to the Company.

Fees paid to the General Managers of the Company, amounted to EURO 1,951 while fees paid to General Managers of the subsidiaries amount to EURO 756.

It should be noted that the Company's Top Management also participates in the Stock Option Plan (note 26).

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

NOTES TO THE FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED).

(In thousands of EURO, unless otherwise is stated)

11. Property, plant and equipment

Property, plant and equipment are analyzed as follows:

	THE GROUP						Total
	Buildings & constructions	Land	Machinery- installations- miscellaneous equipment	Transportation equipment	Furniture & miscellaneous equipment	Construction in progress	
1/1/2004							
Cost	16,458	97	1,170,980	1,262	59,471	90,111	1,338,379
Accumulated depreciation	(3,208)	-	(438,959)	(548)	(42,642)	-	(485,357)
Net book value	13,250	97	732,021	714	16,829	90,111	853,022
Year 2004							
Additions	1,822	-	219,378	385	10,876	(16,691)	215,770
Disposals	-	-	(717)	(33)	(13)	-	(763)
Exchange difference of acquisition cost	429	6	8,109	34	189	653	9,421
Exchange difference of accumulated depreciation	(70)	-	785	(21)	(148)	-	546
Depreciation for the year	(1,896)	-	(163,655)	(232)	(10,377)	-	(176,160)
31/12/2004							
Cost	18,709	103	1,397,750	1,648	70,524	74,073	1,562,807
Accumulated depreciation	(5,174)	-	(601,829)	(801)	(53,167)	-	(660,971)
Net book value 31/12/2004	13,535	103	795,921	847	17,357	74,073	901,836
Year 2005							
Subsidiaries acquisition (acquisition cost)	20,060	574	634,639	2,958	9,990	65,227	733,448
Subsidiaries acquisition (accum,depreciation)	(3,172)	-	(211,712)	(1,165)	(3,747)	-	(219,796)
Additions	5,943	42	142,950	1,426	6,684	94,456	251,501
Disposals	-	-	(582)	(72)	(109)	-	(762)
Exchange difference of acquisition cost	219	3	(4,428)	(11)	83	(1,405)	(5,540)
Exchange difference of accumulated depreciation	(37)	-	11,272	9	(65)	-	11,179
Depreciation for the year	(4,515)	-	(197,078)	(491)	(6,926)	-	(209,010)
31/12/2005							
Cost	47,931	722	2,170,329	5,949	87,172	232,351	2,541,454
Accumulated depreciation	(12,898)	-	(999,347)	(2,448)	(63,905)	-	(1,078,598)
Net book value 31/12/2005	32,033	722	1,170,982	3,501	23,267	232,351	1,462,856

COSMOTE MOBILE TELECOMMUNICATIONS S.A.

NOTES TO THE FINANCIAL STATEMENTS (PARENT COMPANY AND CONSOLIDATED).

(In thousands of EURO, unless otherwise is stated)

THE COMPANY						
	Buildings & constructions	Machinery- installations- miscellaneous equipment	Transportation equipment	Furniture & miscellaneous equipment	Construction in progress	Total
1/1/2004						
Cost	9,655	1,027,401	739	57,075	85,387	1,180,257
Accumulated depreciation	(2,618)	(397,641)	(349)	(41,158)	-	(441,766)
Net book value	7,037	629,760	390	15,917	85,387	738,491
Year 2004						
Additions	1,822	207,868	385	10,539	(20,701)	199,913
Disposals	-	(120)	(22)	(12)	-	(154)
Depreciation for the year	(1,525)	(144,607)	(160)	(9,865)	-	(156,157)
31/12/2004						
Cost	11,477	1,235,149	1,102	67,602	64,686	1,380,016
Accumulated depreciation	(4,143)	(542,248)	(509)	(51,023)	-	(597,923)
Net book value 31/12/2004	7,334	692,901	593	16,579	64,686	782,093
Year 2005						
Additions	5,474	66,003	2	5,760	31,928	109,167
Disposals	-	(292)	-	-	-	(292)
Depreciation for the year	(3,165)	(143,599)	(110)	(6,267)	-	(153,141)
31/12/2005						
Cost	16,951	1,300,860	1,104	73,362	96,614	1,488,891
Accumulated depreciation	(7,308)	(685,847)	(619)	(57,290)	-	(751,064)
Net book value 31/12/2005	9,643	615,013	485	16,072	96,614	737,827

It is noted that property, plant and equipment are not pledged.

At 31 December 2005, COSMOTE modified its depreciation rates related to those used as of 31 December 2004, based on a re-estimation of the useful life of its property, plant and equipment.

Had the previous depreciation rates been used, the amount of depreciation charges would have been greater by approximately EURO 13,815.

The modification of the depreciation rates, for the year 2005, as compared to the previous rates have as follows:

	Previous Depreciation rates	Current Depreciation rates	Useful life (years)
Telecommunication Systems and installations	10%-14%	10%-25%	4-10
Furniture and miscellaneous equipment	20%	14%-20%	5-7
Transportation equipment	15%-20%	14%	7
Software -Licenses	30%	10%	10
Software – (upgrades, features)	30%	20%-33%	3-5

Leasehold improvements are amortized over the term of the lease.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
NOTES ON THE FINANCIAL STATEMENTS

12. Goodwill –Telecommunications licenses

Goodwill and Telecommunications licenses are analyzed as follows:

	THE GROUP		THE COMPANY
	Telecommunication Licenses	Goodwill	Telecommunication Licenses
1/1/2004			
Cost	263,145	73,777	263,145
Accumulated depreciation	(16,521)	(17,258)	(16,521)
Net book value 1/1/2004	246,624	56,519	246,624
Year 2004			
Additions	2,375	-	2,375
Disposals	-	-	-
Exchange differences	-	4,210	-
Depreciation for the year	(11,592)	-	(11,592)
31/12/2004			
Cost	265,520	77,987	265,520
Accumulated depreciation	(28,113)	(17,258)	(28,113)
Net book value 31/12/2004	237,407	60,729	237,407
Year 2005			
Subsidiaries acquisition (acquisition cost)	224,671	-	-
Subsidiaries acquisition (accum. depreciation)	(61,381)	-	-
Additions	11,655	-	737
Exchange difference of acquisition cost	(823)	1,686	-
Exchange difference of accumulated depreciation	467	-	-
Depreciation for the year	(20,591)	-	(14,868)
31/12/2005			
Cost	501,023	79,673	266,257
Accumulated depreciation	(109,618)	(17,258)	(42,981)
Net book value 31/12/2005	391,405	62,415	223,276

Additions to Goodwill, during the year 2004 and 2005, resulted from the valuation of AMC's Goodwill, based on the current foreign exchange rates, at the end of the years.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
NOTES ON THE FINANCIAL STATEMENTS

13 Investments

Investments are analyzed as follows:

COMPANY'S NAME	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
CHA	-	-	91,672	91,672
COSMOTE ROMANIA	-	-	121,834	-
GLOBUL	-	-	402,282	-
OTE MTS HOLDING B.V.	-	-	91,233	-
COSMO-ONE HELLAS MARKET SITE A.E.	578	871	528	888
COSMO-MEGALA KATASTIMATA SA	331	839	234	234
Total	909	1,710	707,783	92,794

The movement of the Investments is analyzed as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Balance at the beginning of the year	1,710	1,188	92,794	92,098
Subsidiaries acquisition	-	-	615,349	-
Evaluation of affiliates	(441)	(1,082)	-	(796)
Dividends	(360)	360	(360)	360
Increase of investment in affiliate	-	1,244	-	1,244
Disposal of subsidiary	-	-	-	(112)
Total	909	1,710	707,783	92,794

The summary financial information of the Group's subsidiaries is analyzed as follows:

Company's name	Country	Ownership percentage	Assets	Liabilities	Revenues	Gains/ (Losses)
31/12/2004						
CHA	Greece	97.0%	109,204	11,961	-	16,396
AMC	Albania	82.45%	168,686	18,155	121,246	35,482
Total			277,890	30,116	121,246	51,878
31/12/2005						
GLOBUL	Bulgaria	100.0%	543,691	335,240	130,025	14,862
COSMOTE ROMANIAN	Romania	70.0%	289,168	63,002	5,106	(20,951)
COSMOFON	Fyrom	100.0%	128,120	61,936	17,672	(3,649)
OTE MTS HOLDING B.V.	Holland	100.0%	116,185	35	119	(70)
CHA	Greece	97.0%	98,091	8,717	-	4,601
AMC	Albania	82.45%	218,460	20,801	137,627	41,462
Total			1,393,715	489,731	290,549	36,255

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
NOTES ON THE FINANCIAL STATEMENTS

13.1 Acquisition of subsidiaries

During the year, the Company acquired from the Group of OTE the following subsidiaries:

Company's name	Acquisition date	Ownership percentage	Acquisition cost	Acquisition expenses	Total
GLOBUL	1 August 2005	100%	400,000	2,282	402,282
COSMOTE ROMANIA	7 July 2005	70%	120,000	1,834	121,834
COSMOFON	12 August 2005	100%	90,000	1,233	91,233
			610,000	5,349	615,349

The above acquisitions were financed with Company's borrowing. COSMOTE issued bond loans which were fully adopted by OTE plc, a subsidiary of OTE. The related loans were used, mainly, to finance the acquisitions of the new subsidiaries.

For preparation of the Consolidated Financial Statements, COSMOTE did not apply IFRS 3 «Business Combination» because the acquisition of the new subsidiaries are companies which are under common control. Under common control are the companies which are controlled by the same party (in this case OTE S.A.) and this control is not temporary.

The consolidation at the above mentioned subsidiaries was made using the book values of their financial statements at the acquisition date and not their fair values. The derived difference between the cost of the acquisition of shares and the Net Equity of the acquired subsidiaries has been reflected in the net equity of the Group as a consolidation reserve, because in this transaction involved subsidiaries which are controlled by the same party before and after the acquisition.

The related consolidation reserve, for each subsidiary, is analyzed as follows:

Company	Amount
GLOBUL	217,338
COSMOTE ROMANIA	(54,833)
COSMOFON	23,183
	185,688

Furthermore the consolidation reserve has derived as follows:

Cash payment for subsidiaries' acquisition	610,000
Direct expenses of subsidiaries' acquisition	5,349
Total acquisition cost	615,349
Net asset of subsidiaries	(429,661)
Consolidation reserve	185,688

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
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Total assets and liabilities that have been acquired from the subsidiaries, at the respective acquisition dates have as follows:

	<u>Amount</u>
Property, plant and equipment and intangible assets (cost)	958,125
Property, plant and equipment and intangible assets (accumulated depreciation)	(281,185)
Deferred taxes	11,666
Cash and cash equivalents	128,606
Accounts receivable	85,477
Provision for bad debts	(24,714)
Securities	9,771
Due from related companies	76
Due to related companies	(885)
Inventories	9,404
Other current assets	8,552
Accounts payable	(70,627)
Other short term liabilities	(16,834)
Other long term liabilities	(983)
Loans	(311,074)
Total net assets	505,375
Minority interests at the acquisition date	(75,714)
Total net assets acquired by COSMOTE	<u>429,661</u>

From the acquisition date to 31 December 2005, the subsidiaries contributed total net losses of EURO 9,738. Had the acquisition been fulfilled at 1 January 2005, Group's revenues would had been EURO 322,520 and the net profit EURO 93,147 respectively.

13.2 Information of subsidiaries-associates

13.2.1 COSMOS - ALBANIA SA

"Cosmo-Holding Albania" was incorporated as a holding company on July 14, 2000. COSMOTE participates in its share capital with a percentage of 97% and Telenor Mobile Communications S.A. with a percentage of 3%. Cosmo-Holding Albania holds the 85% of the share capital of Albanian mobile telecommunication company AMC, which was acquired during an international tender announced by the Albanian Public, in August 2000.

13.2.2 . AMC

AMC operates since 1996. Its registered office is in Tirana, Rrura Giergi Legisi, Laprake and its share capital as at 31 December 2005 amounts to 813,822,000 Leke (EURO 6,660), divided in 813,822 nominal shares of a nominal value of Leke 1,000 each.

13.2.3 . GLOBUL

Globul was incorporated by OTE at 23 January 2001 (its registered office is in Sofia Bulgaria, 4, Mladost st. Sofia, Business Park). The full company's name is COSMO BULGARIA MOBILE EAD. Its share capital amounted to BGN 490,664,220 (EURO 250,873), divided in 49,066,422 common shares of BGN 10 (EURO 5), each.

Company's purpose is mainly to provide telecommunications services in Bulgaria. Globul holds one of the three mobile telephony licenses in Bulgaria, while in April 2005 acquired the third generation license (UMTS). The company started its activities in September 2001.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
NOTES ON THE FINANCIAL STATEMENTS

13.2.4 OTE MTS Holding BV (MTS)

MTS was incorporated by OTE in Holland on 31 December 2001 and its registered office is in Amsterdam. After the fulfillment of the capital restructure process, its share capital amounted to EURO 77,073 divided in 31,551 common shares of EURO 1,000, (in EURO) each and 56,000 common shares of EURO 812.9 (in EURO) each.

MTS is a holding company with the only asset the 100 % of Cosmofon stocks.

13.2.5 COSMOFON

Cosmofon was incorporated by OTE in Fyrom on 7 November 2001 and with an initial name MTS Mobile Telecommunications Services AD – Skopje. The new full company name is COSMOFON Mobile Telecommunications Services AD – Skopje and its registered office is in 15, Kuzman Josifovski Pitu str. Skopje, while its share capital amounts to EURO 116,131 (116,130,566 common shares of EURO 1 each, in EURO). Cosmofon’s main purpose is the network service and the mobile telephony services. In May 2002, OTE has transferred the 100% of COSMOFON’s shares to MTS Holding BV. In August 2005 COSMOTE acquired the 100% of OTE MTS Holding shares. Cosmofon started its activities in June 2003 as a possessor of second generation license.

13.2.6 COSMOTE ROMANIA

Cosmote Romania was incorporated by ROMTELECOM in Romania on 15 January 1999 with the initial name Cosmorom SA. The Company started its operation in May 2000 and is one of the three mobile telecommunications providers (GSM) in Romania. Company’s registered office is in Bucharest, 61 Nicolae Caramfil Street, District 1. Company’s share capital at 31 December 2005 amounted to RON 1,130,622,500 (EURO 417,790), divided in 113,062,250 shares of RON 10 each. COSMOTE ROMANIA has license for second generation, which was altered so that can include the right to use EGSM900-GSM1800 frequency SECTOR.

13.2.7 COSMO-ONE HELLAS MARKET SITE (COSMOONE)

Cosmo-One Hellas Market Site S.A. was incorporated on June 2000, with main activity to develop business to business e-commerce activities. COSMOTE participates with a 30.87% interest stake, OTE with a 30.87% as well, National Bank of Greece with a 10.08%, ALPHA BANK with 15% and Dienikis Pliroforiki S.A. with 13.18%. This investment was accounted for under the equity method.

13.2.8 COSMO-MEGALA KATASTIMATA S.A.

Cosmo-Megala Katastimata S.A. was incorporated in September 2000. COSMOTE participates with a 40% and Vivere Entertainment S.A. with a 60% interest stake. The main activity of the company is the e-commerce of music products and services related to music, sound etc. This investment was accounted for under the equity method.

14. Inventories

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Merchandise	24,911	13,806	12,957	13,311
Packaging materials and consumables	2,576	2,663	1,565	2,252
Provision for obsolete inventories	(1,388)	(454)	-	-
Total	26,099	16,015	14,522	15,563

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
NOTES ON THE FINANCIAL STATEMENTS

15. Trade receivables

Trade receivables are analyzed as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Customers	237,512	160,987	141,788	124,128
Unbilled Revenues	38,138	23,612	24,062	21,905
Receivable from collection agencies	8,861	3,999	8,861	3,999
Cheques receivable and other	430	2,462	431	2,464
Provision for doubtful debts	(79,634)	(44,323)	(49,309)	(40,778)
Total	205,307	146,737	125,833	111,718

The movement of the provision for doubtful debts is as follows:

	THE GROUP		THE COMPANY	
Balance at 01/01/2004		(64,474)		(60,971)
Additions for the year		(7,879)		(6,914)
Bad debts write off		27,107		27,107
Exchange differences		923		-
Balance as at 31/12/2004		(44,323)		(40,778)
Additions for the year		(10,527)		(8,531)
Additions due to subsidiaries' acquisition		(24,714)		-
Bad debts write off		968		-
Exchange differences		(1,038)		-
Balance as at 31/12/2005		(79,634)		(49,309)

16. Mutual funds

At 31 December 2005 the Company has investments in mutual funds amounting to EURO 834 which are stated at their fair value.

17. Other current assets

Other current assets are analyzed as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Advance payments to third parties	17,578	13,165	14,598	11,957
VAT receivable	13,367	124	-	-
Accrued income	586	2,853	253	2,853
Advance for Income tax	3,999	-	-	-
Other Receivable	1,486	-	2,221	-
	37,016	16,142	17,072	14,810

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
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18. Cash and cash equivalents

Cash and cash equivalents are analyzed as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Cash	1,128	230	777	163
Demand and time deposits	328,985	264,130	216,710	239,333
Total	330,113	264,360	217,487	239,496

During 2005 the average deposit interest rate was 2.07% and the average duration of time deposits was 7 days.

19. Share capital – Share premium reserve

At 31 December 2004, the Company's share capital amounted to EURO 155,658 divided in 331,188,250 registered shares with nominal value of EURO 0.47 (amount in EURO) each. Based on the Board of Directors decision, the Company's share capital was increased by EURO 606 with the issue of 1,288,250 registered shares with nominal value of EURO 0.47 (amount in EURO) each, due to the stock options plan in accordance with art.13 par 9 of the CL 2190/1920. Therefore, subsequent to the above mentioned increase the total paid in share capital of the Company at 31 December, 2005 amounted to EURO 156,264, divided in 332,476,500 shares, with nominal value of EURO 0.47 (amount in EURO) each.

The full payment of the share capital was made on February 2005.

The movement of the share capital and the share premium reserve has as follows:

	Number of shares (thousands)	Share Capital	Share premium reserve	Total
Year 2004				
Increase of share capital due to the Stock Option Plan	330,139	155,165	151,543	306,708
	1,049	493	9,165	9,658
31/12/2004	331,188	155,658	160,708	316,366
Year 2005				
Increase of Share capital due to the Stock Option Plan	1,288	606	12,737	13,342
31/12/2005	332,476	156,264	173,445	329,708

20. Legal reserve

Under Greek corporate law, the transfer of 5% of the net annual profits to form the legal reserve is obligatory, which is used compulsory to utilize to off-set accumulated losses. The creation of legal reserve ceases to be compulsory as soon as the balance of the legal reserve amounts the 1/3 of the share capital. At 31 December 2005 the Company's legal reserve amounted to 1/3 of the Share Capital.

21. Dividends

In accordance with Greek corporate law, companies are required each year to declare from profits, dividends of at least 35% of after-tax profit, after allowing for legal reserve, or a minimum of 6% of the paid-in share capital, whichever is greater.

In the Extraordinary General Meeting of Shareholders hold on 28 February 2005 the shareholders of the Company approved the distribution of prior year's profits and also interim dividends for the fiscal year 2004 of EURO 299,229 (EURO 0.90 per share) while on 16 June 2005 the Annual General Meeting of Shareholders approved the distribution of the remaining dividends from the 2004 profits of EURO

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
NOTES ON THE FINANCIAL STATEMENTS

189,511 (EURO 0.57 per share). The Company's Board of Directors at the 9th General Assembly Meeting, intends to propose the distribution of dividends from the profits of 2005 amount to EURO 216,897 (EURO 0.65 per share).

The holders of the shares are entitled to receive dividends as declared and are entitled to one vote per share at the meetings of the Company.

22 Translation reserve

Translation reserve derived from the conversion of the Financial Statements of the consolidated companies that activate abroad, are reflected directly in the Group's Equity.

23 Borrowings

The analysis of the borrowings has as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Long term borrowing				
Bank loans	1,124,059	-	837,579	-
Short term borrowing				
Bank loans	201,192	258,258	201,000	256,561
Derivatives	-	90,665	-	90,665
	<u>201,192</u>	<u>348,923</u>	<u>201,000</u>	<u>347,226</u>
Short term borrowing of long term loans	48	-	-	-
	<u>1,325,299</u>	<u>348,923</u>	<u>1,038,579</u>	<u>347,226</u>

In 2005 COSMOTE issued three bond loans which were fully adopted by OTE plc (OTE's affiliate) in order to finance the acquisition of the new subsidiaries and the paying off the long term syndicated loan which has been issued on 12 November 2002.

The capital of the loans, as reflected in the Financial Statements has been decreased by the direct cost in connection with the issuance of those loans.

The repayment of these loans can be carried out fully or partly before their expiry date for an amount bigger than EURO 1,000. The interest is calculated based on Euribor rate plus the applicable margin. According to the loan terms COSMOTE has certain commitments respectively with the constitution of the mortgages or with the disposal of a great part or all its' assets.

In 16 November 2005, an agreement was signed between COSMOTE and AMC for the issuance to COSMOTE, a loan amounting to EURO 50,000 for working capital purposes. The related contract has a seven year duration and gives the right to COSMOTE to undertake the amount of the loan until 30 September 2006. As of 31 December, COSMOTE has undertaken an amount of EURO 49,700.

COSMOTE MOBILE TELECOMMUNICATIONS S.A.
NOTES ON THE FINANCIAL STATEMENTS

The analysis of Company's borrowing, per loan category, at 31 December 2005 has as follows:

TYPE OF LOAN	LENDER	BALANCE 2005		INTEREST RATE
		Short term	Long term	
BOND	OTE Plc	201,000	-	Euribor + 0,30%
BOND	OTE Plc	-	289,000	Euribor + 0,30%
				Applicable interest rate of Standard's and Poors and Moody's + 0,01%
BOND	OTE Plc	-	498,879	Moody's + 0,01%
LONG TERM	AMC	-	49,700	Euribor + 0,30%
LONG TERM	OTE A.E.	-	22,000	6,5%
LONG TERM	OTE A.E.	-	23,000	6,5%
LONG TERM	OTE Plc	-	200,000	5,52%
SHORT TERM	Various banks	192		
LONG TERM	BANK AUSTRIA CREDITANSTALT AG	-	15,000	Ibor + 1,25%
LONG TERM	BANK AUSTRIA CREDITANSTALT AG	-	55,000	Euribor + 1,25%
LONG TERM	HVB BANK Biochim AD	-	596	Ibor + 1,25%
LONG TERM	OTE International	-	16,000	2,52%
LONG TERM	SOCIETE GENERALE EXPRESS BANK AD	-	4,584	Ibor + 1,25%
Elimination of intercompany loan from AMC		-	(49,700)	
		201,192	1,124,059	

The repayment term of the loans is as follows:

Repayment	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
6-12 months	201,192	348,923	201,000	347,226
1-2 years	294,000	-	289,000	-
2-5 years	790,854	-	498,879	-
More than 5 years	39,205	-	49,700	-
	1,325,251	348,923	1,038,579	347,226

The analysis of the Group's borrowing related to the lender has as follows:

Loans from related parties	1,249,879
Loans from third parties	75,372
Total	1,325,251

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24. Reserve for Staff Retirement Indemnities

In accordance with Greek labor law, employees are entitled to compensation payments in case of dismissal or retirement with the amount of payment varying in relation to the employee's compensation, length of service and manner of termination (dismissed or retired). Employees who resign or are dismissed with cause are not entitled to termination payments. The amount payable in case of retirement is equal to 40% of the amount which would be payable upon dismissal without cause.

Furthermore, according to the Annual General Meeting of Shareholders in case of dismissal of the Managing Director, the General Managers or the Legal Advisor, for any reason without their cause, the Company pays a compensation which is equal at least to a year's salary, unless the legal compensation is higher, so the legal compensation is paid.

The reserve for staff retirement indemnities is reflected in the attached Financial Statements according to IAS 19 and is calculated based on an independent actuarial study. This reserve relates only to COSMOTE.

For the other subsidiaries of the Group no actuarial study is needed as no reason for provision for staff retirement indemnities exists.

Provision for staff retirement indemnities based on the actuarial study, is as follows:

	<u>2005</u>	<u>2004</u>
Present value of obligations	5,262	3,549
Fair Value of plan Assets	-	-
	5,262	3,549
Unrecognized net Gain/(Loss)	(1,243)	(647)
Net Liability/(Asset) in BS	4,019	2,902
Components of P&L Charge		
Service Cost	958	689
Interest Cost	159	106
Amortization of Unrecognized Net (Gain)/Loss	11	-
Regural P&L Charge	1,128	795
Settlement/Curtailment/Termination Cost	37	-
Total P&L Charge	1,165	795
Movements in Net Liability/(Asset) in BS		
Net Liability/(Asset) in BS at the beginning of the period	2,902	2,107
Benefits paid directly	(48)	-
Total expense recognized in the income statement	1,165	795
Net Liability/(Asset) in BS	4,019	2,902
Reconciliation of benefit obligation		
DBO at start of period	3,549	2,107
Service cost	958	689
Interest cost	159	106
Benefits paid directly from the Company	(48)	-
Extra Payments or Expenses / (Income)	35	-
Actuarial Loss/(Gain)	609	647
DBO at the end of period	5,262	3,549
Assumptions		
Discount Rate	<u>4%</u>	<u>4.5%</u>
Rate of compensation increase	<u>4.5%</u>	<u>4.5%</u>
Average future working life	26,48	<u>27,29</u>

25. Other long-term liabilities

Other long-term liabilities are analyzed as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Present value of unpaid part of 3G license	14,737	29,977	14,737	29,977
Asset retirement obligation	4,456	3,120	3,072	2,685
Other	92	-	-	-
Total	19,285	33,097	17,809	32,662

26. Stock Option Plan

The Company has established Management Stock Option Plan to its executives for the purchase of Company's shares to preferential price under certain conditions. The Plan was approved by the Company's Shareholders General Assemblies held on 31 July 2000 and 6 September 2000 and amended by resolutions of the General Assemblies held on 12 June, 2001 and 21 February, 2002. The Stock Option Plan, as validated on 31 December 2005, allowed that the Company's Board of Directors would grant options to participants every year, which gradually (40% upon the completion of a year of the grant, 30% upon the completion of the second year and 30% upon the completion of the third year) would be converted to final grant for the acquisition of ordinary shares to preferential price with an aggregate value of between two to five times of their respective annual gross salaries, depending on the position, provided that the existing participants continue to work efficiently in Company's favor (Basic Options). Furthermore grants of options may be made by the Board of Directors to participants at each year in respect of ordinary shares with an aggregate value equal to their respective annual gross salary (Additional Options). The Basic Options granted to the Chairman of Board of Directors vest in full after one year. Additional Options vest after three years

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

The aggregate number of ordinary shares which may be issued in any five year period in accordance with the plan or based on any other plan may not exceed 5% of the COSMOTE's share capital and in any event, may not exceed 10% of the existing shares at the time of the establishment of the plan.

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

The Company evaluates the issued shares in their fair value at the deliverance date. Fair value is recognized in the Income Statement uniformly during the period of insuring of the employee's right.

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

The following table provides information regarding the Stock Option plan.

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

Data input to the mathematical evaluation model are as follows:

	2005	2004
Weighted average stock price	15.73	13.14
Weighted average exercise price	15.95	13.46
Volatility	22.10%	25.10%
Volatility of exercising the right	3 years	3 years
Free risk interest	2.61%	2.98%
Stock' yield	10.60%	7.60%

Volatility has been calculated with the standard deviation of the Company's stock during the relative year.

27. Short-term borrowings

Short-term borrowings of the Group granted from several banks under various terms. The weighted average interest rate of those on short-term borrowings during the year was approximately 2.5%.

28. Trade payables

Trade payables represent balances payable mainly to the dealers, fixed assets suppliers, roaming and other suppliers.

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Fixed asset suppliers	138,613	59,439	71,301	52,671
Due to International Operators (roaming)	11,202	11,670	11,062	11,288
Accrued expenses	31,081	25,455	20,572	24,954
Dealers	25,712	12,111	19,770	11,978
Other	53,976	6,088	25,986	5,173
	<u>260,584</u>	<u>114,763</u>	<u>148,691</u>	<u>106,064</u>

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29. Other current liabilities

Other current liabilities are analyzed as follows:

	THE GROUP		THE COMPANY	
	2005	2004	2005	2004
Taxes	23,340	24,239	21,872	23,433
Unbilled revenues	35,515	23,351	20,008	19,553
Customers' Guarantees	5,814	4,950	3,248	3,323
Social Security	5,116	4,433	4,675	4,346
Dividends payable	1,084	464	583	442
Due to employees	706	2	51	2
Accrued expenses related to employees	253	-	253	-
Other debtors	9,323	5,229	5,750	4,092
Total	81,151	62,668	56,440	55,191

30. Subsequent events

30.1 Issuance of share capital

The Board of Directors decided the increase in cash of the Company's share capital amounted to EURO 569 and simultaneously issuing 1,211,610 new registered shares with a EURO 0.47 (amount in EURO) registered value each. The full payment of the share capital took place in January 2006. The share premium resulted from the increase of shares amounted to EURO 11,149. After this capital increase, the share capital amounts to EURO 156,833, divided to 333,688,110 registered shares with registered value EURO 0.47 (amount in EURO each).

30.2 Temporary license WiMax.

In January 2006, pursuant to EETT's resolution number 373/25/31/1/2006, the Company was granted a Temporary License for the use of spectrum zone 3,5 GHz which will give the right to test the operation of WiMax technology. The duration of the relevant license is valid until 30 April 2006.

30.3 Amendment of the stock option plan

On 27 January 2006 the General Assembly of the shareholders of COSMOTE decided to amend the Company's Stock Option Plan and its extension to the executives of COSMOTE's subsidiaries operating abroad. Based on this decision, the Basic Rights of the above mentioned executives related to 1 to 2 annual salaries and the Additional Rights of the above mentioned executives related to an amount up to 75% of their annual salaries.

30.4 Amendment of compensation after termination of executives' employment contract

On 27 January 2006 the General Assembly of Shareholders decided that in case the Company terminates the employment contract of any COSMOTE's Director, for any reason without their cause, to pay to such Director a compensation equal to at least six (6) monthly salaries. In case the lawful compensation exceeds these six monthly salaries such Director will be entitled to receive the higher compensation. Furthermore, the Company's Managing Director can increase, according to his judgment the minimum compensation from 6 to 12 monthly salaries, depending on the case.

30.5 Risk hedging for fluctuations of interest

On 27 January 2006 the Company's General Assembly of Shareholders approved the Company's right to contract with OTE plc, derivative agreements (swaps) for the hedging of risks arising out from the borrowings of the Company's due to eventual fluctuations of EURIBOR rate.

31. Commitments and contingencies

The most significant Company's commitments, at 31 December 2005 have as follows:

31.1 Licenses terms:

31.1.1 COSMOTE

31.1.1.1 Special License for Second Generation ("2G License"): In November 1995 OTE was granted a 2G License which has a duration of 25 years. This license was transferred by OTE to COSMOTE in 1997 pursuant to Law 2465/97. The 2G license cannot be sold or transferred without the prior written consent of the Minister of Transport and Communications.

31.1.1.2 Special License for Third Generation ("3G License"): On 6 August 2001, the Company was granted a 3G Special License, for a term of twenty years. In this respect, the Company was assigned exclusive use of the 2 X 15 MHz paired spectrum and 2 X 5 MHz non-paired spectrum. The license cannot be sold or transferred without the prior written consent of NTPC

31.1.1.3 Fixed Wireless Access Special License (LMDS): In March 2002 the NTPC approved the transfer of OTE's 25GHz Fixed Wireless Access Special License to COSMOTE. As a result the Company was assigned a radio frequency section of 24969 – 25025 MHz and 25977 – 26033 MHz. The license will expire on 10 December 2015 and is subject to renewal pursuant to the existing regulation.

31.1.1.4 Special License for Wireless Lan Services (W-Lan): On 30 October 2002, the Company was granted a Special License for the use of spectrum zone 2,4 GHz and the provision of W-Lan Public Mobile Communications Services. This Special License has a duration of 15 years and can be renewed pursuant to a resolution of NTPC.

31.1.1.5 General Licenses: The Company also holds several General Licenses for the exercise of the following telecommunications activities: Capacity Leasing and Virtual Private Network (VPN) services, Data transmission services, E-mail, Network operation for Closed User Groups, including the provision of general telecommunications services and voice transmission, Network access services, Internet access services, Voice telephony services, via, in whole or in part, a network owned or managed without the right to access numbers from the National Numbering Plan, Audiotex

31.1.2 GloBul

31.1.2.1 GSM Licence: On 4 November 2005 GloBul, was granted a GSM License of a duration until 23 January 2021, for the provision of mobile telephony services. The sale or transfer of such license is not allowed without the prior consent of the Regulatory Authority of Bulgaria (CRC).

31.1.2.2 Leased Lines License: On 4 November 2005, GloBul was granted a leased lines license of a duration until 1 January 2016, in order to provide "leased lines" services (parts of the

telecommunications network). The sale or transfer of such license is not allowed without the prior consent of the Regulatory Authority (CRC).

31.1.2.3 Carrier pre-selection License: On 4 April 2005, GloBul was granted a License for access to voice telephony service through the service of choice of operator for a term of 20 years. The sale or transfer of such license is not allowed without the prior consent of the Regulatory Authority (CRC).

31.1.2.4 UMTS License: On 25 April 2005, GloBul was granted a UMTS License for a term of 20 years for the provision of 3G services. The sale or transfer of such license is not allowed without the prior consent of the Regulatory Authority (CRC) and before the expiration of a 2-year period since the date of issue of the license.

31.1.2.5 Fixed telephony license: On 12 September 2005, GloBul was granted a License for carrying out telecommunications through a public fixed telecommunications network and provision of fixed voice telephone of a duration until 4 April 2025. The sale or transfer of such license is not allowed without the prior consent of the Regulatory Authority (CRC).

31.1.2.6 General Licences: GloBul also owns two (2) General Licenses for carrying out of telecommunications services through a public telecommunications network RLAN and for data transfer without using scarce resource. The sale or transfer of such licenses is not allowed without the prior consent of the Regulatory Authority (CRC).

31.1.3 COSMOFON

31.1.3.1 GSM License: On 22 November 2001, COSMOFON was granted a mobile telecommunications license for GSM 900 and DCS 1800 frequencies for a term of 22 years. The sale or transfer of such licenses is not allowed without the prior consent of the Minister of Transport and Communications

31.1.4 AMC

31.1.4.1 GSM License: On 19 August 1999, AMC was granted a GSM mobile telephony license and a license for the use of radiofrequencies for a term of 15 years. The sale or transfer of such license is not allowed without the prior consent of the Telecommunications Regulatory Authority (TRE) of Albania.

31.1.4.2 License for transfer of data: In 1999, AMC was granted a license for the transfer of data for a term of 5 years. The sale or transfer of such license is not allowed without the prior consent of the Telecommunications Regulatory Authority (TRE) of Albania.

31.1.4.3 Internet License: In 2005, AMC was granted an internet license of a duration until 2009. The sale or transfer of such license is not allowed without the prior consent of the Telecommunications Regulatory Authority (TRE) of Albania.

31.1.5 COSMOTE ROMANIA

31.1.5.1 GSM 1800 and EGSM 900 Licence: On 30 June 2003, COSMOTE ROMANIA was granted a license for the use of radiofrequencies in GSM 1800. In 2005, this license was modified in order to include the right of use of radiofrequencies in EGSM 900, while its duration was extended until 5 April 2014. The sale or transfer of such license is not allowed without the prior consent of the Telecommunications Regulatory Authority (ANRC).

31.1.5.2 Radio Relay Links Licence: In March 2005 COSMOTE ROMANIA was granted a license for the use of Radio Relay links in frequencies 15GHz, 23 GHz and 38 GHz, of a duration until 16 December 2008. The sale or transfer of such license is not allowed without the prior

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consent of the General Inspectorate of Communications and Information Technology (IGCTI) and the Telecommunications Regulatory Authority (ANRC).

31.1.5.3 Numbering Resources Usage Licence: On 16 November 2005, COSMOTE ROMANIA was granted a License for Numbering Resources Usage of a duration until 14 February 2013. The sale or transfer of such license is not allowed without the prior consent of the General Inspectorate of Communications and Information Technology (IGCTI) and the Telecommunications Regulatory Authority (ANRC).

31.2 Capital commitments

The Group has a number of outstanding capital commitments on supplier contracts, which on 31 December 2005, amounted to approximately EURO 61,000, as well as a number of lease agreements relating to the rental of buildings and other sites, whose future payments amounted to approximately EURO 184,000.

32. Financial instruments

32.1 Foreign exchange risks

The Group operates in Greece and in other countries in Balkan so there is an exchange risk, arising from the translation of the related foreign currencies to EURO. The risk related to cash and cash equivalents and the borrowings of the Group is not considered significant as are mainly related to EURO.

32.2 Credit risks

The Group has a clearly defined credit policy, which is followed consistently. Furthermore, due to the spreading of the Group's customers, the exposure to credit risks is limited as far as these receivables are concerned.

32.3 Interest rate risks

Most of the Group's interest-bearing receivables and liabilities are related to floated rates, which are adjusted in the conditions of the market. At 31 December 2005, the Group does not have interest rate swaps.

32.4 Liquidity risk

Liquidity risk is maintained in low levels due to the availability of cash and cash equivalents and the credit limits (par. 32.2).

33. Litigations

At 31 December 2005 the most significant lawsuits and administrative disputes of COSMOTE and its subsidiaries have as follows:

33.1 COSMOTE

The Company is a party to various lawsuits and administrative disputes the majority of which related to the operation of base stations. These disputes arose during the normal course of business. The most significant disputes have as follows

- 33.1.1** On 6 November 2001 a claim for damages was served to COSMOTE, which was brought on 28 October 2001 before the Court of First Instance of Athens by the Monastery of Prophet Ilia (Santorini) against COSMOTE and OTE. The claim concerned damages at the monastery due to the installation of the base station for EURO 1,760. The Monastery limited its claim to EURO 1,051 with its motions on 20 January 2003. The hearing is for 1 June 2006.
- 33.1.2** On 18 October 2005 a claim of damages was served to COSMOTE, which was brought on 15 September 2005 before the Court of First Instance of Athens by 20 civilians against COSMOTE, TIM and the lessors of the area that the base station was installed. The claim is for EURO 300 per each claimant/civilian as compensation due to moral damages resulting from the installation of the above base station. The date of hearing is 02 November 2006.
- 33.1.3.** The Company has filed a petition of annulment before the Council of State, against the resolution of NTPC number 275/72B/07/02/2003, pursuant to which the Company was nominated as an Organization with Significant Market Power (SMP) in the national interconnection market. The relevant case is pending.
- 33.1.4** NTPC has notified to COSMOTE the no. 13542/F391/12.05.05 Transaction of Hearing Procedure with which, after the relevant demand of the Minister of Development, has called COSMOTE as well as TIM and VODAFONE on a hearing on 18 May 2005, to investigate whether the announced increases on tariffs for the SMS² are contrary to the provisions of telecommunication law and the law for the protection of free competition. The hearing has been held on 23 May 2005. A new hearing took place on 3 November 2005 due to the change of the members of NTPC and the decision is still pending.

33.2 AMC

- 33.2.1.** In February 2006 the Regulatory Authority of Albania sent to the operators for their comments a draft market analysis, according to which AMC and Vodafone fulfil the criteria for being determined as companies with significant market power in the call termination market and in the mobile telephony market. The Regulatory Authority suggests on the one hand the obligation of the operators with significant market power to provide infrastructure and telecommunication services to other operators in cost-oriented prices without discrimination and on the other hand the regulation of the retail activity.
- 33.2.2.** In May 2004, the Regulatory Authority of Albania has suggested significant reductions of interconnection tariffs. AMC has presented a claim against this Decision in front of the Tirana District Court. The last hearing took place on 27 January, 2006. In parallel, the parties began negotiations in order to resolve amicably this dispute. In December 2004, AMC & Albtelecom have come to an agreement for the tariffs applying until November 2005. No agreement for the tariffs applying for 2006 has been reached yet.

²On 14.04.2005 COSMOTE has announced its new price policy concerning the post paid subscribers, which involves among others the offer of new packages of bundled free minutes (SMS 30, SMS 60, SMS 120) and the increase of the basic price of each sms from 0,085 to 0,09 euro per sms.

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- 33.2.3.** In May 2004, the Regulatory Authority of Albania has also declared invalid the interconnection agreements between Altelecom on the one part and AMC and Vodafone on the other part. AMC appealed the Regulatory Authority's decision in front of the Tirana District Court, which decided to declare the absolute invalidity of the above decision of TRE. TRE has presented an appeal against such decision. The date of hearing has not been set yet.
- 33.2.4.** On 12 December 2005 the Albanian Competition Commission imposed a fine to AMC of approximately EURO 1.400 million (1% of the company's turnover for 2004) on the grounds of allegedly delaying in responding to a request for information and provision of documents. On 4 January 2006 AMC filed in front of Tirana District Court 2 (two) Law Suits versus the Competition Authority, demanding the annulment the decision requesting information for procedural reasons as well as of the decision imposing the fine, since the requested information had timely been dispatched to the Competition Authority. The hearing dates have not been set yet.
- 33.2.5.** The Albanian fixed telephony company "Altelecom" owes AMC an amount EURO 26,050 of for interconnection fees for invoiced amounts since January 2001. Altelecom also owes to AMC an amount of approximately EURO 7,928 due to discrepancies in measurements of interconnection fees mainly for the period January-May 2001. According to the terms of the interconnection agreement eventual differences between the parties are solved by arbitration in front of the International Chamber of Commerce in Paris.

33.3 COSMOFON

- 33.3.1.** In August 2005, the fixed line incumbent operator of FYROM Maktel, has unilaterally attempted to reduce the interconnection rates for the termination of voice calls. COSMOFON has not accepted such reductions claiming that it is not in accordance with the interconnection agreement in force between the parties.

34. Change in the presentation of the Income Statement

Up to June 30, 2005 expenses were classified according to their function (Cost of Sales, Administrative and Selling Expenses).

The above presentation has been re-estimated and COSMOTE decided to revise the related classification. Accordingly in the attached Financial Statements the related expenses are classified according to their nature in order to give a more relevant information of the Company's results and its activities.

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Independent Auditors' Report

To the Shareholders of
COSMOTE MOBILE TELECOMMUNICATIONS S.A.

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

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

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

Athens, 6 March 2006
KPMG Kyriacou Certified Auditors S.A.

Michael Kokkinos
Certified Auditor Accountant
A.M. S.O.E.L. 12701