

ENGLISH TRANSLATION OF THE GREEK ORIGINAL



**INTERIM CONDENSED FINANCIAL
STATEMENTS (SEPARATE AND
CONSOLIDATED) IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS FOR THE NINE
MONTHS PERIOD ENDED SEPTEMBER 30,
2006 OF HELLENIC COMPANY FOR
TELECOMMUNICATIONS AND
TELEMATIC APPLICATIONS S.A.
(FORTHnet)**

REGISTRATION No. S.A. 34461/06/B/95/94

**REGISTERED OFFICE:
SCIENTIFIC TECHNOLOGICAL PARK OF
CRETE – VASSILIKA VOUTON, IRAKLION
CRETE 710 03**

<http://www.forthnet.gr>

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HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD
 ENDED SEPTEMBER 30, 2006

(amounts in Euro, unless stated otherwise)

	Note	The Group				The Company			
		01.01- 30.09.2006	01.01- 30.09.2005	01.07- 30.09.2006	01.07- 30.09.2005	01.01- 30.09.2006	01.01- 30.09.2005	01.07- 30.09.2006	01.07- 30.09.2005
Revenues	4	72.592.638	68.010.207	24.012.260	22.284.256	68.555.794	64.700.736	22.209.828	20.833.464
Cost of sales	5	(60.500.730)	(48.604.986)	(22.050.224)	(15.498.605)	(57.896.664)	(46.704.107)	(20.959.629)	(14.882.782)
Gross Profit		12.091.908	19.405.221	1.962.036	6.785.651	10.659.130	17.996.629	1.250.199	5.950.682
Selling and distribution expenses	5	(17.601.686)	(13.577.799)	(4.515.557)	(4.850.414)	(16.626.146)	(12.862.398)	(4.081.141)	(4.605.968)
General administrative expenses	5	(4.877.282)	(4.048.097)	(1.748.189)	(1.147.796)	(4.537.239)	(3.670.718)	(1.647.714)	(1.025.494)
Research and development costs	5	(992.593)	(1.013.691)	(364.401)	(327.005)	(992.593)	(1.013.691)	(364.401)	(327.005)
Other income	4	597.575	700.816	80.564	12.299	479.921	698.032	48.953	44.623
Financial income/ (expenses), net		(538.327)	(1.021.205)	264.756	(405.088)	(414.017)	(953.546)	272.899	(380.082)
Profit/ (Loss) before income taxes		(11.320.405)	445.245	(4.320.791)	67.647	(11.430.944)	194.308	(4.521.205)	(343.244)
Income taxes	6	1.892.521	(714.166)	603.937	(75.998)	1.962.678	(571.451)	654.897	56.343
Net Profit /(Loss)		(9.427.884)	(268.921)	(3.716.854)	(8.351)	(9.468.266)	(377.143)	(3.866.308)	(286.901)
Attributable to:									
Equity holders of the parent		(9.428.401)	(308.244)	(3.717.694)	(39.568)	(9.468.266)	(377.143)	(3.866.308)	(286.901)
Minority interests		517	39.323	840	31.217	-	-	-	-
		(9.427.884)	(268.921)	(3.716.854)	(8.351)	(9.468.266)	(377.143)	(3.866.308)	(286.901)
Earnings/(loss) per share (Basic and diluted):		(0,350)	(0,018)	(0,096)	(0,002)	(0,352)	(0,022)	(0,100)	(0,017)
Weighted average number of shares (Basic and diluted)		26.932.988	16.851.695	38.540.682	16.851.695	26.932.988	16.851.695	38.540.682	16.851.695

The accompanying notes are an integral part of these Interim Condensed Financial Statements.



HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED
 SEPTEMBER 30, 2006

(amounts in Euro, unless stated otherwise)

	Note	The Group		The Company	
		30.09.2006	31.12.2005	30.09.2006	31.12.2005
ASSETS					
Non-Current Assets:					
Property, plant and equipment	8	68.861.655	63.770.821	68.200.802	49.964.172
Intangible assets	9	11.012.941	9.844.006	9.483.033	1.885.869
Goodwill	7	727.519	727.519	512.569	-
Investments in subsidiaries	7	-	-	3.453.650	22.058.070
Investments in associates accounted for using the equity method	7	55.400	55.400	44.500	44.500
Other non-current assets		199.480	192.732	148.215	68.677
Available for sale financial assets		390.515	326.325	340.788	290.625
Deferred income taxes	6	8.158.279	5.391.362	7.880.903	4.189.527
Total non-current assets		89.405.789	80.308.165	90.064.460	78.501.440
Current Assets:					
Inventories		1.066.005	487.249	994.549	414.864
Trade accounts receivable	10	31.394.017	32.333.284	28.370.391	31.807.249
Prepayments and other receivables	11	3.524.752	3.469.929	2.951.654	3.335.664
Financial assets at fair value through profit or loss	12	80.189.755	-	80.189.755	-
Cash and cash equivalents	13	29.098.713	8.170.642	28.377.438	7.872.012
Total current assets		145.273.242	44.461.104	140.883.787	43.429.789
TOTAL ASSETS		234.679.031	124.769.269	230.948.247	121.931.229
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent company					
Share capital	14	45.478.005	20.212.447	45.478.005	20.212.447
Share premium		142.566.744	50.068.723	142.566.744	50.068.723
Other reserves		3.090.478	3.090.478	2.467.808	2.467.808
Accumulated deficit		(32.502.557)	(23.074.156)	(32.268.435)	(20.879.577)
		158.632.670	50.297.492	158.244.122	51.869.401
Minority interests		38.155	38.329	-	-
Total equity		158.670.825	50.335.821	158.244.122	51.869.401
Non-Current Liabilities:					
Interest bearing loans and borrowings	15	30.487.953	33.531.684	30.487.953	33.531.684
Finance lease obligations	16	2.312.741	2.571.055	2.215.612	2.450.214
Other long-term liabilities		-	2.228.055	-	2.228.055
Reserve for staff retirement indemnities	19	1.007.781	832.098	955.767	784.499
Government grants		70.985	204.257	40.605	162.421
Total non-current liabilities		33.879.460	39.367.149	33.699.937	39.156.873
Current Liabilities:					
Trade accounts payable	17	27.537.064	22.397.134	26.517.353	20.694.931
Short-term borrowings		1.206.495	3.711.986	-	2.000.000
Current portion of interest bearing loans	15	3.090.909	-	3.090.909	-
Deferred income		5.898.860	5.096.002	5.764.103	5.096.002
Short-term portion of finance lease obligations	16	165.178	169.353	134.858	121.991
Income tax payable		321.046	322.344	285.316	228.526
Accrued and other current liabilities	18	3.909.194	3.369.480	3.211.649	2.763.505
Total current liabilities		42.128.746	35.066.299	39.004.188	30.904.955
TOTAL LIABILITIES AND EQUITY		234.679.031	124.769.269	230.948.247	121.931.229

The accompanying notes are an integral part of these Interim Condensed Financial Statements.



HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2006

(amounts in Euro, unless stated otherwise)

The Group	Attributable to equity holders of the parent company					Minority Interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated deficit	Total		
Balance at December 31, 2004	19.885.000	49.486.127	2.692.862	(21.948.629)	50.115.360	291.880	50.407.240
(Loss) for the period 01.01.05-30.09.05	-	-	-	(308.244)	(308.244)	39.323	(268.921)
Employee Stock Option Plan	-	-	178.928	-	178.928	-	178.928
Balance at September 30, 2005	19.885.000	49.486.127	2.871.790	(22.256.873)	49.986.044	331.203	50.317.247
Balance at December 31, 2004	19.885.000	49.486.127	2.692.862	(21.948.629)	50.115.360	291.880	50.407.240
Issuance of share capital	327.447	588.294	-	-	915.741	-	915.741
Acquisition of minority interests	-	-	-	-	-	(265.214)	(265.214)
Share capital issuance costs	-	(5.698)	-	-	(5.698)	-	(5.698)
Employee stock option plan	-	-	397.616	-	397.616	-	397.616
Loss for the year 2005	-	-	-	(1.125.527)	(1.125.527)	11.663	(1.113.864)
Balance at December 31, 2005	20.212.447	50.068.723	3.090.478	(23.074.156)	50.297.492	38.329	50.335.821
Issuance of share capital	25.265.558	94.638.786	-	-	119.904.344	-	119.904.344
Share capital issuance costs	-	(2.140.765)	-	-	(2.140.765)	-	(2.140.765)
Minority interest on reserves distributed by subsidiary	-	-	-	-	-	(691)	(691)
Loss for the period 01.01.06-30.09.06	-	-	-	(9.428.401)	(9.428.401)	517	(9.427.884)
Balance at September 30, 2006	45.478.005	142.566.744	3.090.478	(32.502.557)	158.632.670	38.155	158.670.825
Balance at December 31, 2004	19.885.000	49.486.127	2.070.192	(19.982.283)	51.459.036		
(Loss) for the period 01.01.05-30.09.05	-	-	-	(377.143)	(377.143)		
Employee Stock Option Plan	-	-	178.928	-	178.928		
Balance at September 30, 2005	19.885.000	49.486.127	2.249.120	(20.359.426)	51.260.821		
Balance at December 31, 2004	19.885.000	49.486.127	2.070.192	(19.982.283)	51.459.036		
Issuance of share capital	327.447	588.294	-	-	915.741		
Share capital issuance costs	-	(5.698)	-	-	(5.698)		
Employee stock option plan	-	-	397.616	-	397.616		
Loss for the year 2005	-	-	-	(897.294)	(897.294)		
Balance at December 31, 2005	20.212.447	50.068.723	2.467.808	(20.879.577)	51.869.401		
Absorption of Subsidiary	-	-	-	(1.920.592)	(1.920.592)		
Issuance of share capital	25.265.558	94.638.786	-	-	119.904.344		
Share capital issuance costs	-	(2.140.765)	-	-	(2.140.765)		
Loss for the period 01.01.06-30.06.06	-	-	-	(9.468.266)	(9.468.266)		
Balance at June 30, 2006	45.478.005	142.566.744	2.467.808	(32.268.435)	158.244.122		

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HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED
 SEPTEMBER 30, 2006

(amounts in Euro, unless stated otherwise)

	The Group		The Company	
	01.01-30.09.2006	01.01-30.09.2005	01.01-30.09.2006	01.01-30.09.2005
Cash Flows from Operating Activities				
Profit/ (Loss) before income taxes	(11.320.405)	445.245	(11.430.944)	194.308
Adjustments for:				
Depreciation and amortization	10.096.041	8.861.635	9.545.040	6.809.280
Gains on disposal of financial assets	-	(43.438)	-	(43.197)
(Gains)/ Losses on disposal of property, plant, equipment and intangible assets	(5.328)	(9.758)	(9.711)	(9.758)
Financial (income)/expenses, net	538.327	1.064.643	414.017	996.741
Allowance for doubtful accounts receivable	2.070.000	450.000	1.800.000	400.000
Provision for staff retirement indemnities	175.683	49.307	163.677	49.307
Other Provisions	104.000	866.046	104.000	778.928
Profit before working capital changes	1.658.318	11.683.680	586.079	9.175.609
(Increase)/decrease in:				
Inventories	(578.756)	(169.505)	(579.685)	(134.617)
Trade accounts receivables	(1.174.857)	(8.611.613)	(865.876)	(6.485.771)
Prepayments and other receivable	(10.699)	999.170	749.410	(77.194)
Increase/(Decrease):				
Trade accounts payable	5.139.930	(552.641)	4.987.912	(621.457)
Deferred Income	802.858	(471.675)	668.101	(393.985)
Accrued and other current liabilities	(1.886.042)	986.361	(2.102.691)	499.104
Interest paid	(1.080.867)	(733.224)	(1.054.710)	(674.682)
(Increase)/ decrease in other non current assets	(6.748)	(18.645)	(6.181)	(14.252)
Net Cash from/ (used in) Operating Activities	2.863.137	3.111.908	2.382.359	1.272.755
Cash Flows from Investing Activities				
Capital expenditure for property, plant and equipment	(13.541.185)	(11.869.810)	(13.273.146)	(9.669.540)
Purchase of intangible assets	(2.841.126)	(736.507)	(2.286.175)	(560.176)
Proceeds from disposal of property, plant, equipment and intangible assets	114.443	32.460	90.623	32.460
Interest and related income received	569.544	50.173	667.696	47.336
Increase of available for sale financial assets	(64.190)	-	(50.163)	-
Proceeds from sale of financial assets	-	312.689	-	311.819
Financial assets at fair value through profit or loss	(80.293.755)	-	(80.293.755)	-
Net Cash used in Investing Activities	(96.056.269)	(12.210.995)	(95.144.920)	(9.838.101)
Cash Flows from Financing Activities				
Proceeds from the issuance of Share Capital	116.889.183	-	116.889.183	-
Net change in short-term borrowings	(2.505.491)	4.075.305	(3.500.000)	3.700.000
Repayment of long-term borrowings	-	(1.791.016)	-	(1.791.016)
Net change in finance lease creditors	(262.489)	1.973.360	(221.735)	1.973.360
Net Cash from Financing Activities	114.121.203	4.257.649	113.167.448	3.882.344
Net increase/(decrease) in cash and cash equivalents	20.928.071	(4.841.438)	20.404.887	(4.683.002)
Cash and cash equivalents at the beginning of the year	8.170.642	8.321.219	7.872.012	7.694.453
Cash and cash equivalents of absorbed subsidiary	-	-	100.539	-
Cash and cash equivalents at the end of period	29.098.713	3.479.781	28.377.438	3.011.451

The accompanying notes are an integral part of these Interim Condensed Financial Statements.



(amounts in Euro, unless stated otherwise)

1. CORPORATE INFORMATION:

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

The Company’s registered office is in Vassilika Vouton, Iraklion, Crete, while its administrative headquarters are in Athens at 4 Atthidon Street, 176 71 Kallithea. The life of the Company, according to its Articles of Incorporation, has been determined to be 40 years from the date of its incorporation with a possible extension permitted following a decision of the General Meeting of the Company’s Shareholders.

The accompanying consolidated financial statements include the financial statements of FORTHnet and its subsidiaries, Mediterranean Broadband Assess S.A. (see Note 7), Forth CRS S.A. and Telemedicine Technologies S.A. (the “Group”).

The Group’s number of employees as of September 30, 2006, was 700, while the respective number for the Company was 640. On December 31, 2005, the number of employees for the Group was 637 and for the Company 579.

2. BASIS OF PRESENTATION:

(a) Basis of Preparation of Financial Statements:

The accompanying interim condensed consolidated financial statements have been prepared under the historical cost convention except for available for sale financial assets that have been measured at fair value and they comply with International Financial Reporting Standards (“IFRS”).

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

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

The accompanying interim condensed consolidated financial statements should be read along with the annual financial statements for the fiscal year ended December 31, 2005, which are posted on the Company’s web-site and contain a full analysis of the accounting principles, methods and estimates used, as well as an analysis of the main accounts of the financial statements.

(b) First Time Adoption of International Financial Reporting Standards:

According to European Union legislation 1606/2002 and based on Law 3229/2004 (as amended by Law 3301/2004), Greek companies listed on any Stock Exchange (in Greece or abroad) are required to prepare their statutory financial statements from fiscal years beginning on or after January 1, 2005, onwards, in accordance with IFRS.

(c) Approval of Financial Statements:

The Board of Directors of FORTHnet approved the separate and consolidated interim condensed financial statements as of and for the nine-month period ended September 30, 2006, on November 28, 2006.

(d) Use of Estimates:

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



(amounts in Euro, unless stated otherwise)

3. PRINCIPAL ACCOUNTING POLICIES:

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

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

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

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

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

- (b) **Investments in Associates:** The Group's investments in other entities in which it exercises significant influence (subsidiaries and ventures excluded) are accounted for using the equity method. Under this method the investment in associates is recognized at cost and subsequently increased or decreased to recognize the investor's share of the profit or loss of the associate, changes in the investor's share of other changes in the associate's equity, distributions received and any impairment in value. The consolidated statements of income reflect the Group's share of the results of operations of the associate. Investments in associates in the separate financial statements are accounted for at cost less any accumulated impairment.
- (c) **Foreign Currency Translation:** The Group's measurement as well as reporting currency is Euro. Transactions involving other currencies are converted into Euro using the exchange rates, which were in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities which are denominated in other currencies are adjusted to reflect the current exchange rates.

Gains or losses resulting from foreign currency re measurements are reflected in the accompanying statements of income. Gains or losses resulting from transactions are also reflected in the accompanying statements of income.

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



(amounts in Euro, unless stated otherwise)

- (e) **Depreciation:** Depreciation is computed based on the straight-line method at rates, which approximate average useful lives. The rates used are as follows:

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

- (f) **Goodwill:** Goodwill is the difference between the purchase price and the fair value of the asset acquired.

No retrospective application of IFRS 3 has been applied to business combinations that occurred prior to January 1, 2001. Goodwill arising from business combinations prior to January 1, 2001, has been deducted from equity as permitted under Greek GAAP. IAS 22 has been adopted on all acquisitions from January 1, 2001, up to and including December 31, 2003.

Goodwill on acquisitions that occurred after January 1, 2001, is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition. Following initial recognition, goodwill is amortised on a straight-line basis over its useful economic life which has been estimated at ten (10) years. Goodwill on acquisitions after January 1, 2004, is not amortised. This is also applicable to goodwill which is carried on the balance sheet as at January 1, 2004. Goodwill is reviewed for impairment on an annual basis or more often when events or changes in circumstances indicate that its carrying value may not be recoverable.

- (g) **Intangible Assets:** Intangible assets include costs of purchased and internally generated software and various licences. Purchased intangible assets acquired separately are capitalised at cost while those acquired from a business combination are capitalised at fair value at the date of acquisition. Internally generated software includes costs such as payroll, materials and services used and any other expenditure directly incurred in developing computer software and in bringing the software into its intended use.

Intangible assets of the Group's subsidiary, Mediterranean Broadband Access S.A., which was absorbed, includes the cost of a license for the provision of Fixed Wireless Access Telecommunications. The license was awarded in accordance with the decision No. 203/10.01.2001 of the Greek Telecommunications and Postal Commission ("EETT") for a term of fifteen (15) years at a cost of approximately € 8.5 million. The license is being amortized over a period of thirteen (13) years, representing the remaining period of use from the year that the network was operational.

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

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

- (h) **Research and Development Costs:** Research costs are expensed as incurred. Development expenditure is mainly incurred for developing software. Costs incurred for the development of an individual project are recognized as an intangible asset only when the requirements of IAS 38 "Intangible Assets" are met. Following initial recognition, development expenditure is carried at cost until the asset is ready for its intended use at which time all costs incurred for that asset are transferred to intangible assets or machinery and are amortised over their average useful lives.



(amounts in Euro, unless stated otherwise)

(i) **Impairment of Assets:** With the exception of goodwill and other intangible assets with indefinite useful life which is tested for impairment on an annual basis, the carrying values of other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Whenever the carrying value of an asset exceeds its recoverable amount an impairment loss is recognised in the statement of income. The recoverable amount is measured as the higher of net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, after deducting any direct incremental selling costs, while value in use is the present value of estimated future cash flows expected to arise from continuing use of the asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest level where there are separately identifiable cash flows.

(j) **Investments:** All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

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

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

These accounts are presented as assets, liabilities or components of equity based on the substance and the contents of the related contractual agreements from which they are derived. Interest, dividends, profit or losses which result from financial assets or liabilities are recognized as income or expenses, respectively. The distribution of dividends to shareholders is reflected directly in equity. Financial assets and liabilities are set-off when the Company has the legal right and the intention to do so (between the parties). The Company does not use financial instruments to either hedge risks or for speculation purposes.

(l) **Inventories:** Inventories are stated at the lower of cost or net realizable value. Cost is determined based on a first-in, first-out method and the weighted average monthly price for a specific inventory category (ADSL in a box). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. A reserve is established when such items are determined to be obsolete or slow moving.

(m) **Trade and Other Accounts Receivables:** Trade accounts receivable, which generally have 30-120 day payment terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection is no longer probable. The provision for doubtful debt is charged to the statement of income. Bad debts are written-off against the established reserve when identified.

(n) **Cash and cash equivalents:** The Group considers time deposits and other highly liquid investments with original maturity of three months or less, to be cash equivalents.
For the purpose of the cash flow statement, cash and cash equivalent consist of cash at hand and in banks and of cash and cash equivalent as defined above.

(o) **Borrowing Cost:** Borrowing costs are recognised as an expense in the period in which they are incurred in accordance with the benchmark treatment of IAS 23 "Borrowing Costs".

(p) **Long term Liabilities:** All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method.



(amounts in Euro, unless stated otherwise)

- (q) **Stock Options:** The cost of the employee stock option plans which is their fair value on the date exercised by the employees is charged to the statement of income over the vesting period with an equivalent credit to shareholders equity (Other Reserves).
- (r) **Leases:** Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the leased item, or if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the estimated useful life of the asset.

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

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

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

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

When the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability.

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

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

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

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

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



(amounts in Euro, unless stated otherwise)

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

Deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

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

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

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

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

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

Billed revenue which has been deferred and will be recognized as income in subsequent periods for the Company and the Group at September 30, 2006 and December 31, 2005, amounted to € 5,764,103 and € 5,096,002 and € 5,898,860 and € 5,096,002 respectively.

Unbilled revenue (mainly fixed telephony) for the Group and the Company at September 30, 2006 and December 31, 2005, amounted to € 4,282,969 and € 4,700,196 and € 4,282,969 and € 4,516,447 respectively.

- (w) **Earnings/(Loss) per Share:** Basic earnings/(loss) per share are computed by dividing net income/(loss) attributable to the shareholders of the parent by the weighted average number of shares outstanding during each year. Diluted earnings/(loss) per share amounts are calculated by dividing the net income/(loss) attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding each year as adjusted for the effects of dilutive options.
- (x) **Reserve for Staff Retirement Indemnities:** Staff retirement obligations are calculated at the discounted value of the future retirement benefits deemed to have accrued at year-end, based on the employees earning retirement benefit rights steadily throughout the working period. The reserve for retirement obligations is calculated on the basis of financial and actuarial assumptions and are determined using the projected unit credit actuarial valuation method. Net pension costs for the period are included in payroll in the accompanying statements of income and consist of the present value of benefits earned in the period, interest cost on the benefit obligation, prior service cost, actuarial gains or losses and the cost of additional pension charges. Past service costs are recognized on a straight-line basis over the average period until the benefits under the plan become vested.



(amounts in Euro, unless stated otherwise)

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

- (y) **Segment Reporting:** The Group mainly provides telecommunications services and operates in Greece. Due to the nature of the services provided and the manner in which they are marketed to customers, the chief operating decision makers operate and manage the business as one business segment. Accordingly, no operating results by individual or group of services are produced and neither are the Group's assets and liabilities analysed by the various services provided. As a result, the Group does not present segment information.
- (z) **Dividend Distribution:** Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

4. REVENUES:

Revenues in the accompanying interim condensed financial statements are analyzed as follows:

	The Group		The Company	
	01.01- 30.09.2006	01.01- 30.09.2005	01.01- 30.09.2006	01.01- 30.09.2005
Operating Revenues				
Fixed telephony	38,497,762	36,702,551	38,497,762	36,702,551
Fixed telephony (Transit)	-	3,065,191	-	3,065,191
Internet Access	14,220,233	10,530,294	14,220,233	10,530,294
Internet Leased Lines	5,332,817	5,319,761	5,332,817	5,319,761
Data Connectivity Services	1,971,320	1,916,798	1,971,320	1,916,798
LMDS	2,224,417	1,762,681	2,224,417	1,762,681
Data Center Services	1,514,195	1,046,193	1,514,195	1,046,193
Interactive Marketing	1,404,880	1,978,870	1,404,880	1,978,870
Services Forth CRS	3,335,932	2,642,026	-	-
Other revenues from services	3,631,504	2,591,972	3,265,182	2,203,565
Sales of equipment and consumables	459,578	453,870	124,988	174,832
Total Operating Revenues	72,592,638	68,010,207	68,555,794	64,700,736
Other Income (Grants, etc)	597,575	700,816	479,921	698,032
Total Revenues	73,190,213	68,711,023	69,035,715	65,398,768



(amounts in Euro, unless stated otherwise)

5. ANALYSIS OF EXPENSES:

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

	The Group		The Company	
	01.01- 30.09.2006	01.01- 30.09.2005	01.01- 30.09.2006	01.01- 30.09.2005
Payroll and related costs	13,708,820	12,168,185	12,480,620	11,059,220
Third party fees and services	5,595,658	5,271,046	4,695,613	4,749,911
Rentals	970,337	924,128	803,323	399,915
Commissions on sales	4,787,344	2,075,372	4,772,408	2,060,440
Repairs and maintenance	2,018,883	1,422,332	1,947,959	1,069,946
Interconnection fees (Voice)	22,432,328	23,346,830	22,432,328	23,346,830
Leased lines (Voice)	2,083,388	1,922,370	2,083,388	1,922,370
Other telecommunications costs	10,983,289	5,650,925	10,983,289	7,931,064
Taxes and duties	388,102	393,007	372,633	339,351
Sundry expenses	1,016,535	749,089	862,711	652,680
Advertising and promotion costs	5,199,434	3,189,592	5,120,635	3,141,289
Depreciation and amortisation	10,096,041	8,861,635	9,545,040	6,809,280
Allowance for doubtful accounts receivable	2,070,000	450,000	1,800,000	400,000
Cost of sales of inventory and consumables	2,622,132	820,062	2,152,695	368,618
Total expenses	83,972,291	67,244,573	80,052,642	64,250,914

The above expenses are analyzed as follows:

	The Group		The Company	
	01.01- 30.09.2006	01.01- 30.09.2005	01.01- 30.09.2006	01.01- 30.09.2005
Cost of sales	60,500,730	48,604,986	57,896,664	46,704,107
Selling and distribution expenses	17,601,686	13,577,799	16,626,146	12,862,398
Administrative expenses	4,877,282	4,048,097	4,537,239	3,670,718
Research and development costs	992,593	1,013,691	992,593	1,013,691
	83,972,291	67,244,573	80,052,642	64,250,914

6. INCOME TAXES:

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

	The Group		The Company	
	01.01- 30.09.2006	01.01- 30.09.2005	01.01- 30.09.2006	01.01- 30.09.2005
Current income taxes	-	-	-	-
Deferred income taxes	(1,892,521)	714,166	(1,962,678)	571,451
Provision for Income taxes reflected in the Statement of Income	(1,892,521)	714,166	(1,962,678)	571,451



(amounts in Euro, unless stated otherwise)

The movement of the deferred income taxes is as follows:

	<u>30.09.2006</u>	<u>31.12.2005</u>
The Group		
Balance at the beginning of period	5,391,362	6,805,300
Benefit/ (Charge) to the Statement of Income	1,892,521	(1,413,938)
Tax charged directly to equity	874,396	-
Balance at the end of period	<u>8,158,279</u>	<u>5,391,362</u>
The Company		
Balance at the beginning of period	4,189,527	5,599,993
Benefit/ (Charge) to the Statement of Income	1,962,678	(1,410,466)
Business combinations (absorptions)	854,300	-
Tax charged directly to equity	874,398	-
Balance at the end of period	<u>7,880,903</u>	<u>4,189,527</u>

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

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

7. SUBSIDIARIES AND ASSOCIATES - GOODWILL:

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

Name	Registered Office	Equity Interest		Balance	
		<u>30.09.2006</u>	<u>31.12.2005</u>	<u>30.09.2006</u>	<u>31.12.2005</u>
Mediterranean Broadband Access S.A.	Kallithea, Attica, Greece	-	100.00%	-	18,604,420
Forth CRS S.A.	P. Faliro, Attica, Greece	99.31%	99.31%	3,139,169	3,139,169
Telemedicine Technologies S.A.	Paris, France	94.40%	94.40%	314,481	314,481
				<u>3,453,650</u>	<u>22,058,070</u>

According to the decisions of the Boards' of Directors of November 23, 2005, Mediterranean Broadband Access S.A. and FORTHnet S.A. merged with the latter absorbing the former according to Laws 2190/1920 and 2166/1993 with the date of absorption being the December 31, 2005. Mediterranean Broadband Access S.A.'s balance sheet items have been incorporated in FORTHnet S.A. items as of January 1, 2006. Moreover, the results for the period (January 1, 2006 - May 9, 2006), (in the Registration No. S.A. according to decision K2-5962/28-4-2006 based upon which the absorption was approved), have been incorporated in FORTHnet S.A.'s items. As a result of this, FORTHnet's attached interim financial statements are not fully comparable with that of the prior period.

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

	Registered Office	Equity Interest		Balance	
		<u>30.09.2006</u>	<u>31.12. 2005</u>	<u>30.09.2006</u>	<u>31.12. 2005</u>
Forth e-com S.A.	Thessaloniki, Greece	45.00%	45.00%	-	-
Athlonet S.A.	Kallithea, Attica, Greece	44.00%	44.00%	55,400	55,400
				<u>55,400</u>	<u>55,400</u>



(amounts in Euro, unless stated otherwise)

Goodwill in the accompanying interim condensed balance sheet is analyzed as follows:

	The Group		The Company	
	30.09.2006	31.12.2005	30.09.2006	31.12.2005
Mediterranean Broadband Access S.A.	596,185	596,185	596,185	-
Forth CRS S.A.	26,619	26,619	-	-
Telemedicine Technologies S.A.	251,384	251,384	-	-
Total	874,188	874,188	596,185	-
Less: Amortisation	(146,669)	(146,669)	(83,616)	-
Net Book Value	727,519	727,519	512,569	-

8. PROPERTY, PLANT AND EQUIPMENT:

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

The Group	Land	Buildings	Machinery	Transport ation Means	Furniture & Other Equipment	Constru ction in Progress (CIP)	Total
ACQUISITION COST							
At January 1, 2005	1,137,589	8,715,022	60,353,075	64,438	6,569,500	1,054,286	77,893,910
Additions	-	90,506	12,731,866	1,652	1,453,008	4,172,042	18,449,074
Transfers from CIP	-	152,168	592,033	-	-	(424,469)	319,732
Disposals	-	-	(44,747)	(4,082)	(47,611)	-	(96,440)
At December 31, 2005	1,137,589	8,957,696	73,632,227	62,008	7,974,897	4,801,859	96,566,276
Additions	-	110,790	9,000,148	-	635,546	3,794,701	13,541,185
Transfers from CIP	-	7,016	(49,449)	-	290,616	(248,183)	-
Disposals	-	-	(26,147)	-	(88,296)	-	(114,443)
At September 30, 2006	1,137,589	9,075,502	82,556,779	62,008	8,812,763	8,348,377	109,993,018
DEPRECIATION							
At January 1, 2005	-	(1,568,187)	(17,447,254)	(11,140)	(4,283,236)	-	(23,309,817)
Depreciation expenses	-	(451,722)	(8,012,731)	(6,336)	(1,071,613)	-	(9,542,402)
Disposals	-	-	10,598	-	46,166	-	56,764
At December 31, 2005	-	(2,019,909)	(25,449,387)	(17,476)	(5,308,683)	-	(32,795,455)
Depreciation	-	(345,086)	(7,236,444)	(4,765)	(836,748)	-	(8,423,043)
Disposals	-	-	4,807	-	82,328	-	87,135
At September 30, 2006	-	(2,364,995)	(32,681,024)	(22,241)	(6,063,103)	-	(41,131,363)
NET BOOK VALUE							
At January 1, 2005							
At December 31, 2005	1,137,589	7,146,835	42,905,821	53,298	2,286,264	1,054,286	54,584,093
At September 30, 2006	1,137,589	6,937,787	48,182,840	44,532	2,666,214	4,801,859	63,770,821
At September 30, 2006	1,137,589	6,710,507	49,875,755	39,767	2,749,660	8,348,377	68,861,655



HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
 NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS FOR THE NINE MONTH PERIOD ENDED
 SEPTEMBER 30, 2006

(amounts in Euro, unless stated otherwise)

The Company	Land	Buildings	Machinery	Transportation Means	Furniture & Other Equipment	Construction in Progress (CIP)	Total
ACQUISITION COST							
At January 1, 2005	1,137,589	8,682,707	49,780,248	51,205	4,948,203	97,456	64,697,408
Additions	-	31,787	9,324,048	-	853,996	4,556,256	14,766,087
Transfers from CIP	-	152,168	319,732	-	-	(152,168)	319,732
Disposals	-	-	(44,747)	-	(47,611)	-	(92,358)
At December 31, 2005	1,137,589	8,866,662	59,379,281	51,205	5,754,588	4,501,544	79,690,869
Additions	-	78,340	8,878,717	-	521,388	3,794,701	13,273,146
Business absorptions	-	-	15,889,004	-	48,347	300,315	16,237,666
Transfers from CIP	-	7,016	(49,449)	-	290,616	(248,183)	-
Disposals	-	-	(26,147)	-	(64,476)	-	(90,623)
At September 30, 2006	1,137,589	8,952,018	84,071,406	51,205	6,550,463	8,348,377	109,111,058
DEPRECIATION							
At January 1, 2005	-	(1,544,484)	(17,393,930)	(7,207)	(2,884,721)	-	(21,830,342)
Depreciation expenses	-	(444,173)	(6,645,141)	(5,120)	(858,889)	-	(7,953,323)
Disposals	-	-	10,598	-	46,370	-	56,968
At December 31, 2005	-	(1,988,657)	(24,028,473)	(12,327)	(3,697,240)	-	(29,726,697)
Depreciation expenses	-	(336,549)	(7,233,666)	(3,840)	(644,554)	-	(8,218,609)
Business absorptions	-	-	(3,004,231)	-	(28,365)	-	(3,032,596)
Disposals	-	-	4,806	-	62,840	-	67,646
At September 30, 2006	-	(2,325,206)	(34,261,564)	(16,167)	(4,307,319)	-	(40,910,256)
NET BOOK VALUE							
At January 1, 2005	1,137,589	7,138,223	32,386,318	43,998	2,063,482	97,456	42,867,066
At December 31, 2005	1,137,589	6,878,005	35,350,808	38,878	2,057,348	4,501,544	49,964,172
At September 30, 2006	1,137,589	6,626,812	49,809,842	35,038	2,243,144	8,348,377	68,200,802

There is no property, plant and equipment that has been pledged as security. The title of the capitalized leased assets has been retained by the lessor. The net book value of the Company's and Group's capitalized leased assets at September 30, 2006 amounted to € 2,990,680 and € 3,113,418 respectively.



(amounts in Euro, unless stated otherwise)

9. INTANGIBLE ASSETS:

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

The Group	Purchased Software	Internally Generated Software	Licenses	Intangibles Under Development	Total
<u>ACQUISITION COST</u>					
At January 1, 2005	4,620,930	2,280,054	9,588,084	670,028	17,159,096
Additions	1,017,255	278,675	-	323,411	1,619,341
Transfers from intangibles under development	250,454	-	-	(570,186)	(319,732)
Disposals	(38,000)	-	(64,006)	-	(102,006)
At December 31, 2005	5,850,639	2,558,729	9,524,078	423,253	18,356,699
Additions	2,080,080	499,537	8,918	252,591	2,841,126
Transfers from intangibles under development	22,518	-	-	(22,518)	-
At September 30, 2006	7,953,237	3,058,266	9,532,996	653,326	21,197,825
<u>AMORTISATION</u>					
At January 1, 2005	(3,406,972)	(1,492,690)	(1,561,052)	-	(6,460,714)
Amortisation expenses	(1,149,289)	(13,072)	(889,618)	-	(2,051,979)
At December 31, 2005	(4,556,261)	(1,505,762)	(2,450,670)	-	(8,512,693)
Amortisation expenses	(857,951)	(37,611)	(777,436)	-	(1,672,998)
Transfers	807	-	-	-	807
At September 30, 2006	(5,413,405)	(1,543,373)	(3,228,106)	-	(10,184,884)
<u>NET BOOK VALUE</u>					
At January 1, 2005	1,213,958	787,364	8,027,032	670,028	10,698,382
At December 31, 2005	1,294,378	1,052,967	7,073,408	423,253	9,844,006
At September 30, 2006	2,539,832	1,514,893	6,304,890	653,326	11,012,941



(amounts in Euro, unless stated otherwise)

The Company	Purchased Software	Internally Generated Software	Licenses	Intangibles Under Development	Total
ACQUISITION COST					
At January 1, 2005	5,555,384	103,644	840,000	319,732	6,818,760
Additions	902,413	234,620	-	-	1,137,033
Transfers from intangibles under Development	-	-	-	(319,732)	(319,732)
Disposals	(38,000)	-	-	-	(38,000)
At December 31, 2005	6,419,797	338,264	840,000	-	7,598,061
Additions	1,786,638	499,537	-	-	2,286,175
Business absorptions	-	244,946	8,748,083	-	8,993,029
At September 30, 2006	8,206,435	1,082,747	9,588,083	-	18,877,265
AMORTISATION					
At January 1, 2005	(4,433,773)	(103,643)	(144,600)	-	(4,682,016)
Amortisation expenses	(786,704)	(13,072)	(230,400)	-	(1,030,176)
At December 31, 2005	(5,220,477)	(116,715)	(375,000)	-	(5,712,192)
Amortisation expenses	(570,376)	(37,611)	(718,444)	-	(1,326,431)
Business absorptions	-	(122,424)	(2,233,992)	-	(2,356,416)
Transfers	807	-	-	-	807
At September 30, 2006	(5,790,046)	(276,750)	(3,327,436)	-	(9,394,232)
NET BOOK VALUE					
At January 1, 2005	1,121,611	1	695,400	319,732	2,136,744
At December 31, 2005	1,199,320	221,549	465,000	-	1,885,869
At September 30, 2006	2,416,389	805,997	6,260,647	-	9,483,033

10. TRADE ACCOUNTS RECEIVABLE:

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

	The Group		The Company	
	30.09.2006	31.12.2005	30.09.2006	31.12.2005
Domestic customers	27,759,752	25,521,218	24,823,266	25,675,244
Foreign customers	424,661	1,264,959	355,252	1,208,401
Accounts payable due to state owned companies	1,560,370	1,447,424	1,560,370	1,447,424
Cheques and notes receivable	4,006,265	3,970,857	3,548,534	3,359,733
Unbilled revenue	4,282,969	4,700,196	4,282,969	4,516,447
	38,034,017	36,904,654	34,570,391	36,207,249
Less: Allowance for doubtful accounts receivable	(6,640,000)	(4,571,370)	(6,200,000)	(4,400,000)
Balance of Trade Accounts Receivable	31,394,017	32,333,284	28,370,391	31,807,249



(amounts in Euro, unless stated otherwise)

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

	The Group		The Company	
	30.09.2006	31.12.2005	30.09.2006	31.12.2005
Balance at the beginning of period	4,571,370	3,321,370	4,400,000	3,200,000
Provision (Note 5)	2,070,000	1,250,000	1,800,000	1,200,000
Utilisation	(1,370)	-	-	-
Balance at the end of period	6,640,000	4,571,370	6,200,000	4,400,000

11. PREPAYMENTS AND OTHER RECEIVABLES:

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

	The Group		The Company	
	30.09.2006	31.12.2005	30.09.2006	31.12.2005
Receivables due from the Greek State	479,324	491,002	421,717	210,952
Prepaid expenses	1,663,132	1,718,019	1,476,438	1,479,901
Value Added Tax receivable	413,592	120,080	413,592	109,967
Advances to personnel	32,945	40,945	18,609	33,058
Advances to suppliers	314,698	807,824	80,641	1,378,784
Other debtors	621,061	292,059	540,657	123,002
Total Prepayments & Other Receivables	3,524,752	3,469,929	2,951,654	3,335,664

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	The Group		The Company	
	30.09.2006	31.12.2005	30.09.2006	31.12.2005
Bank bonds	80,293,755	-	80,293,755	-
Less: Provision for devaluation	(104,000)	-	(104,000)	-
Total	80,189,755	-	80,189,755	-

The above mentioned financial assets consist of bank bonds with a coupon.

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



(amounts in Euro, unless stated otherwise)

13. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents in the accompanying interim condensed financial statements are analyzed as follows:

	The Group		The Company	
	30.09.2006	31.12.2005	30.09.2006	31.12.2005
Cash in hand	58,939	41,904	47,822	40,914
Cash at banks	3,539,774	3,628,738	2,829,616	3,331,098
Time deposits	25,500,000	4,500,000	25,500,000	4,500,000
	29,098,713	8,170,642	28,377,438	7,872,012

Cash at banks earns interest at floating rates based on monthly bank deposit rates. Interest earned on cash at banks and time deposits is accounted for on an accrual basis and for the period ended September 30, 2006, amounted to € 621,693 and € 620,534 for the Group and the Company, respectively, and is included in net financial income/(expenses), in the accompanying interim condensed statements of income.

14. SHARE CAPITAL:

The Company's ordinary share capital as at December 31, 2004, amounted to € 19,885,000 divided into 16,851,695 ordinary shares of € 1.18 par value each.

Following the Board of Directors decision of December 21, 2005, 277,497 shares were issued at an exercise price of € 3.30 par value each, for the options exercised under the Group's employee stock option plan. This resulted in an increase in share capital of € 327,447, while the resulting surplus on the above transactions of € 588,294, net of issuance expenses and related deferred tax was recorded in the share premium account.

The Company's ordinary share capital as at December 31, 2005, amounted to € 20,212,447 divided into 17,129,192 ordinary shares of € 1.18 par value each.

On March 17, 2006, the General Shareholders Meeting decided to increase the Company's share capital, with cash contribution, by € 25,265,558 through the issuance of 21,411,490 new ordinary shares, with nominal value € 1.18 each. The specific increase is in favor of the existing shareholders with a ratio five (5) new ordinary shares for every four (4) ordinary shares, at an exercise price of € 5.60 per each new share.

The total gross capital contributed amounted to € 119,904,344, while the difference between the exercise price and the nominal value of each share, of € 94,638,786 was credited, according to law and the articles of Incorporation, to the account «Share Premium».

As a result, the Company's ordinary share capital as at September 30, 2006 amounted to € 45,478,005 divided into 38,540,682 ordinary shares, with a nominal value € 1.18 each.

15. LONG-TERM LOANS:

Long-term loans for the Group and the Company at September 30, 2006 and December 31, 2005, are analyzed as follows:

	The Group		The Company	
	30.09.2006	31.12.2005	30.09.2006	31.12.2005
Bond loan	33,578,862	33,531,684	33,578,862	33,531,684
Less current portion:				
-Bond loan	(3,090,909)	-	(3,090,909)	-
Long-term portion	30,487,953	33,531,684	30,487,953	33,531,684



(amounts in Euro, unless stated otherwise)

16. FINANCE LEASE OBLIGATIONS:

The finance lease obligations in the accompanying interim condensed financial statements are analyzed as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>30.09.2006</u>	<u>31.12.2005</u>	<u>30.09.2006</u>	<u>31.12.2005</u>
Obligation under finance lease	2,477,919	2,740,408	2,350,470	2,572,205
Less: Current portion	(165,178)	(169,353)	(134,858)	(121,991)
Long-term portion	<u>2,312,741</u>	<u>2,571,055</u>	<u>2,215,612</u>	<u>2,450,214</u>

17. TRADE ACCOUNTS PAYABLE:

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

	<u>The Group</u>		<u>The Company</u>	
	<u>30.09.2006</u>	<u>31.12.2005</u>	<u>30.09.2006</u>	<u>31.12.2005</u>
Domestic suppliers	15,811,624	17,175,731	15,258,069	15,807,624
Foreign suppliers	5,365,359	2,737,625	5,357,872	2,722,484
Post dated cheques payable	6,360,081	2,483,778	5,901,412	2,164,823
Total	<u>27,537,064</u>	<u>22,397,134</u>	<u>26,517,353</u>	<u>20,694,931</u>

18. ACCRUED AND OTHER CURRENT LIABILITIES:

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

	<u>The Group</u>		<u>The Company</u>	
	<u>30.09.2006</u>	<u>31.12.2005</u>	<u>30.09.2006</u>	<u>31.12.2005</u>
Social security payable	469,986	742,386	404,942	644,331
Value added tax	176,911	56,457	-	-
Other taxes and duties	279,078	324,188	213,134	241,993
Customer advances	1,083,264	1,394,498	1,009,063	1,371,741
Other current liabilities	639,024	851,951	323,579	505,440
Liability for the acquisition of Internet Hellas	1,260,931	-	1,260,931	-
Total	<u>3,909,194</u>	<u>3,369,480</u>	<u>3,211,649</u>	<u>2,763,505</u>

19. STAFF RETIREMENT INDEMNITIES:

The reserve for staff retirement indemnities for the Company and the Group at September 30, 2006 are analyzed as follows:

	<u>30.09.2006</u>
<u>The Group</u>	
Balance at the beginning of period 01. 01. 2006	832,098
Charge for the period	175,683
Balance at the end of period 30. 09. 2006	<u>1,007,781</u>
<u>The Company</u>	
Balance at the beginning of period 01. 01. 2006	784,499
Charge for the period	163,677
Business combination	7,591
Balance at the end of period 30. 09. 2006	<u>955,767</u>



(amounts in Euro, unless stated otherwise)

20. RELATED PARTIES:

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

Account balances and translations with related companies are as follows:

<u>Related Party</u>	<u>Relation with FORTHnet</u>	<u>Period ending at</u>	<u>Amounts owed by related parties</u>	<u>Amounts owed to related parties</u>
Technology and Research Foundation	Shareholder	31.12.2005	112,335	88,171
		30.09.2006	24,774	20,784
Forth CRS S.A.	Subsidiary	31.12.2005	808,532	370
		30.09.2006	373,130	1,120
Telemedicine Technologies S.A.	Subsidiary	31.12.2005	56,675	-
		30.09.2006	136,675	-
Forth e-com S.A.	Associate	31.12.2005	493,955	20,972
		30.09.2006	545,844	20,972
Athlonet S.A.	Associate	31.12.2005	486	7,824
		30.09.2006	849	-
	TOTAL	31.12.2005	1,471,983	117,337
	TOTAL	30.09.2006	1,081,272	42,876

<u>Related Party</u>	<u>Relation with FORTHnet</u>	<u>Period ending at</u>	<u>Sales to related parties</u>	<u>Purchases from related parties</u>
Technology and Research Foundation	Shareholder	30.09.2005	108,404	119,840
		30.09.2006	101,928	64,137
Forth CRS S.A.	Subsidiary	30.09.2005	53,200	4,670
		30.09.2006	59,655	12,650
Forth e-com S.A.	Associate	30.09.2005	48,663	11,075
		30.09.2006	4,557	-
Athlonet S.A.	Associate	30.09.2005	3,415	12,251
		30.09.2006	3,308	4,043
	TOTAL	30.09.2005	213,682	147,836
	TOTAL	30.09.2006	169,448	80,830

Salaries and fees for the members the Board of Directors and the general managers of the Group for the periods January 1, 2005 to September 30, 2005 and January 1, 2006 to September 30, 2006, respectively, are analyzed as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>30.09.2006</u>	<u>30.09.2005</u>	<u>30.09.2006</u>	<u>30.09.2005</u>
Salaries and fees for executive members of the BoD	184,700	160,617	184,700	160,617
Salaries and fees for non executive members of the BoD	102,200	45,400	102,200	45,400
Salaries and fees for general managers	702,476	446,648	604,730	422,134
Total	989,376	652,665	891,630	628,151



(amounts in Euro, unless stated otherwise)

21. COMMITMENTS AND CONTINGENCIES:

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

Compensation of Senior Executives: According to the Chief Executive Officer's and some senior executives' employment contracts there is a provision for the payment of compensation at the end of their term. In addition, in case of early termination of their contracts by the Company without grounds or in case of forced resignation, the Company shall pay to them an additional compensation (other than that legally due). The amount of the additional compensation was approximately €1 million, at September 30, 2006.

Commitments:

a. Rent: The Group has entered into commercial operating lease agreements for the lease of building, office space and offices used as points of presentation for dealers. These lease agreements have an average life of 5 to 10 years with renewal terms included in certain contracts. Future minimum rentals payable under non - cancellable operating leases as at September 30, 2006 and December 31, 2005, are as follows:

	The Group		The Company	
	30.09.2006	31.12.2005	30.09.2006	31.12.2005
Within one year	1,122,718	1,263,169	1,004,603	533,507
2-5 years	3,607,565	4,244,674	3,139,375	1,010,112
Over 5 years	312,004	469,328	312,004	225,960
Total	5,042,287	5,977,171	4,455,982	1,769,579

b. Guarantees: The Group issues letters of guarantee to various beneficiaries. Letters of guarantees as at September 30, 2006 and December 31, 2005, are analyzed as follows:

	The Group		The Company	
	30.09.2006	31.12.2005	30.09.2006	31.12.2005
Good execution of agreements	3,055,040	1,779,386	3,055,040	1,623,457
Participation in biddings	4,442,000	84,228	4,442,000	84,228
Guarantee for advance payments received	957,905	967,912	957,905	967,912
Total	8,454,945	2,831,526	8,454,945	2,675,597

c. Contractual Commitments: The outstanding balance of the contractual commitments for the Group and the Company at September 30, 2006, amounted to approximately €22 million.

In addition, the outstanding balance of the contractual commitments relating to the maintenance of international capacity telecommunication lines (OA&M charges), which have been acquired through long term lease (IRU), amounted to approximately €4 million.

22. LITIGATION – ARBITRATION:

FORTHnet's, outstanding judicial claims against third parties are as follows:

- Amount approximately equal to € 27 mil., concerns a claim against OTE by virtue of the law suit filed on December 31, 2002, in regard to the positive damages claimed to be suffered in the case of EPAK.
- In addition approximately € 4 mil., consisting of a claim against OTE with regard to the positive and indirect damages claimed to be suffered from OTE's unlawful practices of customer winback.
- Moreover, there are outstanding opposing applications before the Council of State for the annulment of EETT decisions that concern: (a) volume discounts by OTE, (b) low margin between retail and



(amounts in Euro, unless stated otherwise)

wholesale prices of leased lines, (c) the level of interconnection fees and, (d) the fees for leased lines. The Company's position has basis though, the significance of the cases and the circumstances though, make it difficult for the prediction of any positive outcome of the above cases in the sense of the denial of the applications filed by OTE and the acceptance of the applications filed by the Company. The impact (positive) on the Company's financial results is impossible to be predicted as, it is estimated that even if any or all of the applications were to be accepted, the case will be brought to the Management which will have to evaluate again the critical fees. There are still outstanding on the Court of Appeal of Athens, appeals against the decision of the ("EETT") for the new regulation of preselection and two applications of cancellation against the ("EETT's") decisions on 2006, based upon which prices are set for specific OTE's services.

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

It is noted that for the above claims, has not been formed a provision in the Company's financial statements.

Iraklio November 28, 2006

President of the Board of
Directors

Chief Executive Officer

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I.D. N. 772354

Tzortzakis Pantelis
I.D. X 072948

Chief Financial Officer

Financial Director

Chief Accountant

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