ENGLISH TRANSLATION OF THE GREEK ORIGINAL

FINANCIAL STATEMENTS (SEPARATE AND CONSOLIDATED) IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS FOR THE FISCAL YEAR 2006 (JANUARY 1, –DECEMBER 31, 2006) OF HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A. (FORTHnet)

REGISTRATION No. S.A. 34461/06/B95/94

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

http://www.forthnet.gr

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forthnet

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

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

Report on Other Legal and Regulatory Requirements

The Board of Directors' Report is consistent with the aforementioned financial statements.

Athens, March 20, 2007

The Certified Auditors Accountants

Chris Pelendridis	Stavros Saloustros
R.N. ICA(GR) 17831	R.N. ICA (GR) 14611
ERNST & YOUNG (HELLAS)	SOL S.A.
CERTIFIED AUDITORS ACCOUNTANTS S.A.	

ERNST & YOUNG

ΣΟΛ α.ε. ΟΡΚΩΤΟΙ ΕΛΕΓΚΤΕΣ ΛΟΓΙΣΤΕΣ

HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
Statement of Income for the year ended December 31, 2006
(Amounts in Euro, unless otherwise stated)

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

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

HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
Balance Sheet as at December 31, 2006
(Amounts in Euro, unless otherwise stated)

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

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

HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
Statement of Changes in Shareholders Equity for the year ended December 31, 2006
(Amounts in Euro, unless otherwise stated)

The Group	Share capital	Share premium	Other Reserves	Accumulated deficit	Total	Minority Interests	Total equity
	Attridutable to equity holders of the parent company						
Balance at December 31, 2004	**19.885.000**	**49.486.127**	**2.692.862**	**(21.948.629)**	**50.115.360**	**291.880**	**50.407.240**
Issuance of share capital	327.447	588.294	-	-	915.741	-	915.741
Acquisition of minority interests	-	-	-	-	-	(265.214)	(265.214)
Share capital issuance costs	-	(5.698)	-	-	(5.698)	-	(5.698)
Employee stock option plan	-	-	397.616	-	397.616	-	397.616
Loss for the year 2005	-	-	-	(1.125.527)	(1.125.527)	11.663	(1.113.864)
Balance at December 31, 2005	**20.212.447**	**50.068.723**	**3.090.478**	**(23.074.156)**	**50.297.492**	**38.329**	**50.335.821**
Issuance of share capital	25.265.558	94.638.786	-	-	119.904.344	-	119.904.344
Share capital issuance costs	-	(2.518.850)	-	-	(2.518.850)	-	(2.518.850)
Minority interest on reserves distributed by subsidiary	-	-	-	-	-	(691)	(691)
Loss for the year 2006	-	-	-	(16.698.583)	(16.698.583)	(853)	(16.699.436)
Employee stock option plan	-	-	492.784	-	492.784	-	492.784
Balance at December 31, 2006	**45.478.005**	**142.188.659**	**3.583.262**	**(39.772.739)**	**151.477.187**	**36.785**	**151.513.972**

The Company	Share capital	Share premium	Other Reserves	Accumulated deficit	Total
Balance at January 1, 2004	**19.885.000**	**49.486.127**	**2.070.192**	**(19.982.283)**	**51.459.036**
Issuance of share capital	327.447	588.294	-	-	915.741
Share capital issuance costs	-	(5.698)	-	-	(5.698)
Employee stock option plan	-	-	397.616	-	397.616
Loss for the year 2005	-	-	-	(897.294)	(897.294)
Balance at December 31, 2005	**20.212.447**	**50.068.723**	**2.467.808**	**(20.879.577)**	**51.869.401**
Subsidiary Absorption	-	-	-	(1.920.589)	(1.920.589)
Issuance of share capital	25.265.558	94.638.786	-	-	119.904.344
Share capital issuance costs	-	(2.518.850)	-	-	(2.518.850)
Employee stock option plan	-	-	492.784	-	492.784
Loss for the year 2006	-	-	-	(16.457.349)	(16.457.349)
Balance at December 31, 2006	**45.478.005**	**142.188.659**	**2.960.592**	**(39.257.515)**	**151.369.741**

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

Cash Flow Statement (Indirect Method) for the year ended December 31, 2006
(Amounts in Euro, unless otherwise stated)

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

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

1. CORPORATE INFORMATION:

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

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

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

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

Based on the aforementioned amendment, EETT, with its decision 215/43/02.05.2001, granted forthnet the Access Selection Code 1789, through which it provides public fixed voice telephony.

Effective October 2000, forthnet's shares were listed on the Athens Stock Exchange.

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

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

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

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

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

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

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

2. BASIS OF PRESENTATION:

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

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

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

(b) New Standards and Interpretations: The International Accounting Standards Board, as well as the IFRIC, have already issued a number of new accounting standards and interpretations whose application is mandatory for the periods beginning January 1, 2007, onwards (except if mentioned otherwise below). The Group's and the Company's Management's assessment regarding the effect of these new standards and interpretations is as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Approval of Financial Statements:

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

(d) Significant Accounting Judgements and Estimates:

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES:

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

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

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

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

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

Acquisitions of minority interests, effectively representing step acquisitions made after obtaining control of an entity, are accounted for by recognising the reduction in minority interest based on the carrying amount of equity at the date of acquisition. Any excess of amounts paid over the percentage of the carrying amount of equity acquired are recognised as goodwill.

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

Investments in subsidiaries in the separate financial statements are accounted for at cost less any accumulated impairment.

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

Investments in associates in the separate financial statements are accounted for at cost less any accumulated impairment.

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

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

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

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

Classification	Annual Rates
Buildings	2.50%
Installations on buildings	10%-11%
Network equipment (internet and fixed telephony)	15%
Network support equipment (LMDS)	10%
Fibre-optic network	6.67%
Transportation assets	10%
Computer hardware	30%
Furniture and other equipment	12.50%

(f) Goodwill: Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, at the date of acquisition. Goodwill on acquisitions of subsidiaries is reflected separately in the balance sheet. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

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

The Company's intangible assets include the cost of a license for the provision of Fixed Wireless Access Telecommunications of the absorbed company, Mediterranean Broadband Access S.A. The license was awarded in accordance with the decision No. 203/ 10.01.2001 of EETT for a term of fifteen (15) years at a cost of approximately € 8.5 million. The license is being amortised over a period of thirteen (13) years, representing the remaining period of use from the year that the network was operational.

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

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables:

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

(iii) Available-for-sale financial assets:

Available-for-sale financial assets (primary) are those non-derivative financial assets that are designated as available for sale or are not classified in any of the two preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of income.

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

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

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

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

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

(o) Long-Term Liabilities: All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in the statement of income either through the amortisation process or where the liabilities are written-off.

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

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

(q) Leases: Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, at the fair value of the leased item, or if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Capitalised leased assets are depreciated over the estimated useful life of the asset.

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

(r) Government Grants*:* The Group obtains grants from the European Union in order to fund specific projects for the acquisition of tangible and intangible assets.

Grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Grants relating to assets are recognised as deferred income and amortised in accordance with the useful life of the related asset. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(s) Provisions and Contingencies: Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle this obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the present value of the expenditure expected to be required to settle the obligation. When the effect of time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate the risks specific to the liability.

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

(t) Income Taxes (Current and Deferred): Current and deferred income taxes are computed based on the separate financial statements of each of the entities included in the consolidated financial statements, in accordance with the tax rules in force in Greece or other tax jurisdictions in which entities operate.

Income tax expense consists of income taxes for the current year based on each entity's profits as adjusted in its tax returns, additional income taxes resulting from the audits of the tax authorities and deferred income taxes, using substantively enacted tax rates.

Deferred income taxes are provided using the liability method for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes.

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

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

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

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

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

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

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

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

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

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

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

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

(v) Earnings/(Loss) per Share: Basic earnings/(loss) per share are computed by dividing net income/(loss) attributable to the shareholders of the parent by the weighted average number of ordinary shares outstanding during each year, excluding the average number of shares purchased as treasury shares.

Diluted earnings/(loss) per share amounts are calculated by dividing the net income/(loss) attributable to shareholders of the parent by the weighted average number of ordinary shares outstanding each year as adjusted for the impact on the convertible redeemable preference shares (i.e. stock option plan).

(w) Reserve for Staff Retirement Indemnities: Staff retirement obligations are calculated at the present value of the future retirement benefits deemed to have accrued at year-end, based on the employees earning retirement benefit rights steadily throughout the working period. The reserve for retirement obligations is calculated on the basis of financial and actuarial assumptions detailed in Note 28 and are determined using the projected unit credit actuarial valuation method. Net pension costs for the period are included in payroll in the accompanying statements of income and consist of the present value of benefits earned in the year, interest cost on the benefit obligation, prior service cost, actuarial gains or losses and the cost of additional pension charges. Past service costs are recognised on a straight-line basis over the average period until the benefits under the plan become vested. Actuarial gains or losses are recognised based on the corridor approach over the average remaining service period of active employees and included as a component of net pension cost for a year if, as of the beginning of the year it exceeds 10% of the projected benefit obligation. The retirement benefit obligations are not funded.

(x) Segment Reporting: The Group mainly provides telecommunications services and operates in Greece. Due to the nature of the services provided and the manner in which they are marketed to customers, the chief operating decision makers operate and manage the business as one business segment.

Accordingly, no operating results by individual or group of services are produced and neither are the Group's assets and liabilities analysed by the various services provided. As a result, the Group does not present segment information.

(y) Dividend Distribution: Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3.1. PRESENTATION CHANGES:

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

4. REVENUES:

Revenues in the accompanying financial statements are analysed as follows:

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

5. PAYROLL COST:

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

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

6. DEPRECIATION AND AMORTISATION:

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

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

7. FINANCIAL INCOME / (EXPENSES):

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

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

8. ANALYSIS OF EXPENSES:

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

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

The above expenses are analysed as follows:

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

9. INCOME TAXES:

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

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

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

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

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

The absorbed subsidiary, Hellas Net International Distribution Systems S.A. has been audited by the tax authorities through to the date of absorption by the parent company while Telemedicine Technologies S.A., which is located abroad, has no unaudited tax years.

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

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

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

Greek tax laws and regulations are subject to interpretations by the tax authorities. Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time, as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. Tax losses, to the extent accepted by the tax authorities, can be used to offset profits of the five fiscal years following the fiscal year to which they relate.

The movement of the deferred tax asset is as follows:

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

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

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

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

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

10. SUBSIDIARIES AND ASSOCIATES - GOODWILL:

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

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

Mediterranean Broadband Access S.A.:

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

On October 29, 2003, forthnet purchased Telecom Italia S.A.'s minority interest stake of 40% for a cash consideration of € 7,043,290.

In accordance with the decision of the Board of Directors of November 23, 2005, MBA was absorbed by forthnet in accordance with Law 2166/93 and Law 2190/20, with effective date being December 31, 2005. On May 9, 2006, the decision K2-5962/28.4.2006, with which the merger was approved was recorded in the Societes Anonymes Register.

Forth CRS S.A.:

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

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

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

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

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

Telemedicine Technologies S.A.:

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

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

Internet Hellas S.A.:

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

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

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

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

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

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

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

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

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

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

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

	December 31, 2006	December 31, 2005
MBA	512,569	-

Goodwill in the consolidated balance sheet is analysed as follows:

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

11. PROPERTY, PLANT AND EQUIPMENT:

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

THE GROUP	Land	Buildings	Telecommunication equipment	Transportation Means	Furniture & Other Equipment	Construction in Progress (CIP)	Total
COST							
At January 1, 2005	**1,137,589**	**8,715,022**	**60,353,075**	**64,438**	**6,569,500**	**1,054,286**	**77,893,910**
Additions	-	90,506	12,731,866	1,652	1,453,008	4,172,042	18,449,074
Transfers from CIP	-	152,168	592,033	-	-	(424,469)	319,732
Disposals	-	-	(44,747)	(4,082)	(47,611)	-	(96,440)
At December 31, 2005	**1,137,589**	**8,957,696**	**73,632,227**	**62,008**	**7,974,897**	**4,801,859**	**96,566,276**
Additions	-	775,826	20,194,794	-	1,458,830	9,263,409	31,692,859
Transfers from CIP	535,200	4,419,306	785,970	-	411,842	(6,165,068)	(12,750)
Disposals	-	-	(39,080)	-	(90,398)	-	(129,478)
At December 31, 2006	**1,672,789**	**14,152,828**	**94,573,911**	**62,008**	**9,755,171**	**7,900,200**	**128,116,907**
DEPRECIATION							
At January 1, 2005	**-**	**(1,568,187)**	**(17,447,254)**	**(11,140)**	**(4,283,236)**	**-**	**(23,309,817)**
Depreciation expense	-	(451,722)	(8,012,731)	(6,336)	(1,071,613)	-	(9,542,402)
Disposals	-	-	10,598	-	46,166	-	56,764
At December 31, 2005	**-**	**(2,019,909)**	**(25,449,387)**	**(17,476)**	**(5,308,683)**	**-**	**(32,795,455)**
Depreciation expense	-	(490,843)	(9,786,256)	(6,354)	(1,139,673)	-	(11,423,126)
Disposals	-	-	7,677	-	83,576	-	91,253
At December 31, 2005	**-**	**(2,510,752)**	**(35,227,966)**	**(23,830)**	**(6,364,780)**	**-**	**(44,127,328)**
NET BOOK VALUE							
At January 1, 2005	**1,137,589**	**7,146,835**	**42,905,821**	**53,298**	**2,286,264**	**1,054,286**	**54,584,093**
At December 31, 2005	**1,137,589**	**6,937,787**	**48,182,840**	**44,532**	**2,666,214**	**4,801,859**	**63,770,821**
At December 31, 2006	**1,672,789**	**11,642,076**	**59,345,945**	**38,178**	**3,390,391**	**7,900,200**	**83,989,579**

THE COMPANY	Land	Buildings	Telecommunication equipment	Transportation Means	Furniture & Other Equipment	Construction in Progress (CIP)	Total
COST							
At January 1, 2005	**1,137,589**	**8,682,707**	**49,780,248**	**51,205**	**4,948,203**	**97,456**	**64,697,408**
Additions	-	31,787	9,324,048	-	853,996	4,556,256	14,766,087
Transfers from CIP	-	152,168	319,732	-	-	(152,168)	319,732
Disposals	-	-	(44,747)	-	(47,611)	-	(92,358)
At December 31, 2005	**1,137,589**	**8,866,662**	**59,379,281**	**51,205**	**5,754,588**	**4,501,544**	**79,690,869**
Additions	-	738,863	20,031,494	-	1,316,971	9,263,409	31,350,737
Business combinations	-	-	15,889,004	-	48,347	300,315	16,237,666
Transfers from CIP	535,200	4,419,306	785,970	-	411,842	(6,165,068)	(12,750)
Disposals	-	-	(34,554)	-	(65,536)	-	(100,090)
At December 31, 2006	**1,672,789**	**14,024,831**	**96,051,195**	**51,205**	**7,466,212**	**7,900,200**	**127,166,432**
DEPRECIATION							
At January 1, 2005	**-**	**(1,544,484)**	**(17,393,930)**	**(7,207)**	**(2,884,721)**	**-**	**(21,830,342)**
Depreciation expense	-	(444,173)	(6,645,141)	(5,120)	(858,889)	-	(7,953,323)
Disposals	-	-	10,598	-	46,370	-	56,968
At December 31, 2005	**-**	**(1,988,657)**	**(24,028,473)**	**(12,327)**	**(3,697,240)**	**-**	**(29,726,697)**
Depreciation expense	-	(479,423)	(9,782,201)	(5,120)	(888,758)	-	(11,155,502)
Business combinations	-	-	(3,004,232)	-	(28,365)	-	(3,032,597)
Disposals	-	-	5,754	-	63,105	-	68,859
At December 31, 2006	**-**	**(2,468,080)**	**(36,809,152)**	**(17,447)**	**(4,551,258)**	**-**	**(43,845,937)**
NET BOOK VALUE							
At January 1, 2005	**1,137,589**	**7,138,223**	**32,386,318**	**43,998**	**2,063,482**	**97,456**	**42,867,066**
At December 31, 2005	**1,137,589**	**6,878,005**	**35,350,808**	**38,878**	**2,057,348**	**4,501,544**	**49,964,172**
At December 31, 2006	**1,672,789**	**11,556,751**	**59,242,043**	**33,758**	**2,914,954**	**7,900,200**	**83,320,495**

There is no property, plant and equipment that has been pledged as security. The title of the capitalized leased assets has been retained by the lessor. The net book value of the Company's capitalized leased assets at December 31, 2006 and 2005, amounted to € 2,911,298 and € 3,229,108 respectively. For the Group the related amounts are € 3,019,041 and € 3,396,831 at December 31, 2006 and 2005. The net book value of property, plant and equipment held under finance leases are analysed as follows:

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

12. INTANGIBLE ASSETS:

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

THE GROUP	Purchased Software	Internally Generated Software	Licenses & Other Intangibles	Intangibles Under Development	Total
COST					
At January 1, 2005	**4,620,930**	**2,280,054**	**9,588,084**	**670,028**	**17,159,096**
Additions	1,017,255	278,675	-	323,411	1,619,341
Transfers from intangibles under development	250,454	-	-	(570,186)	(319,732)
Disposals	(38,000)	-	(64,006)	-	(102,006)
At December 31, 2005	**5,850,639**	**2,558,729**	**9,524,078**	**423,253**	**18,356,699**
Additions	2,980,670	922,101	40	432,182	4,334,993
Transfers from intangibles under development	35,268	-	-	(22,518)	12,750
Disposals	-	-	-	-	-
At December 31, 2006	**8,866,577**	**3,480,830**	**9,524,118**	**832,917**	**22,704,442**
AMORTISATION					
At January 1, 2005	**(3,406,972)**	**(1,492,690)**	**(1,561,052)**	**-**	**(6,460,714)**
Amortisation expense	(1,149,289)	(13,072)	(889,618)	-	(2,051,979)
At December 31, 2005	**(4,556,261)**	**(1,505,762)**	**(2,450,670)**	**-**	**(8,512,693)**
Amortisation expense	(1,200,434)	(77,636)	(1,036,582)	-	(2,314,652)
Amortisation transfers	542	-	-	-	542
At December 31, 2006	**(5,756,153)**	**(1,583,398)**	**(3,487,252)**	**-**	**(10,826,803)**
NET BOOK VALUE					
At January 1, 2005	**1,213,958**	**787,364**	**8,027,032**	**670,028**	**10,698,382**
At December 31, 2005	**1,294,378**	**1,052,967**	**7,073,408**	**423,253**	**9,844,006**
At December 31, 2006	**3,110,424**	**1,897,432**	**6,036,866**	**832,917**	**11,877,639**

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

13. AVAILABLE FOR SALE FINANCIAL ASSETS:

Available for sale financial assets are analysed as follows:

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

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

14. INVENTORIES:

Inventories in the accompanying financial statements are analysed as follows:

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

15. TRADE ACCOUNTS RECEIVABLE:

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

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

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

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

16. PREPAYMENTS AND OTHER RECEIVABLES:

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

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

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

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

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

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

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

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

18. CASH AND CASH EQUIVALENTS:

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

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

Cash at banks earns interest at floating rates based on monthly bank deposit rates. Interest earned on cash at banks and time deposits is accounted for on an accrual basis and for the year ended December 31, 2006, amounted to € 760,462 and € 758,195 for the Group and the Company, respectively, (for the year ended December 31, 2005, € 53,289 and € 50,258 for the Group and the Company, respectively) and is included in financial income in the accompanying statements of income.

19. SHARE CAPITAL:

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

Following the decisions of Shareholders' General Meetings through December 31, 2004, the Company's ordinary share capital amounted to € 19,885,000 divided into 16,851,695 ordinary shares of € 1.18 par value each.

Following the Board of Directors decision of December 21, 2005, 277,497 shares were issued at an exercise price of € 3.30, for the options exercised under the Group's employee stock option plan. This resulted in an increase in share capital of € 327,447, while the resulting surplus on the above transactions of € 588,294, net of issuance expenses and related deferred tax was recorded in the share premium account. As a result, the Company's ordinary share capital as at December 31, 2005, amounted to € 20,212,447 divided into 17,129,192 ordinary shares of € 1.18 par value each.

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

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

20. OTHER RESERVES:

Other reserves are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2006	2005	2006	2005
Legal reserve	118,940	118,940	94,031	94,031
Tax-free reserves	1,862,148	1,862,148	1,853,715	1,853,715
Special reserves	640,474	640,474	122,446	122,446
Reserve for employee stock option plan	890,400	397,616	890,400	397,616
Other	71,300	71,300	-	-
Total reserve	**3,583,262**	**3,090,478**	**2,960,592**	**2,467,808**

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

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

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

21. DIVIDENDS:

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

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

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

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

22. LONG-TERM AND SHORT-TERM BORROWINGS:

a) Long-term loans:

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

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

Bond Loan:

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

The main covenants of the Bond have as follows:

- partial issuance of the notes within the next two years in four series,
- each note has a grace period of 18 months and the repayment will be made gradually within the next five years in equal semi-annual installments,
- the Bond bears interest at the six-month Euribor plus a margin ranging between 1.5% to 1.8% (effective rate of 4.5% at December 31, 2005 and 5.30% at December 31, 2006).

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

The loan agreement contains covenants and events of default including, among others, (i) insure, throughout the duration of the Bond, its assets against all risks with an insurance agent of its choice, reputable in the Greek market, and does not assign the rights of the insurance contracts, (ii) to provide to the Agent by May 15 of each year, the Company's audited financial statements, and (iii) to maintain throughout the duration of the loan the financial covenants disclosed below, which are to be computed on an annual basis using the annual audited accounts of forthnet:

- EBITDA [Profit/(loss) before taxes, financial income/(expenses), net and depreciation divided by net interest expense (interest expense less interest income)] ≥ 5

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

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

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

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

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

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

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

b) Short-term borrowings:

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

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

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

23. FINANCE LEASE OBLIGATIONS:

The finance lease obligations relate to:

- Leasing of a building at Antigonis 58, Peristeri, Attica, with a value of € 2,669,054 (including expenses, taxes, etc,) and is repayable in a hundred and seventy five (175) monthly installments (from August 10, 2005 through February 10, 2020) bearing interest at the three month Euribor plus a margin of 3.5%.

- Leasing of equipment (printers) by the Company’s subsidiary, Forth CRS, during 2005 with a total value of € 199,935, with a duration of three years, repayable in equal monthly installments bearing interest at Euribor plus a margin of 2.5%.

The finance lease obligations are analysed as follows:

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

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

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

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

24. TRADE ACCOUNTS PAYABLE:

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

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

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

25. ACCRUED AND OTHER CURRENT LIABILITIES:

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

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

26. OTHER LONG - TERM LIABILITIES:

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

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

27. GOVERNMENT GRANTS:

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

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

28. RESERVE FOR STAFF RETIREMENT INDEMNITIES:

a) **State Pension:** The Company's employees are covered by one of several Greek State sponsored pension funds. Each employee is required to contribute a portion of their monthly salary to the fund, with the Company also contributing a portion. Upon retirement, the pension fund is responsible for paying the employees retirement benefits. As such, the Company has no legal or constructive obligation to pay future benefits under this plan. The contributions to the pension funds for the years ended December 31, 2006 and 2005, amounted to € 3,855,430 and € 3,250,650, respectively for the Group and € 3,413,732 and € 2,858,097, respectively for the Company.

b) **Staff Retirement Indemnities:** Under Greek labor law, employees and workers are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the employee's or worker's compensation, length of service and manner of termination (dismissed or retired). Employees or workers who resign or are dismissed with cause are not entitled to termination payments. The indemnity payable in case of retirement is equal to 40% of the amount which would be payable upon dismissal without cause. In Greece, local practice is that pension plans are not funded. In accordance with this practice, the Company does not fund these plans. The Company charges income from continuing operations for benefits earned in each period with a corresponding increase in retirement indemnity liability. Benefits payments made each period to retirees are charged against this liability.

An international firm of independent actuaries evaluated the Group's liabilities arising from the obligation to pay retirement indemnities. The details and principal assumptions of the actuarial study as at December 31, 2006 and 2005, have as follows:

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

The additional cost of extra benefits relates to benefits paid to employees who became redundant. Most of these benefits were not expected within the terms of this plan and, accordingly, the excess of benefit payments over existing reserves have been treated as an additional pension charge. The additional pension charge for the years ended December 31, 2006 and 2005, amounted to € 31,113 and € 79,110 respectively for the Group and € 27,975 and € 68,563 respectively for the Company.

29. LOSS PER SHARE:

Basic loss per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year.

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

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

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

30. EMPLOYEE STOCK OPTION PLANS:

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

SHORT TERM PLAN:

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

(i) **Eligibility:** Options can be granted to all the personnel of the Group and to the members of the Board of Directors as long as the following conditions are met: (a) the personnel are hired up to September 30, 2004, (b) the achievement of a turnover target for the year 2004, as specified in the decision.

(ii) **Entitlement to Options:** The total number of shares under the option plan granted shall be 165,253 corresponding to the 1% of the Company's share capital at an exercise price of € 3.76 per share.

Based on the Shareholders Ordinary General Assembly of June 30, 2005, it was decided that the plan would not be exercised as the targets set by the Shareholders Ordinary General assembly of June 30, 2004, had not been met.

Plan – Year 2005: The plan for 2005 was approved on June 30, 2005, by forthnet's Shareholders Ordinary General Assembly and is administered by the Board of Directors.

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

(i) **Eligibility:** Options can be granted to the personnel of the Group and to the members of the Board of Directors as long as the following conditions are met: (a) the personnel are hired up to September 30, 2005, (b) the achievement of a turnover target for the Group of € 95 million for the year ended December 31, 2005, as specified in the decision.

(ii) **Entitlement to Options:** The total number of shares under the option plan granted shall be 168,517 corresponding to the 1% of the Company's share capital at an exercise price of € 3.30 per share.

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

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

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

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

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

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

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

The volatility is the variance between the expected volatility in the share price and is computed using statistical analyses of the daily share prices of the last 12 months.

LONG-TERMS PLANS:

1st plan

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

Under the above scheme, 452,920 shares in 2004 should be granted corresponding to 3% of the Company's share capital as of June 30, 2003, at an exercise price of € 3.76 per share.

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

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

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

2nd plan

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

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

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

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

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

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

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

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

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

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

31. RELATED PARTIES:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

32. COMMITMENTS AND CONTINGENCIES:

Litigation and Claims: The Group is currently involved in a number of legal proceedings and has various claims pending arising in the ordinary course of business. Based on currently available information, management and its legal counsel believe that the outcome of these proceedings will not have a significant effect on the Group's operating results or financial position (Refer to Note 34).

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

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

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

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

Guarantees:

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

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

Contractual Commitments:

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

33. FINANCIAL INSTRUMENTS:

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

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

Credit Risk: The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at December 31, 2006, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the accompanying balance sheets. The Group has no significant concentrations of credit risk with any single counter party.

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

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

34. LITIGATION - ARBITRATION

Forthnet's, outstanding judicial claims against third parties amount to approximately € 35.4 million of which, approximately € 26.7 million concern a claim against OTE by virtue of the law suit filed on December 31, 2002, with regard to the positive damages claimed to have been suffered by the Company in the case of EPAK (preferential treatment by OTE to its subsidiary, OTEnet), approximately € 291 thousand consisting of a claim against OTE for moral damages that the Company has suffered for the same cause. In addition, there is a pending claim of approximately € 3.6 million against OTE with regard to the positive and indirect damages claimed to have been suffered from OTE's unlawful practices of customer winback, € 500 thousand consisting of a claim for the same cause for moral damages that the Company has suffered.

There are outstanding opposing applications before the Council of State for the annulment of EETT decisions that concern: (a) volume discounts by OTE, (b) low margin between retail and wholesale prices of leased lines, (c) the level of interconnection fees and, (d) the fees for leased lines. The Company's position has basis though, the significance of the cases and the circumstances make it difficult for the prediction of any positive outcome of the above cases in the sense of the denial of the applications filed by OTE and the acceptance of the applications filed by the Company. It is impossible to predict the impact (positive) on the Company's financial results as, it is estimated that even if any or all of the applications were to be accepted, the case will be brought to the Management which will have to evaluate again the critical fees. There are still outstanding appeals, in the Court of Appeal of Athens, against the decision of EETT for the new regulation of preselection.

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

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

35. SUBSEQUENT EVENTS:

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

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

Iraklion, March 19, 2007

President of the Board of Directors	Chief Executive Officer	Chief Financial Officer
Averof Ioannis I.D. N. 772354	Tzortzakis Pantelis I.D. X 072948	Kanellopoulos Pavlos I.D. N 006982

Financial Director	Chief Accountant
Karakovounis Giorgos I.D. N. 536124 License No. O.E.E. 0036987 A Class	Kosmas Spyros I.D. Ξ 324578 License No. O.E.E. 0016310 A Class

APPENDIX I
STATEMENT OF INCOME

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

APPENDIX I
BALANCE SHEET

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