

ENGLISH TRANSLATION OF THE GREEK ORIGINAL



**INTERIM FINANCIAL STATEMENTS
(SEPARATE AND CONSOLIDATED) IN
ACCORDANCE WITH INTERNATIONAL
FINANCIAL REPORTING STANDARDS FOR
THE FISCAL YEAR 2006 (JANUARY 1 –
MARCH 31, 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>

INDEX TO THE FINANCIAL STATEMENTS

	<u>Page</u>
• Interim Income Statement	2
• Interim Balance Sheet	3
• Interim Statement of changes in Equity	4
• Interim Cash Flow Statement	5
• Notes to the Interim Financial Statements	6 - 27



HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
INTERIM INCOME STATEMENT 1st QUARTER 2006

(amounts in euro, apart from the number of shares)

	Note	The Group		The Company	
		01.01-31.03.2006	01.01-31.03.2005	01.01-31.03.2006	01.01-31.03.2005
Revenues	4	23,614,081	21,895,672	22,875,426	21,353,790
Cost of sales	6	(17,776,196)	(15,936,037)	(17,170,201)	(15,332,631)
Gross Profit		5,837,885	5,959,635	5,705,224	6,021,159
Selling and distribution expenses	6	(5,821,173)	(3,618,168)	(5,553,395)	(3,397,340)
General administrative expenses	6	(1,452,922)	(1,692,798)	(1,351,452)	(1,573,750)
Research and development costs	6	(299,648)	(412,071)	(299,648)	(412,071)
Other income	4	205,515	223,595	201,679	193,475
Financial income/ (expenses), net	5	(488,473)	(314,313)	(480,141)	(293,213)
Profit/ (Loss) Before Income Taxes		(2,018,816)	145,881	(1,777,731)	538,260
Income taxes	7	284,352	(110,838)	225,154	(356,434)
Net Profit /(Loss)		(1,734,464)	35,043	(1,552,577)	181,826
Attributable to:					
Equity holders of the parent		(1,733,205)	51,213	(1,552,577)	181,826
Minority interests		(1,259)	(16,170)	-	-
		(1,734,464)	35,043	(1,552,577)	181,826
Earnings/(loss) per share (Basic):		(0.101)	0.003	(0.091)	0.011
Weighted average number of shares (Basic)		17,129,192	16,851,695	17,129,192	16,851,695

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



HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
INTERIM BALANCE SHEET 1ST QUARTER 2006

(amounts in euro, apart from the number of shares)

	Note	The Group		The Company	
		31.03.2006	31.12.2005	31.03.2006	31.12.2005
ASSETS					
Non-Current Assets:					
Property, plant and equipment	9	63,425,191	63,770,821	62,790,842	49,964,172
Intangible assets	10	9,710,099	9,844,006	8,397,738	1,885,869
Goodwill	8	727,519	727,519	512,569	-
Investments in subsidiaries	8	-	-	3,453,650	22,058,070
Investments in associates accounted for using the equity method	8	55,400	55,400	44,500	44,500
Other non-current assets		181,178	192,732	129,890	68,677
Available for sale financial assets	11	326,325	326,325	290,625	290,625
Deferred income taxes	7	5,675,714	5,391,362	5,268,982	4,189,527
Total non-current assets		80,101,426	80,308,165	80,888,795	78,501,440
Current Assets:					
Inventories	12	1,185,139	487,249	1,098,383	414,864
Trade accounts receivable	13	33,193,574	32,333,284	31,137,997	31,807,249
Prepayments and other receivables	14	2,926,517	3,469,929	2,129,695	3,335,664
Cash and cash equivalents	15	5,158,290	8,170,642	4,911,053	7,872,012
Total current assets		42,463,520	44,461,104	39,277,128	43,429,789
TOTAL ASSETS		122,564,946	124,769,269	120,165,923	121,931,229
EQUITY AND LIABILITIES					
Share capital	16	20,212,447	20,212,447	20,212,447	20,212,447
Share premium		50,068,723	50,068,723	50,068,723	50,068,723
Reserves		3,090,478	3,090,478	2,467,808	2,467,808
Accumulated deficit		(24,807,361)	(23,074,156)	(24,352,745)	(20,879,577)
		48,564,286	50,297,492	48,396,233	51,869,401
Minority interest		37,070	38,329	-	-
Total equity		48,601,357	50,335,821	48,396,233	51,869,401
Non-Current Liabilities:					
Interest bearing loans and borrowings	17	33,547,410	33,531,684	33,547,410	33,531,684
Finance lease obligations	18	2,535,509	2,571,055	2,427,470	2,450,214
Other long-term liabilities	21	2,240,414	2,228,055	2,240,414	2,228,055
Reserve for staff retirement indemnities		890,029	832,098	846,019	784,499
Government grants	22	159,827	204,257	121,816	162,421
Total non-current liabilities		39,373,189	39,367,149	39,183,129	39,156,873
Current Liabilities:					
Trade accounts payable	19	18,455,656	22,397,134	17,552,237	20,694,931
Short-term borrowings	17	7,004,094	3,711,986	6,800,000	2,000,000
Deferred income	3	5,809,888	5,096,002	5,809,888	5,096,002
Short-term portion of finance lease obligations	18	169,976	169,353	121,991	121,991
Income tax payable		322,346	322,344	285,316	228,526
Accrued and other current liabilities	20	2,828,440	3,369,480	2,017,130	2,763,505
Total current liabilities		34,590,400	35,066,299	32,586,561	30,904,955
TOTAL LIABILITIES AND EQUITY		122,564,946	124,769,269	120,165,923	121,931,229

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



HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
INTERIM STATEMENT OF CHANGES OF EQUITY 1ST QUARTER 2006

(amounts in euro, apart from the number of shares)

The Group	Attributable to equity holders of the parent company						Minority Interest	Total equity
	Share capital	Share premium	Treasury shares	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
Profit/ (Loss) for the period 01.01.05-31.03.05	-	-	-	-	51,213	51,213	(16,170)	35,043
Balance at March 31, 2005	19,885,000	49,486,127	0	2,692,862	(21,897,417)	50,166,573	275,710	50,442,283
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 interest	-	-	-	-	-	-	(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
Loss for the period 01.01.06-31.03.06	-	-	-	-	(1,733,205)	(1,733,205)	(1,259)	(1,734,464)
Balance at March 31, 2006	20,212,447	50,068,723	0	3,090,478	(24,807,361)	48,564,287	37,070	48,601,357
The Company	Share capital	Share premium	Treasury shares	Other reserves	Accumulated deficit	Total		
Balance at December 31, 2004	19,885,000	49,486,127	-	2,070,192	(19,982,283)	51,459,036		
Profit/ (Loss) for the period 01.01.05-31.03.05	-	-	-	-	181,826	181,826		
Balance at March 31, 2005	19,885,000	49,486,127	0	2,070,192	(19,800,458)	51,640,862		
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	0	2,467,808	(20,879,577)	51,869,401		
Subsidiary absorption	-	-	-	-	(1,920,590)	(1,920,590)		
Loss for the period 01.01.06-31.03.06	-	-	-	-	(1,552,577)	(1,552,577)		
Balance at March 31, 2006	20,212,447	50,068,723	0	2,467,808	(24,352,745)	48,396,233		

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



HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
INTERIM CASH FLOW 1ST QUARTER 2006

(amounts in euro, apart from the number of shares)

	The Group		The Company	
	01.01 - 31.03.2006	01.01 - 31.03.2005	01.01 - 31.03.2006	01.01 - 31.03.2005
Cash Flows from Operating Activities				
Profit/ (Loss) before income taxes	(2,018,816)	145,881	(1,777,731)	538,260
Adjustments for:				
Depreciation and amortization	3,227,080	2,892,242	3,042,120	2,207,612
Financial (income)/expenses, net	488,473	314,313	480,141	293,213
Allowance for doubtful accounts receivable	550,000	100,000	500,000	100,000
Profit before working capital changes	2,246,737	3,452,436	2,244,529	3,139,085
(Increase)/decrease in:				
Inventories	(697,890)	(119,065)	(683,519)	(111,518)
Trade accounts receivable	(866,878)	(2,951,954)	(762,113)	(3,024,639)
Increase/(decrease) in:				
Trade accounts payable	(4,200,665)	3,108,847	(4,087,956)	3,073,231
Interest paid	(39,007)	(56,705)	(32,372)	(55,172)
(Increase)/ Decrease in other long-term liabilities	(11,554)	(14,353)	(12,144)	(12,125)
Net Cash from Operating Activities	(3,569,257)	3,419,206	(3,333,575)	3,008,862
Cash Flows from Investing Activities				
Purchase of tangible assets	(2,391,070)	(3,451,887)	(2,289,334)	(2,692,293)
Purchase of intangible assets	(364,928)	(126,967)	(258,157)	(60,280)
Increase/(decrease) in other long-term liabilities	41,586	(3,457)	41,409	(3,457)
Goodwill from subsidiary absorption			(512,569)	
Interest and related income received	14,133	26,628	13,472	26,312
Net Cash used in Investing Activities	(2,700,279)	(3,555,683)	(3,005,179)	(2,729,718)
Cash Flows from Financing Activities				
Net change in short-term borrowings	3,292,108	(676,597)	3,300,000	(1,000,000)
Net change in finance lease creditors	(34,923)	(84,705)	(22,744)	(84,705)
Net Cash from Financing Activities	3,257,185	(761,302)	3,277,256	(1,084,705)
Net increase/(decrease) in cash and cash equivalents	(3,012,352)	(897,778)	(3,061,498)	(805,560)
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 companies	-	-	100,539	-
Cash and cash equivalents at the end of period	5,158,290	7,423,441	4,911,053	6,888,893

The accompanying notes are an integral part of Interim 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 20 years from the date of its incorporation with a possible extension permitted following a decision of the General Meeting of the Company’s Shareholders.

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

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

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

The accompanying consolidated financial statements include the financial statements of FORTHnet and its subsidiaries, Mediterranean Broadband Assess S.A. (see Note 3 (ad)), Forth CRS S.A. and Telemedicine Technologies S.A.

Based on the Board of Directors decisions on November 23rd 2005, Mediterranean Broadband Assess S.A. and FORTHnet S.A. merge through absorption of the former from the latter according to regulations N.2166/93 and N.2190/20 with spin off balance sheet at 31/12/2005. At 17/4/2006, the merge agreement between the two companies was signed while the merge was approved by the decision No. K2-5962/28-4-2006 of the Ministry of Development.

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

Forth CRS S.A.’s principle activities are to provide integrated tourism services through the research, development, use and sale of modern, high convergent technological electronic products and services for the distribution and management of tourism material, such as reservations, ticketing and other related material, produced by entities such as shipping companies, airlines and other transportation enterprises, hotel enterprises, promotion and entertainment enterprises, enterprises relating to sports, hospitals and all other electronic reservation organizations. Telemedicine Technologies S.A.’s principle activities is to create, implement and sell services and products associated with the acquisition, transmission and dissemination of information, particularly electronically, in the health sector. The company aims to implement and sell services in the health sector, with emphasis on business-to-business medical services.

The Group’s number of employees as of March 31 2006 was 664, while the respective number for the company was 606. At 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 consolidated financial statements have been prepared under the historical cost convention except for available for sale financial assets that have been measured at fair value and they comply with International Financial Reporting Standards (“IFRS”).

The accompanying consolidated financial statements have been prepared in accordance with IFRS, 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.



(amounts in euro, unless stated otherwise)

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

- (b) **First Time Adoption of International Financial Reporting Standards:** According to European Union legislation 1600/2002 and based on Law 3229/2004 (as amended by Law 3301/2004), Greek companies listed on any Stock Exchange (in Greece or abroad) are required to prepare their statutory financial statements from fiscal years beginning on or after January 1 2005, onwards, in accordance with IFRS. Based on IFRS 1 and the aforementioned Greek legislation, the above mentioned companies were obliged to present comparative financial statements for at least one year (December 31, 2004).
- (c) **Approval of Financial Statements:** The Board of Directors of FORTHnet approved the separate and consolidated interim financial statements for the year period 1/1/2006 to 31/3/2006, on May 9, 2006.
- (d) **Use of Estimates:** The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may ultimately differ from those estimates.

3. PRINCIPAL ACCOUNTING POLICIES:

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

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

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

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

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

- (b) **Investments in Associates:** The Group’s investments in other entities in which it exercises significant influence are accounted for using the equity method. Under this method the investment in associates is recognized at cost and subsequently increased or decreased to recognize the investor’s share of the profit or loss of the associate, changes in the investor’s share of other changes in the associate’s equity, distributions received and any impairment in value. The consolidated statements of income reflect the Group’s share of the results of operations of the associate. Investments in associates in the separate financial statements are accounted for at cost less any accumulated impairment.

- (c) **Conversion of Foreign Currency:** The Group’s measurement as well as reporting currency is the Euro. Transactions involving other currencies are converted into Euro using the exchange rates, which were in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities which are denominated in other currencies are adjusted to reflect the current exchange rates.

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



(amounts in euro, unless stated otherwise)

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

Classification	Annual Rates
Buildings	2.5%
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. For this reason, in accordance with IAS 22, goodwill carried on the balance sheet at January 1, 2004, is not amortised but is reviewed for impairment when events or changes in circumstances indicate that its carrying value may not be recoverable.
- (g) **Intangible Assets:** Intangible assets include costs of purchased and internally generated software and various licences. Purchased intangible assets acquired separately are capitalised at cost while those acquired from a business combination are capitalised at fair value at the date of acquisition. Internally generated software includes costs such as payroll, materials and services used and any other expenditure directly incurred in developing computer software and in bringing the software into its intended use. Intangible assets of the Group's subsidiary, Mediterranean Broadband Access S.A., include the cost of a license for the provision of Fixed Wireless Access Telecommunications. The license was awarded in accordance with the decision No. 203 of EETT for a term of fifteen (15) years at a cost of approximately € 8.5 million. The license is being amortized over a period of thirteen (13) years, representing the remaining period of use from the year that the network was operational. Amortisation of intangible assets is calculated based on the straight-line method at rates, which approximate average useful lives. The rates used are as follows:

Classification	Annual Rate
Software	30%
Fixed Wireless access license	7.69%
Goodwill	20%-50%

- (h) **Research and Development Costs:** Research costs are expensed as incurred. Development expenditure is mainly incurred for developing software. Costs incurred for the development of an individual project are recognized as an intangible asset only when the requirements of IAS 38 "Intangible Assets" are met. Following initial recognition, development expenditure is carried at cost until the asset is ready for its intended use at which time all costs incurred for that asset are transferred to intangible assets or machinery and are amortised over their average useful lives.
- (i) **Impairment of Assets:** With the exception of goodwill and other intangible assets with indefinite useful life which is tested for impairment on an annual basis, the carrying values of other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may



(amounts in euro, unless stated otherwise)

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 financial investments that are actively traded in organised financial markets, fair value is determined by reference to market prices at the balance sheet date. For financial 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, participations and short and long-term liabilities.

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

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

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

- (n) **Cash and cash equivalent:** 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.

- (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 subsidies 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.



(amounts in euro, unless stated otherwise)

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.

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

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

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

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

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

Unbilled revenues from the billing cycle dating to the end of each month are estimated based on airtime and are accrued at the end of the month. Revenues from the sale of pre-paid airtime telephony cards, net of discounts allowed, are recognized based on usage.

Revenues from internet services (Dial Up, ADSL, Leased Lines, etc.) are recognized at the time such services are provided to subscribers - customers. Billed revenue which has been deferred and will be recognized as income in subsequent periods reach € 5,809,888 for the company and € 5,096,002 for the Group, at March 31st 2006 and December 31st 2005 respectively.

Unbilled revenue (mainly fixed telephony) reach for the Group € 4,853,314 and € 4,700,196 at March 31st 2006 and at December 31st 2005 respectively and for the company € 4,838,014 και € 4,516,447 at March 31st 2006 and at December 31st 2005 respectively.



(amounts in euro, unless stated otherwise)

- (w) **Earnings/(Losses) per Share:** Basic earnings/(loss) per share are computed by dividing net income/(loss) attributable to the shareholders of the parent by the weighted average number of shares outstanding during each year. Diluted earnings/(loss) per share amounts are calculated by dividing the net income/(loss) attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding each year as adjusted for the effects of dilutive options.
- (x) **Treasury Shares** Treasury shares are presented as a separate component of equity at acquisition cost. No gain or loss is recognized in the income statement during the purchase, sale, issue or cancellation of the treasury shares. Profit/ (Loss) recognized from sale or purchase is directly recognized in equity.
- (y) **Reserve for Staff Retirement Indemnities:** Staff retirement obligations are calculated at the discounted value of the future retirement benefits deemed to have accrued at year-end, based on the employees earning retirement benefit rights steadily throughout the working period. The reserve for retirement obligations is calculated on the basis of financial and actuarial assumptions detailed in Note 29 and are determined using the projected unit credit actuarial valuation method. Net pension costs for the period are included in payroll in the accompanying statements of income and consist of the present value of benefits earned in the year, interest cost on the benefit obligation, prior service cost, actuarial gains or losses and the cost of additional pension charges. Past service costs are recognized on a straight-line basis over the average period until the benefits under the plan become vested.
Unrecognized actuarial gains or losses are recognized over the average remaining service period of active employees and included as a component of net pension cost for a year if, as of the beginning of the year it exceeds 10% of the projected benefit obligation. The retirement benefit obligations are not funded.
- (z) **Segment Reporting:** The Group mainly provides telecommunications services and operates in Greece. Due to the nature of the services provided and the manner in which they are marketed to customers, the chief operating decision makers operate and manage the business as one business segment. Accordingly, no operating results by individual or group of services are produced and neither are the Group's assets and liabilities analysed by the various services provided. As a result, the Group does not present segment information.
- (aa) **Dividend Distribution:** Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.
- (ab) **Adjustment of previously published results:** The Group and the Company decided to adjust certain amounts related to the first time adoption balance sheet as at January 1, 2004, which has been published together with its interim financial statements of 2005. The accompanying financial statements are the first complete set of financial statements which are prepared in accordance with IFRS. The relevant adjustments were made with retrospective effect to the periods in which they related.
The accumulated affect of the adjustments which relate to the periods prior to January 1, 2004, were recorded against beginning shareholders equity as of the above date. As a result, the first time adoption balance sheet as at January 1, 2004, the balance sheet as at December 31, 2004, as well as the profit/(loss) after taxes for the fiscal year 2004 have been adjusted as compared to those included in the interim financial statements which were published during the quarters of 2005. The effect of the above mentioned adjustments to shareholders equity and the net profit/(loss) has as follows:

	December 31
	2004
Group	
Balance as previously published	50,240,237
Adjustments:	
Additional provision for staff retirement indemnities net of deferred income taxes	(124,877)
Total	50,115,360
Company	
Balance as previously published	51,661,084
Adjustments:	
Additional provision for staff retirement indemnities net of deferred income taxes	(202,048)
Total	51,459,036



(amounts in euro, unless stated otherwise)

- (ad) **Absorption of the 100% subsidiary company Mediterranean Broadband Access S.A.:** Based on the Board of Directors decisions on November 23rd 2005, Mediterranean Broadband Assess S.A. and FORTHnet S.A. merge through absorption of the former from the latter according to regulations N.2166/93 and N.2190/20 with spin off balance sheet at 31/12/2005.

The transformation balance sheet of the Mediterranean Broadband Assess S.A., have been incorporated in the FORTHnet S.A.'s balance sheet dated 1/1/2006. Furthermore, the results of the period (1/1/2006-31/3/2006), have been incorporated in FORTHnet S.A.'s income statement. Thus, the attached FORTHnet S.A.'s interim financial statements are not comparable to the corresponding financial statements of the previous fiscal year.

The tables below present the transformation balance sheet as of 31/12/2005 as well as the results of the period (1/1/2006 - 31/3/2006) of the Mediterranean Broadband Assess S.A.:

Spin off Balance Sheet - 31/12/2005:

	<u>31.12.2005</u>
Current assets	663,314
Long term assets	<u>20,627,689</u>
Total Assets	<u>21,291,003</u>
Short term liabilities	5,229,184
Long term liabilities	7,591
Shareholder's equity	<u>16,054,228</u>
Total Liabilities	<u>21,291,003</u>

Results for the period (1/1/2006-31/3/2006):

	<u>01.01- 31.03.2006</u>
Total revenue	775,677
Total expenses	<u>(867,208)</u>
Profit/ (Losses) before taxes	<u>(91,531)</u>

4. REVENUES:

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

	The Group		The Company	
	<u>01.01- 31.03.2006</u>	<u>01.01- 31.03.2005</u>	<u>01.01- 31.03.2006</u>	<u>01.01- 31.03.2005</u>
Operating Revenues:				
Fixed telephony	13,078,786	11,243,897	13,078,786	11,243,897
Fixed telephony (Transit)	0	1,910,939	0	1,910,939
Internet Access	4,806,847	3,598,977	4,806,847	3,598,977
Internet Leased Lines	1,708,327	1,738,157	1,708,327	1,738,157
Data Connectivity Services	607,650	640,985	607,650	640,985
LMDS	719,052	514,824	719,052	514,824
Data Center Services	424,610	434,648	424,610	434,648
Interactive Marketing	494,033	635,950	494,033	635,950
Services Forth CRS	352,358	301,674	-	-
Other revenues from services	1,339,023	767,138	992,161	583,922
Sales of equipment and consumables	<u>83,395</u>	<u>108,483</u>	<u>43,960</u>	<u>51,491</u>
Total Operating Revenues	<u>23,614,081</u>	<u>21,895,672</u>	<u>22,875,426</u>	<u>21,353,790</u>
Other Income (Grants, etc):	<u>205,515</u>	<u>223,595</u>	<u>201,679</u>	<u>193,475</u>
Total Revenues	<u>23,819,596</u>	<u>22,119,267</u>	<u>23,077,105</u>	<u>21,547,265</u>



(amounts in euro, unless stated otherwise)

5. FINANCIAL INCOME / (EXPENSES), NET:

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

	The Group		The Company	
	01.01- 31.03.2006	01.01- 31.03.2005	01.01- 31.03.2006	01.01- 31.03.2005
Interest on long-term borrowings (Note 17)	(365,246)	(185,769)	(365,246)	(185,769)
Interest on short-term borrowings (Note 17)	(57,260)	(98,999)	(51,498)	(79,110)
Financial lease Interest expenses	(38,483)	(32,617)	(36,124)	(32,617)
Other financial expenses	(41,617)	(24,088)	(40,744)	(22,555)
Total financial expenses	(502,606)	(341,473)	(493,613)	(320,051)
Interest earned on cash at banks and on time deposits (Note 15)	14,133	26,629	13,472	26,312
Other financial income	-	531	-	526
Total financial income	14,133	27,160	13,472	26,838
Total financial income (expenses), net	(488,473)	(314,313)	(480,141)	(293,213)

6. ANALYSIS OF EXPENSES:

Expenses (selling and distribution, general and administrative, research and development) are analyzed as follows:

	The Group		The Company	
	01.01- 31.03.2006	01.01- 31.03.2005	01.01- 31.03.2006	01.01- 31.03.2005
Payroll	4,199,012	4,107,070	3,854,750	3,733,218
Third party fees and services	1,553,959	1,595,322	1,412,291	1,457,777
Rent	323,533	303,348	268,417	132,151
Commissions on sales	1,381,829	485,838	1,374,977	484,365
Repairs and maintenance	481,607	677,071	463,189	481,942
Interconnection fees (Voice)	7,401,077	7,681,067	7,401,077	7,681,067
Leased lines (Voice)	554,211	759,968	554,211	759,968
Other telecommunications costs	2,885,212	1,811,234	2,885,212	2,568,296
Taxes and duties	145,377	135,811	139,270	115,886
Sundry expenses	458,654	276,520	408,426	249,904
Advertising and promotion costs	1,640,158	669,347	1,617,145	654,697
Depreciation and amortisation	3,227,080	2,892,242	3,042,120	2,207,612
Allowance for doubtful accounts receivable (Note 13)	550,000	100,000	500,000	100,000
Cost of sales of inventory and consumables	548,230	164,236	453,611	88,909
Total expenses	25,349,939	21,659,074	24,374,696	20,715,792

The above expenses are analyzed as follows:

	The Group		The Company	
	01.01- 31.03.2006	01.01-31.03.2005	01.01- 31.03.2006	01.01- 31.03.2005
Cost of sales	17,776,196	15,936,037	17,170,201	15,332,631
Selling and distribution expenses	5,821,173	3,618,168	5,553,395	3,397,340
General and administrative expenses	1,452,922	1,692,798	1,351,452	1,573,750
Research and development expenses	299,648	412,071	299,648	412,071
Total expenses	25,349,939	21,659,074	24,374,696	20,715,792



(amounts in euro, unless stated otherwise)

7. INCOME TAXES:

In accordance with tax regulations, the corporate tax rate is applied by societe anonymes for fiscal year 2006 is 29% (35% through December 31, 2004, 32% through December 31, 2005).

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

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

	The Group		The Company	
	01.01- 31.03.2006	01.01- 31.03.2005	01.01- 31.03.2006	01.01- 31.03.2005
Current income taxes	-	-	-	-
Deferred income taxes	(284,352)	110,838	(225,154)	356,434
Income taxes charged on Income Statement	(284,3527)	110,838	(225,154)	356,434

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

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

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

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

The deferred income taxes have as follows during the periods (01/01/2005 – 31/12/2005) and (01/01/2006 – 31/03/2006):

	31.03.2006	31.12.2005
The Group		
Balance at the beginning of period	5,391,362	6,805,300
Income taxes charged on Income Statement	284,352	(1,413,938)
Balance at the end of period	5,675,714	5,391,362
The Company		
Balance at the beginning of period	4,189,527	5,599,993
Income taxes charged on Income Statement	225,154	(1,410,466)
Subsidiary absorption	854,301	-
Balance at the end of period	5,268,982	4,189,527



(amounts in euro, unless stated otherwise)

8. SUBSIDIARIES AND ASSOCIATES - GOODWILL:

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

Name	Registered Office	Equity Interest		Balance	
		31.03.2006	31.12.2005	31.03.2006	31.12.2005
Mediterranean Broadband Access S.A.	Kallithea, Attica, Greece	-	100.00%	-	18,604,420
Forth CRS S.A.	P. Faliro, Attica, Greece	99.31%	99.31%	3,139,169	3,139,169
Telemedicine Technologies S.A.	Paris, France	94.40%	94.40%	314,481	314,481
				3,453,650	22,058,070

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

Name	Registered Office	Equity Interest		Balance	
		31.03.2006	31.12. 2005	31.03.2006	31.12. 2005
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
				55,400	55,400

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

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
MBA	596,185	596,185	596,185	-
Forth CRS	26,619	26,619	-	-
Telemedicine	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	0



(amounts in euro, unless stated otherwise)

9. PROPERTY, PLANT AND EQUIPMENT:

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

The Group	Land	Buildings	Machinery	Transportation Means	Furniture & Other Equipment	Construction in Progress (CIP)	Total
BOOK VALUE							
Balance At January 1, 2005	1,137,589	8,715,022	60,353,075	64,438	6,569,500	1,054,286	77,893,910
Purchases	-	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
Sales/ Disposals	-	-	(44,747)	(4,082)	(47,611)	-	(96,440)
Balance At December 31, 2005	1,137,589	8,957,696	73,632,227	62,008	7,974,897	4,801,859	96,566,276
Purchases 01.01.2006-31.03.2006	-	51,434	1,864,576	-	119,232	355,828	2,391,070
Sales 01.01.2006-31.03.2006	-	-	(9,797)	-	(43,565)	-	(53,362)
Balance At March 31, 2006	1,137,589	9,009,130	75,487,005	62,008	8,050,564	5,157,687	98,903,984
DEPRECIATION							
Depreciation till January 1, 2005	-	(1,568,187)	(17,447,254)	(11,140)	(4,283,236)	-	(23,309,817)
Depreciation expense	-	(451,722)	(8,012,731)	(6,336)	(1,071,613)	-	(9,542,402)
Sales	-	-	10,598	-	46,166	-	56,764
Depreciation till December 31, 2005	-	(2,019,909)	(25,449,387)	(17,476)	(5,308,683)	-	(32,795,455)
Depreciation 01.01.2006-31.03.2006	-	(114,710)	(2,335,342)	(1,588)	(276,604)	-	(2,728,244)
Sales 01.01.2006-31.03.2006	-	-	2,068	-	42,838	-	44,906
Depreciation till March 31, 2006	-	(2,134,619)	(27,782,661)	(19,064)	(5,542,449)	-	(35,478,793)
NET BOOK VALUE							
Net Book Value at January 1, 2005	1,137,589	7,146,835	42,905,821	53,298	2,286,264	1,054,286	54,584,093
Net Book Value at December 31, 2005	1,137,589	6,937,787	48,182,840	44,532	2,666,214	4,801,859	63,770,821
Net Book Value at March 31, 2006	1,137,589	6,874,511	47,704,345	42,944	2,508,115	5,157,687	63,425,191



HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
NOTES TO THE INTERIM FINANCIAL STATEMENTS 1st QUARTER 2006

(amounts in euro, unless stated otherwise)

The Company	Land	Buildings	Machinery	Transportation Means	Furniture & Other Equipment	Construction in Progress (CIP)	Total
BOOK VALUE							
Balance At January 1, 2005	1,137,589	8,682,707	49,780,248	51,205	4,948,203	97,456	64,697,408
Purchases	-	31,787	9,324,048	-	853,996	4,556,256	14,766,087
Transfers from CIP	-	152,168	319,732	-	-	(152,168)	319,732
Sales/ Disposals	-	-	(44,747)	-	(47,611)	-	(92,358)
Balance At December 31, 2005	1,137,589	8,866,662	59,379,281	51,205	5,754,588	4,501,544	79,690,869
Purchases 01.01.2006-31.03.2006	-	20,103	1,799,110	-	114,293	355,828	2,289,334
Subsidiaries Absorption	-	-	15,889,004	-	48,347	300,315	16,237,666
Sales 01.01.2006-31.03.2006	-	-	(9,797)	-	(43,623)	-	(53,420)
Balance At March 31, 2006	1,137,589	8,886,765	77,057,598	51,205	5,873,605	5,157,687	98,164,449
DEPRECIATION							
Depreciation till January 1, 2005	-	(1,544,484)	(17,393,930)	(7,207)	(2,884,721)	-	(21,830,342)
Depreciation expense	-	(444,173)	(6,645,141)	(5,120)	(858,889)	-	(7,953,323)
Sales	-	-	10,598	-	46,370	-	56,968
Depreciation till December 31, 2005	-	(1,988,657)	(24,028,473)	(12,327)	(3,697,240)	-	(29,726,697)
Depreciation 01.01.2006-31.03.2006	-	(112,120)	(2,334,416)	(1,280)	(211,404)	-	(2,659,220)
Subsidiaries Absorption	-	-	(3,004,232)	-	(28,365)	-	(3,032,597)
Sales 01.01.2006-31.03.2006	-	-	2,068	-	42,838	-	44,906
Depreciation till March 31, 2006	-	(2,100,777)	(29,365,053)	(13,607)	(3,894,170)	-	(35,373,607)
NET BOOK VALUE							
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
Net Book Value at December 31, 2005	1,137,589	6,878,005	35,350,808	38,878	2,057,348	4,501,544	49,964,172
Net Book Value at March 31, 2006	1,137,589	6,785,988	47,692,545	37,598	1,979,435	5,157,687	62,790,842

There is no property, plant and equipment that has been pledged as security. The ownership 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 March 31, 2006 amounted to € 3,149,130 and € 3,301,858, respectively



(amounts in euro, unless stated otherwise)

10. INTANGIBLE ASSETS:

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

The Group	Purchased Software	Internally Generated Software	Licenses	Software under development	Total
BOOK VALUE					
Balance At January 1, 2005	4,620,930	2,280,054	9,588,084	670,028	17,159,096
Purchases	1,017,255	278,675	-	323,411	1,619,341
Transfers from Software under Development	250,454	-	-	(570,186)	(319,732)
Sales/ Disposals	(38,000)	-	(64,006)	-	(102,006)
Balance At December 31, 2005	5,850,639	2,558,729	9,524,078	423,253	18,356,699
Purchases 01.01.2006-31.03.2006	118,044	161,642	8,918	76,324	364,928
Balance At March 31, 2006	5,968,683	2,720,371	9,532,996	499,577	18,721,627
DEPRECIATION					
Depreciation till January 1, 2005	(3,406,972)	(1,492,690)	(1,561,052)	-	(6,460,714)
Depreciation expense	(1,149,289)	(13,072)	(889,618)	-	(2,051,979)
Depreciation till December 31, 2005	(4,556,261)	(1,505,762)	(2,450,670)	-	(8,512,693)
Depreciation 01.01.2006-31.03.2006	(236,624)	(36,381)	(225,831)	-	(498,835)
Depreciation till March 31, 2006	(4,792,885)	(1,542,143)	(2,676,501)	-	(9,011,528)
NET BOOK VALUE					
Net Book Value at January 1, 2005	1,213,958	787,364	8,027,032	670,028	10,698,382
Net Book Value at December 31, 2005	1,294,378	1,052,967	7,073,408	423,253	9,844,006
Net Book Value at March 31, 2006	1,175,798	1,178,229	6,856,495	499,577	9,710,099



(amounts in euro, unless stated otherwise)

The Company	Purchased Software	Internally Generated Software	Licenses	Software under development	Total
BOOK VALUE					
Balance At January 1, 2005	5,555,384	103,644	840,000	319,732	6,818,760
Purchases	902,413	234,620	-	-	1,137,033
Transfers from Software under Development	-	-	-	(319,732)	(319,732)
Sales/ Disposals	(38,000)	-	-	-	(38,000)
Balance At December 31, 2005	6,419,797	338,264	840,000	-	7,598,061
Purchases 01.01.2006-31.03.2006	115,509	142,648	-	-	258,157
Subsidiaries absorption	-	244,946	8,748,083	-	8,993,029
Balance At March 31, 2006	6,535,306	725,858	9,588,083	-	16,849,247
DEPRECIATION					
Depreciation till January 1, 2005	(4,433,773)	(103,643)	(144,600)	-	(4,682,016)
Depreciation expense	(786,704)	(13,072)	(230,400)	-	(1,030,176)
Depreciation till December 31, 2005	(5,220,477)	(116,715)	(375,000)	-	(5,712,192)
Depreciation 01.01.2006-31.03.2006	(139,473)	(17,597)	(225,831)	-	(382,901)
Subsidiaries absorption	-	(122,424)	(2,233,992)	-	(2,356,416)
Depreciation till March 31, 2006	(5,359,950)	(256,736)	(2,834,823)	-	(8,451,509)
NET BOOK VALUE					
Net Book Value at January 1, 2005	1,121,611	1	695,400	319,732	2,136,744
Net Book Value at December 31, 2005	1,199,320	221,549	465,000	-	1,885,869
Net Book Value at March 31, 2006	1,175,356	469,122	6,753,260	-	8,397,738

11. AVAILABLE FOR SALE FINANCIAL ASSETS:

Available for sale financial assets are analyzed as follows:

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Shares – unlisted	326,325	326,325	290,625	290,625
Total	326,325	326,325	290,625	290,625

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



(amounts in euro, unless stated otherwise)

12. INVENTORIES:

Inventories in the accompanying financial statements are analyzed as follows:

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Merchandise	1,140,335	433,143	1,098,383	414,864
Consumables	44,804	54,106	-	-
Total	1,185,139	487,249	1,098,383	414,864

13. TRADE ACCOUNTS RECEIVABLE:

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

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Domestic customers	27,326,267	25,521,218	25,767,868	25,675,244
Foreign customers	1,114,350	1,264,959	1,058,968	1,208,401
Accounts payable due to greek state	1,403,583	1,447,424	1,403,583	1,447,424
Cheques and notes receivable	3,616,060	3,970,857	2,969,564	3,359,733
Unbilled revenue	4,853,314	4,700,196	4,838,014	4,516,447
	38,313,574	36,904,654	36,037,997	36,207,249
Less: Allowance for doubtful accounts receivable	(5,120,000)	(4,571,370)	(4,900,000)	(4,400,000)
Balance of Trade Accounts Receivable	33,193,574	32,333,284	31,137,997	31,807,249

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

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Balance at the beginning of period	4,571,370	3,321,370	4,400,000	3,200,000
Allowance for doubtful accounts receivable charged on period results (Note 6)	550,000	1,250,000	500,000	1,200,000
Less: Allowance used	(1,370)	-	-	-
Balance at the end of period	5,120,000	4,571,370	4,900,000	4,400,000

14. PREPAYMENTS AND OTHER RECEIVABLES:

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

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Receivables due from the Greek State	539,844	491,002	484,190	210,952
Prepaid expenses	226,397	1,718,019	94,128	1,479,901
V.A.T. receivable	59,896	120,080	59,896	109,967
Advances to personnel	29,098	40,945	21,953	33,058
Advances to suppliers	1,437,546	807,824	1,031,323	1,378,784
Other debtors	633,736	292,059	438,205	123,002
Total Prepayments & Other Receivables	2,926,517	3,469,929	2,129,695	3,335,664



(amounts in euro, unless stated otherwise)

15. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are analyzed as follows:

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Cash in hand	56,631	41,904	53,711	40,914
Cash at banks	5,101,659	3,628,738	4,857,342	3,331,098
Time deposits	-	4,500,000	-	4,500,000
	5,158,290	8,170,642	4,911,053	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 March 31, 2006, amounted to € 14,133 and € 13,472 for the Group and the Company, respectively, and is included in financial income/(expenses), net in the accompanying interim statements of income.

16. 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, for the options exercised under the Group's employee stock option plan. This resulted in an increase in share capital of € 327,447, while the resulting surplus on the above transactions of € 588,294, net of issuance expenses and related deferred tax was recorded in the share premium account.

As a result, the Company's ordinary share capital as at March 31 2006, amounted to € 20,212,447 divided into 17,129,192 ordinary shares of € 1.18 par value each.

17. LONG-TERM AND SHORT-TERM LOANS:

a) Long-term loans:

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

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Bond loan	33,547,410	33,531,684	33,547,410	33,531,684
	33,547,410	33,531,684	33,547,410	33,531,684
Less current portion:				
-Bond loan	-	-	-	-
Current portion	-	-	-	-
Long-term portion	33,547,410	33,531,684	33,547,410	33,531,684

Bond Loan:

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

The main covenants of the Bond have as follows:

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

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

The loan agreement contains covenants and events of default including, among others, (i) insure, throughout the duration of the Bond, its assets against all risks with an insurance agent of its choice, reputable in the Greek market, and does not assign the rights of the insurance contracts, (ii) to provide to the agent by May 15 of each year, the Company's audited financial statements, (iii) to assign to the agent, throughout the duration of the Bond, MBA's 6,340,000 ordinary shares. In case that MBA is absorbed by FORTHnet, the counter parties will release the



(amounts in euro, unless stated otherwise)

assignment and return the shares to FORTHnet free of any liens subject to: (a) the absorption will have been duly registered, (b) the completion of the legal transfer of the license to provide fixed wireless voice telephony to FORTHnet, (c) no occurrence of or imminent event of default as defined therein, (d) to maintain throughout the duration of the loan the financial covenants disclosed below, which are to be computed on an annual basis using the annual audited accounts of FORTHnet:

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

b) Short-term Loans:

FORTHnet and its subsidiary MBA have short-term borrowings with an annual interest rate of 5% to 5.5%. The table below presents the credit lines available to the Group and the Company as well as the used portion.

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Credit lines available	11,804,094	13,400,000	11,600,000	11,600,000
Unused portion	(4,800,000)	(9,688,014)	(4,800,000)	(9,600,000)
Used portion	<u>7,004,094</u>	<u>3,711,986</u>	<u>6,800,000</u>	<u>2,000,000</u>

18. FINANCE LEASE OBLIGATIONS:

The finance lease obligations relate to:

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

The finance lease obligations are analyzed as follows:

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Obligation under finance lease	2,705,485	2,740,408	2,549,461	2,572,205
Less: Current portion	(169,976)	(169,353)	(121,991)	(121,991)
Long-term portion	<u>2,535,509</u>	<u>2,571,055</u>	<u>2,427,470</u>	<u>2,450,214</u>

19. TRADE ACCOUNTS PAYABLE:

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

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Domestic suppliers	9,915,426	17,175,731	9,537,151	15,807,624
Foreign suppliers	1,522,008	2,737,625	1,520,762	2,722,484
Post dated cheques payable	7,018,222	2,483,778	6,494,324	2,164,823
	<u>18,455,656</u>	<u>22,397,134</u>	<u>17,552,237</u>	<u>20,694,931</u>



(amounts in euro, unless stated otherwise)

20. ACCRUED AND OTHER CURRENT LIABILITIES:

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

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Social security payable	401,236	742,386	339,519	644,331
Value added tax	90,427	56,457	-	-
Other taxes and duties	158,272	324,188	103,172	241,993
Customer advances	1,226,685	1,394,498	1,164,035	1,371,741
Other current liabilities	951,820	851,951	410,404	505,440
Total	2,828,440	3,369,480	2,017,130	2,763,505

21. OTHER LONG - TERM LIABILITIES:

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

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Liability for the acquisition of Internet Hellas	2,240,414	2,228,055	2,240,414	2,228,055
Total	2,240,414	2,228,055	2,240,414	2,228,055

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

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

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

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

22. GOVERNMENT GRANTS:

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

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Cost:	1,555,887	1,606,851	1,514,051	1,514,051
Accumulated amortization:	(1,396,060)	(1,402,594)	(1,392,235)	(1,351,630)
Net Book Value:	159,827	204,257	121,816	162,421



(amounts in euro, unless stated otherwise)

23. 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 owned by related parties</u>	<u>Amounts owned to related parties</u>
Technology and Research Foundation	Shareholder	31.12.2005	112,335	88,171
		31.03.2006	17,552	3,447
Forth CRS S.A.	Subsidiary	31.12.2005	808,532	370
		31.03.2006	725,634	16,092
Telemedicine Technologies S.A.	Subsidiary	31.12.2005	56,675	-
		31.03.2006	96,675	-
Forth e-com S.A.	Associated	31.12.2005	493,955	20,972
		31.03.2006	505,620	20,972
Athlonet S.A.	Associated	31.12.2005	486	7,824
		31.03.2006	-	8,877
	TOTAL	31.12.2005	1,471,983	117,337
	TOTAL	31.03.2006	1,345,481	49,388

<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	31.03.2005	24,829	73,197
		31.03.2006	18,911	14,918
Forth CRS S.A.	Subsidiary	31.03.2005	14,449	17,231
		31.03.2006	15,051	4,396
Forth e-com S.A.	Associated	31.03.2005	31,548	4,016
		31.03.2006	1,519	-
Athlonet S.A.	Associated	31.03.2005	1,162	-
		31.03.2006	1,050	2,343
	TOTAL	31.03.2005	71,988	94,444
	TOTAL	31.03.2006	36,531	21,657



(amounts in euro, unless stated otherwise)

Salaries and fees for the members the Board of Directors and the general managers of the Group for the periods 1/1/2005-31/3/2005 and 1/1/2006-31/3/2006, are analyzed as follows:

	The Group		The Company	
	31.03.2006	31.03.2005	31.03.2006	31.03.2005
Salaries and fees for executive members of the BoD	52,603	44,694	52,603	44,694
Salaries and fees for non executive members of the BoD	22,750	6,300	22,750	6,300
Salaries and fees for general managers	166,087	224,271	139,248	218,585
Total	241,440	275,265	214,601	269,579

24. COMMITMENTS AND CONTINGENCIES:

Litigation and Claims: The Group is currently involved in a number of legal proceedings and has various claims pending arising in the ordinary course of business. Based on currently available information, management and its legal counsel believe that the outcome of these proceedings will not have a significant effect on the Group's operating results or financial position. (Refer to Note 26).

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

Compensation of Senior Executives: According to the CEO's and some Senior Executives' employment contracts there is a provision of compensation at the end of the term. In addition, in case of eventual termination of their contract on behalf of the company and not owed to their liability or in case of being forced to resignation the company shall pay to them an additional compensation (apart from the one described in their contracts). The amount of the additional compensation was approximately €1 mil., at March 31st 2006.

Commitments:

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-cancelable operating leases as at March 31, 2006 and December 31, 2005 are as follows:

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Within one year	1,172,353	1,263,169	1,036,386	533,507
2-5 years	3,954,190	4,244,674	3,423,320	1,010,112
Over 5 years	431,106	469,328	431,106	225,960
Total	5,557,649	5,977,171	4,890,812	1,769,579

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

	The Group		The Company	
	31.03.2006	31.12.2005	31.03.2006	31.12.2005
Contracts' execution	2,289,143	1,779,386	2,289,143	1,623,457
Participation in biddings	65,037	84,228	65,037	84,228
Guarantee for advance payments receival	995,215	967,912	995,215	967,912
Total	3,349,395	2,831,526	3,349,395	2,675,597

Contractual Commitments: The outstanding balance of the contractual commitments at March 31st 2006 was approximately €16 mil.

In addition, the balance of the contractual commitments referring to maintenance of international capacity telecommunication lines was approximately €4 mil.



(amounts in euro, unless stated otherwise)

25. FINANCIAL INSTRUMENTS

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

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

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

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

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

26. LITIGATION – ARBITRATION:

FORTHnet's, outstanding judicial claims against third parties amount to approximately € 33.2 million of which, approximately € 26.7 million concern a claim against OTE by virtue of the law suit filed on December 31, 2002, with regard to the positive damages claimed to have been suffered by the Company in the case of EPAK, approximately € 293 thousand consisting of a claim against OTE for moral damages that the Company has suffered for the same cause, approximately € 3.6 million relating to a claim against OTE based on the law suit dated July 25, 2005, filed by the Company with regard to the positive and indirect damages claimed to have been suffered from OTE's unlawful practices of customer winback, € 500 thousand consisting of a claim for the same cause for moral damages that the Company has suffered. The amount of approximately € 3.2 million relates to claims against debtors. It is noted that in the company's financial statements there is not a revenue provision for the above claims. Against the Company, including against two companies of the Group, which have been already absorbed by FORTHnet, remain outstanding judicial claims of third parties to the total amount of € 300 thousand of which, for the amount of € 110 thousand there is contractual guarantee of coverage in case of their negative outcome. Management as well as its legal advisors estimate that the outstanding cases are expected to be settled without any significant negative impact on the financial position of the Group or of the Company or on their financial results of operations. There are outstanding opposing applications before the Council of State for the annulment of EETT decisions that concern: (a) volume discounts by OTE, (b) low margin between retail and wholesale prices of leased lines, (c) the level of interconnection fees and, (d) the fees for leased lines.

The Company's position has basis though, the significance of the cases and the circumstances make it difficult for the prediction of any positive outcome of the above cases in the sense of the denial of the applications filed by OTE and the acceptance of the applications filed by the Company. The impact (positive) on the financial results of the Company is impossible to predict as, it is estimated that even if any or all of the applications were to be accepted, the case file will be brought to the Management which will have to evaluate again the critical fees. Accordingly, no related revenue has been provided by the Company in its financial statements.

Outstanding disputes with regard to certain of the Company's trademarks are estimated not to have an impact on the financial position of the Group.

In addition, there remain outstanding before EETT, decisions upon two relevant resolutions which took place in 2005 of which, the first refers to OTE's denial to recognize wholesale volume discounts and the second to the return of amounts unduly paid.



(amounts in euro, unless stated otherwise)

27. SUBSEQUENT EVENTS:

At March 17, 2006, the General Shareholders Meeting decided to increase the company's share capital, with cash contribution, by € 25,265,558.20 through the issue of 21,411,490 new common shares, with nominal value € 1.18 each. The specific increase is in favor of the existing shareholders with a ratio five (5) new common shares for every four (4) old common shares, at exercise price € 5.60 per new share.

Following the share capital increase the company's share capital will reach € 45,478,004.76 divided into 38,540,682 common shares, with a nominal value € 1.18 each one. The total gross revenue of the increase expected to reach € 119,904,344, while the difference between the exercise price and the nominal value of each share, with a total value of € 94,638,785.8, will be credited, according to law and the articles of Incorporation, to the account «Share Premium Reserve».

At 12/4/2006 is registered in the S.A. Register under number K2-4751/12-4-2006 the Minister's of Development decision, based on which the company's share capital increase and its articles of Incorporation modification have been approved. At 18/4/2006, the company's prospectus for the related share capital increase has been approved by the Hellenic Capital Market Commission, while the Board of Directors of the Athens Stock Exchange approved the commencement of trading of 17,192,192 rights, on its meeting at 27/4/2006. Since 8/5/2006 has commenced the trading and the exertion procedure of pre-emptive rights.