

ENGLISH TRANSLATION OF THE GREEK ORIGINAL



**INTERIM CONDENSED FINANCIAL STATEMENTS
(SEPARATE AND CONSOLIDATED) IN
ACCORDANCE WITH INTERNATIONAL FINANCIAL
REPORTING STANDARDS FOR THE PERIOD
JANUARY 1, – JUNE 30, 2007 OF HELLENIC
COMPANY FOR TELECOMMUNICATIONS AND
TELEMATIC APPLICATIONS S.A. (Forthnet S.A.)**

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>

INDEX TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

	<u>Page</u>
• Review Report of the Interim Condensed Financial Statements	2
• Interim Condensed Statement of Income	3
• Interim Condensed Balance Sheet	4
• Interim Condensed Statement of Changes in Equity	5
• Interim Condensed Cash Flow Statement (Indirect Method)	6
• Notes to the Interim Condensed Financial Statements	7-31

REPORT ON REVIEW OF THE INTERIM FINANCIAL STATEMENTS

To the shareholders of HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A. (Forthnet)

Introduction

We have reviewed the accompanying consolidated balance sheet of HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A. (Forthnet) (“the Company”) and its subsidiaries (“the Group”) and the Company’s accompanying separate balance sheet as at 30 June 2007, and the related consolidated and separate income statements, statements of changes in equity, and cash flow statements for the six month period then ended, as well as the selected explanatory notes. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards applicable to interim financial reporting as adopted by the European Union and applies to interim financial reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” to which the Greek Auditing Standards refer to. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Greek Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Athens, August 30, 2007

The Certified Auditors Accountants

CHRIS PELENDRIDIS
R.N. ICA (GR) 17831

SPYROS BOUDAS
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ERNST & YOUNG (HELLAS)
CERTIFIED AUDITORS ACCOUNTANTS S.A.
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SOL S.A.
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ΣΟΑ
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ΟΡΚΩΤΟΙ ΕΛΕΓΚΤΕΣ ΛΟΓΙΣΤΕΣ



HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
INTERIM CONDENSED STATEMENT OF INCOME ENDED JUNE 30, 2007

(amounts in Euro, unless otherwise stated)

	Note	The Group				The Company			
		01.01- 30.06.2007	01.01- 30.06.2006	01.04- 30.06.2007	01.04- 30.06.2006	01.01- 30.06.2007	01.01- 30.06.2006	01.04- 30.06.2007	01.04- 30.06.2006
Revenues	4	56,550,613	48,580,378	30,099,224	24,966,297	54,311,864	46,345,966	28,684,412	23,470,540
Cost of sales	6	(55,723,540)	(38,450,506)	(30,034,054)	(20,674,310)	(54,333,297)	(36,937,035)	(29,341,974)	(19,766,834)
Gross Profit		827,073	10,129,872	65,170	4,291,987	(21,433)	9,408,931	(657,562)	3,703,706
Selling and distribution expenses	6	(17,337,083)	(13,086,128)	(9,219,153)	(7,264,955)	(16,808,696)	(12,545,005)	(8,962,479)	(6,991,610)
General administrative expenses	6	(4,568,852)	(3,129,094)	(2,373,022)	(1,676,171)	(4,322,990)	(2,889,526)	(2,252,494)	(1,538,074)
Research and development costs	6	(900,160)	(628,192)	(500,418)	(328,544)	(900,160)	(628,192)	(500,418)	(328,544)
Other income	4	124,341	517,011	93,532	311,496	77,503	430,968	60,756	229,289
Financial income	5	1,561,053	345,046	695,739	330,912	1,553,298	443,674	687,984	430,202
Financial expenses	5	(1,302,597)	(1,148,129)	(642,084)	(645,523)	(1,263,902)	(1,130,589)	(625,016)	(636,977)
(Loss) / Profit before income taxes		(21,596,225)	(6,999,614)	(11,880,236)	(4,980,798)	(21,686,380)	(6,909,739)	(12,249,229)	(5,132,008)
Income taxes	7	4,595,016	1,288,584	2,272,077	1,004,232	4,601,374	1,307,781	2,349,961	1,082,627
(Loss) / Net Profit		(17,001,209)	(5,711,030)	(9,608,159)	(3,976,566)	(17,085,006)	(5,601,958)	(9,899,268)	(4,049,381)
Attributable to:									
Equity holders of the parent		(17,004,875)	(5,710,707)	(9,613,227)	(3,977,500)	(17,085,006)	(5,601,958)	(9,899,268)	(4,049,381)
Minority interests		3,666	(323)	5,068	934	-	-	-	-
		(17,001,209)	(5,711,030)	(9,608,159)	(3,976,566)	(17,085,006)	(5,601,958)	(9,899,268)	(4,049,381)
(Loss) / Earnings per share (Basic & diluted):		(0.441)	(0.272)	(0.249)	(0.159)	(0.443)	(0.266)	(0.257)	(0.162)
Weighted average number of shares (Basic & diluted)		38,540,682	21,032,944	38,540,682	24,980,072	38,540,682	21,032,944	38,540,682	24,980,072

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

(amounts in Euro, unless otherwise stated)

	Note	The Group		The Company	
		30.06.2007	31.12.2006	30.06.2007	31.12.2006
ASSETS					
Non-Current Assets:					
Property, plant and equipment	9	94,827,659	83,989,579	93,650,078	83,320,495
Intangible assets	10	11,836,630	11,877,639	9,861,224	10,219,844
Goodwill	8	727,519	727,519	512,569	512,569
Investments in subsidiaries	8	-	-	3,453,650	3,453,650
Investments in associates accounted for using the equity method	8	61,548	61,548	44,500	44,500
Other non-current assets		244,756	185,488	201,526	142,260
Available for sale financial assets	11	379,877	379,877	330,149	330,149
Deferred income taxes	7	13,695,706	9,100,690	13,389,024	8,787,650
Total non-current assets		121,773,695	106,322,340	121,442,720	106,811,117
Current Assets:					
Inventories	12	1,708,108	1,288,591	1,573,202	1,169,126
Trade accounts receivable	13	33,599,666	30,590,574	31,037,191	28,399,734
Prepayments and other receivables	14	9,915,077	7,743,424	9,804,468	7,739,451
Financial assets at fair value through profit or loss	15	20,000,000	68,130,477	20,000,000	68,130,477
Cash and cash equivalents	16	44,852,141	24,977,304	44,258,630	24,021,062
Total current assets		110,074,992	132,730,370	106,673,491	129,459,850
TOTAL ASSETS		231,848,687	239,052,710	228,116,211	236,270,967
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent company					
Share capital	17	45,478,005	45,478,005	45,478,005	45,478,005
Share premium		142,188,659	142,188,659	142,188,659	142,188,659
Other reserves		5,133,426	3,583,262	4,510,756	2,960,592
Accumulated deficit		(56,777,614)	(39,772,739)	(56,342,521)	(39,257,515)
		136,022,476	151,477,187	135,834,899	151,369,741
Minority interests		40,451	36,785	-	-
Total equity		136,062,927	151,513,972	135,834,899	151,369,741
Non-Current Liabilities:					
Finance lease obligations	19	2,283,830	2,382,161	2,248,185	2,321,144
Other long-term liabilities		1,219,750	1,219,750	1,219,750	1,219,750
Reserve for staff retirement indemnities		1,138,520	1,046,603	1,083,868	992,167
Government grants		2,143,933	26,564	2,125,000	-
Total non-current liabilities		6,786,033	4,675,078	6,676,803	4,533,061
Current Liabilities:					
Trade accounts payable	20	45,669,713	36,453,050	44,335,513	35,840,231
Short-term borrowings	18	1,105,593	1,004,391	-	-
Current portion of interest bearing loans	18	30,909,091	34,000,000	30,909,091	34,000,000
Deferred income	3	7,423,947	6,342,211	7,423,947	6,342,211
Short-term portion of finance lease obligations	19	169,199	179,071	121,982	129,070
Income tax payable		252,539	316,494	215,508	279,464
Accrued and other current liabilities	21	3,469,645	4,568,443	2,598,468	3,777,189
Total current liabilities		88,999,727	82,863,660	85,604,509	80,368,165
TOTAL LIABILITIES AND EQUITY		231,848,687	239,052,710	228,116,211	236,270,967

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



HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A.
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY AS AT JUNE 30, 2007

(amounts in Euro, unless otherwise stated)

The Group	Attributable to equity holders of the parent company					Minority Interests	Total equity
	Share capital	Share premium	Other reserves	Accumulated deficit	Total		
Balance at December 31, 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	-	(2,085,335)	-	-	(2,085,335)	-	(2,085,335)
Minority interest on reserves distributed by subsidiary	-	-	-	-	-	(691)	(691)
Loss for the period 01.01.06-30.06.06	-	-	-	(5,710,707)	(5,710,707)	(323)	(5,711,030)
Balance at June 30, 2006	45,478,005	142,622,174	3,090,478	(28,784,863)	162,405,794	37,315	162,443,109
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
Employee stock option plan	-	-	1,550,164	-	1,550,164	-	1,550,164
Loss for the period 01.01.07-30.06.07	-	-	-	(17,004,875)	(17,004,875)	3,666	(17,001,209)
Balance at June 30, 2007	45,478,005	142,188,659	5,133,426	(56,777,614)	136,022,476	40,451	136,062,927
The Company	Share capital	Share premium	Other reserves	Accumulated deficit	Total		
Balance at December 31, 2005	20,212,447	50,068,723	2,467,808	(20,879,577)	51,869,401		
Absorption of Subsidiary	-	-	-	(1,920,591)	(1,920,591)		
Issuance of share capital	25,265,558	94,638,786	-	-	119,904,344		
Share capital issuance costs	-	(2,085,335)	-	-	(2,085,335)		
Loss for the period 01.01.06-30.06.06	-	-	-	(5,601,958)	(5,601,958)		
Balance at June 30, 2006	45,478,005	142,622,174	2,467,808	(28,402,126)	162,165,861		
Balance at December 31, 2006	45,478,005	142,188,659	2,960,592	(39,257,515)	151,369,741		
Employee stock option plan	-	-	1,550,164	-	1,550,164		
Loss for the period 01.01.07-30.06.07	-	-	-	(17,085,006)	(17,085,006)		
Balance at June 30, 2007	45,478,005	142,188,659	4,510,756	(56,342,521)	135,834,899		

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

(amounts in Euro, unless otherwise stated)

	The Group		The Company	
	01.01 - 30.06.2007	01.01 - 30.06.2006	01.01 - 30.06.2007	01.01 - 30.06.2006
Cash Flows from Operating Activities				
(Loss) before income taxes	(21,596,225)	(6,999,614)	(21,686,380)	(6,909,739)
Adjustments for:				
Depreciation and amortization	8,523,950	6,524,660	8,193,873	6,156,288
(Profit)/ Loss from sale of Property, plant, equipment and Intangible assets	356,127	(3,672)	356,127	(3,672)
Financial (income)/expenses, net	(258,456)	803,083	(289,396)	686,915
Allowance for doubtful accounts receivable	2,330,000	1,250,000	2,300,000	1,200,000
Allowance for staff retirement indemnities	149,207	117,122	140,423	109,118
Other Provisions	1,550,164	800	1,550,164	800
Profit before working capital changes	(8,945,233)	1,692,379	(9,435,189)	1,239,710
(Increase)/decrease in:				
Inventories	(419,517)	(611,004)	(404,076)	(588,913)
Trade accounts receivables	(5,339,092)	(2,896,304)	(4,937,457)	(3,357,766)
Prepayments and other receivable	(46,653)	(1,717,858)	59,983	(950,486)
Increase/(Decrease):				
Trade accounts payable	6,543,893	6,923,997	6,864,498	6,671,694
Accrued Income	1,081,736	1,223,073	1,081,736	1,085,592
Accrued and other short term liabilities	(897,322)	(1,437,657)	(957,686)	(1,858,856)
Interest paid	(1,106,174)	(982,525)	(1,081,554)	(980,771)
Taxes paid	(63,956)	-	(63,956)	-
Other Long term liabilities	(59,268)	(2,107)	(59,265)	(1,541)
Payment of staff retirement indemnities	(57,290)	-	(48,722)	-
Net Cash from/ (used in) Operating Activities	(9,308,876)	2,191,994	(8,981,688)	1,258,663
Cash Flows from Investing Activities				
Capital expenditure for property, plant and equipment	(16,334,328)	(7,914,089)	(16,305,153)	(7,746,814)
Purchase of intangible assets	(690,522)	(1,381,025)	(605,499)	(1,024,191)
Sale of Property, plant, equipment and Intangible assets	20,547	19,716	20,547	15,268
Interest and related income received	1,155,449	398,988	1,149,840	398,306
Purchase of available for sale financial assets	-	(62,175)	-	(48,148)
Purchase / (Sale) of financial assets at fair value through profit or loss	48,130,477	(40,284,643)	48,130,477	(40,284,643)
Net Cash used in Investing Activities	32,281,623	(49,223,228)	32,390,212	(48,690,222)
Cash Flows from Financing Activities				
Proceeds from share capital issuance	-	116,967,252	-	116,967,252
Repayment of long term borrowings	(3,090,909)	-	(3,090,909)	-
Net change in short-term borrowings	101,202	(3,560,177)	-	(3,500,000)
Net change in finance lease creditors	(108,203)	(81,752)	(80,047)	(55,372)
Net Cash from Financing Activities	(3,097,910)	113,325,323	(3,170,956)	113,411,880
Net increase/(decrease) in cash and cash equivalents	19,874,837	66,294,089	20,237,568	65,980,321
Cash and cash equivalents at the beginning of the year	24,977,304	8,170,642	24,021,062	7,872,012
Cash and cash equivalents of absorbed subsidiary	-	-	-	100,539
Cash and cash equivalents at the end of period	44,852,141	74,464,731	44,258,630	73,952,872

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

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

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.

The accompanying interim condensed consolidated financial statements include the financial statements of Forthnet and its subsidiaries, Forth CRS S.A. and Telemedicine Technologies S.A.

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 at June 30th 2007 amounted to 896 while that of the Company to 836. At December 31, 2006, the respective number of employees was 759 for the Group and 702 for the Company.

2. BASIS OF PRESENTATION:

(a) Basis of Preparation of Financial Statements

The interim condensed financial statements for the 6 month period January 1st – June 30th, 2007 have been prepared in accordance with IFRS 34 "Interim Financial Report".

The interim condensed financial statements do not include all information and notes required in the annual financial statements and so they must be read in accordance with the Group's annual financial statements of December 31st, 2006.

Some prior period's accounts analysis have been reclassified in order to become comparable with the current period.

Accounting principles used for the preparation of the interim condensed financial statements are consistent with these used for the annual financial statements of December 31st, 2006 apart from the adaptation of new standards

(amounts in Euro, unless otherwise stated)

which was obligatory for the period starting on January 1st, 2007. These standards are reported below and had no influence on the Group's and Company's financial situation and performance.

IAS 1 (amendment) Capital disclosures (on application to annual financial statements starting on or after January 1st, 2007).

Due to the issuance of IFRS 7, further disclosures were added to IAS 1 in order for a company to provide useful information to users regarding the objectives, policies and management procedures for its capital. The group will apply the amendments of IAS 1 on its annual financial statements for the year ending on December 31st, 2007 considering that the accompanying financial statements are condensed.

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. The Group will implement IFRS 7 on its annual financial statements for the year ending on December 31st, 2007 considering that the accompanying financial statements are condensed.

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 than 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 recognized 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.

(b) New Standards, Interpretations and Modifications:

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 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

(amounts in Euro, unless otherwise stated)

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.

IFRS 23. (Amendment) Borrowing Cost (effective for financial years beginning on or after January 1, 2009).

In the revised standard, the previous benchmark treatment of recognizing borrowing costs as an expense has been eliminated. Instead, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets form part of the costs of the asset. The Group is considering possible effects from the specific amendment.

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.

IFRIC 13 Customer Loyalty Programmes (effective for financial years beginning on or after July 1, 2008)

The International Financial Reporting Interpretations Committee (IFRIC) issued a new interpretation relating to the application of IAS 18 Revenue Recognition. IFRIC 13 "Customer Loyalty Programmes" clarifies that where entities grant award credits (e.g. loyalty points or reward miles) as part of a sales transaction and customers can redeem those award credits in the future for free or discounted goods or services, IAS 18 paragraph 13 applies. This requires that the award credits are treated as a separate component of the sales transaction and an amount of the consideration received or receivable needs to be allocated to the award credits. The timing of the recognition of this element of revenue is deferred until the entity satisfies its obligations relating to the award credits, either by supplying the rewards directly or by transferring the obligation to a third party. The Group is considering possible effects from the specific amendment.

(c) Approval of Financial Statements:

The Board of Directors of Forthnet approved the separate and consolidated financial statements for the period January 1st – June 30th, 2007, on August 29, 2007.

(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.

(amounts in Euro, unless otherwise stated)

- (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.

(amounts in Euro, unless otherwise stated)

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%
Equipment LLU	20%
Fibre-optic network International Bandwidth	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.

(amounts in Euro, unless otherwise stated)

- (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 levels 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 recognized 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.

(amounts in Euro, unless otherwise stated)

- (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 fulfilment of specific external market parameters. Options are considered to be vested when all the performance requirements have been fulfilled independent of the fulfilment 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.

(amounts in Euro, unless otherwise stated)

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

Deferred tax assets are 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 period are estimated based on airtime and are accrued at the end of the period.

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 on June 30, 2007 and December 31, 2006 amounted to € 7,423,947 and € 6,342,211, respectively.

Unbilled revenues (mainly voice telephony) for the Group and the Company on June 30, 2007 and December 31, 2006, amounted to € 4,824,671 and € 4,308,983 respectively.

(amounts in Euro, unless otherwise stated)

- (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 recognized 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.

4. REVENUES:

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

	The Group		The Company	
	01.01- 30.06.2007	01.01- 30.06.2006	01.01- 30.06.2007	01.01- 30.06.2006
Operating Revenues:				
Fixed telephone (Voice)	31,503,209	26,084,599	31,503,209	26,084,599
Internet Access	11,181,643	9,684,415	11,181,643	9,684,415
2play Services	1,061,311	-	1,061,311	-
Internet Leased Lines	3,853,764	3,492,260	3,853,764	3,492,260
Data Connectivity Services	1,318,657	1,310,940	1,318,657	1,310,940
LMDS	1,454,356	1,472,325	1,454,356	1,472,325
Data Center Services	1,152,672	1,026,077	1,152,672	1,026,077
Interactive Marketing	803,068	1,075,934	803,068	1,075,934
Other revenues	2,160,168	2,330,193	1,893,749	2,111,179
Services (ticketing, reservations, etc.) Forth CRS	1,824,354	1,796,301	-	-
Sales of equipment and consumables	237,411	307,334	89,435	88,237
Total Operating Revenues	56,550,613	48,580,378	54,311,864	46,345,966
Other Income (Government grants, etc.)	124,341	517,011	77,503	430,968
Total Revenues	56,674,954	49,097,389	54,389,367	46,776,934

(amounts in Euro, unless otherwise stated)

5. NET FINANCIAL INCOME / (EXPENSES):

Net financial income/(expenses) in the accompanying interim condensed financial statements are analysed as follows:

	The Group		The Company	
	01.01- 30.06.2007	01.01- 30.06.2006	01.01- 30.06.2007	01.01- 30.06.2006
Interest on long-term borrowings (Note 18)	(912,213)	(743,207)	(912,213)	(743,207)
Interest on short-term borrowings (Note 18)	(19,614)	(201,732)	-	(190,504)
Finance charges paid under finance leases	(71,563)	(76,380)	(68,322)	(71,823)
Other financial costs	(299,207)	(126,810)	(283,367)	(125,055)
Total financial expenses	(1,302,597)	(1,148,129)	(1,263,902)	(1,130,589)
Income from financial assets	-	-	-	99,310
Interest earned on cash at banks and on time deposits (Note 16)	305,238	340,832	297,483	340,150
Interest on bonds (Note 15)	1,255,815	4,214	1,255,815	4,214
Total financial income	1,561,053	345,046	1,553,298	443,674
Total financial income/(expenses), net	258,456	(803,083)	289,396	(686,915)

6. ANALYSIS OF EXPENSES:

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

	The Group		The Company	
	01.01- 30.06.2007	01.01- 30.06.2006	01.01- 30.06.2007	01.01- 30.06.2006
Payroll and related costs	12,507,910	9,051,425	11,674,739	8,163,723
Third party fees and services	5,041,507	3,346,886	4,576,193	2,980,984
Rentals	1,019,762	641,167	913,387	528,597
Commissions on sales	4,030,594	3,215,602	4,029,567	3,206,860
Repairs and maintenance	1,545,003	1,099,538	1,501,790	1,059,869
Interconnection fees (Voice)	20,462,511	15,232,570	20,462,511	15,232,570
Interconnection lines (Voice)	1,395,023	1,288,143	1,395,023	1,288,143
Other telecommunications costs	13,966,984	6,748,622	13,966,984	6,748,622
Taxes and duties	404,300	262,541	390,178	250,876
Sundry expenses	924,806	763,617	844,183	644,853
Advertising and promotion costs	4,720,635	4,036,400	4,657,483	3,992,340
Depreciation and amortisation	8,523,950	6,524,660	8,193,873	6,156,288
Allowance for doubtful accounts receivable (Note 13)	2,330,000	1,250,000	2,300,000	1,200,000
Cost of sales of inventory and consumables	1,656,650	1,832,749	1,459,232	1,546,033
Total expenses	78,529,635	55,293,920	76,365,143	52,999,758

The above expenses are analyzed as follows:

	The Group		The Company	
	01.01- 30.06.2007	01.01- 30.06.2006	01.01- 30.06.2007	01.01- 30.06.2006
Cost of sales	55,723,540	38,450,506	54,333,297	36,937,035
Selling and distribution expenses	17,337,083	13,086,128	16,808,696	12,545,005
Administrative expenses	4,568,852	3,129,094	4,322,990	2,889,526
Research and development costs	900,160	628,192	900,160	628,192
Total expenses	78,529,635	55,293,920	76,365,143	52,999,758

7. INCOME TAXES:

In accordance with Greek tax regulations, the corporate tax rate is applied by société anonymes for fiscal year 2007 and on is 25% (29% for the year 2006 respectively)..

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

	The Group		The Company	
	01.01- 30.06.2007	01.01- 30.06.2006	01.01- 30.06.2007	01.01- 30.06.2006
Current income taxes	-	-	-	-
Deferred income taxes	(4,595,016)	(1,288,584)	(4,601,374)	(1,307,781)
Total provision for income taxes reflected in the statements of income	(4,595,016)	(1,288,584)	(4,601,374)	(1,307,781)

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 subsidiary Internet Hellas S.A. has not been audited by the tax authorities for the fiscal years 1999 to 2004. At June 30, 2007 tax audit of the above mentioned companies was in progress (Forthnet S.A. fiscal years 2003-2005, Forth CRS S.A. fiscal years 2003-2005, Internet Hellas S.A. fiscal years 1999-2004).

The absorbed subsidiaries M.B.A.S.A. and Hellas Net International Distribution Systems S.A. have 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 movement of the deferred tax asset is as follows:

	30.06.2007	31.12.2006
<u>The Group</u>		
Beginning balance	9,100,690	5,391,362
Income taxes [credit/(debit)]	4,595,016	2,680,501
Tax charged to equity (share capital issuance costs)	-	1,028,827
Ending balance	13,695,706	9,100,690
<u>The Company</u>		
Beginning balance	8,787,650	4,189,527
Income taxes [credit/(debit)]	4,601,374	2,714,996
Business combinations (absorptions)	-	854,300
Tax charged to equity (share capital issuance costs)	-	1,028,827
Ending balance	13,389,024	8,787,650

(amounts in Euro, unless otherwise stated)

8. SUBSIDIARIES AND ASSOCIATES - GOODWILL:

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

	<u>Country of Incorporation</u>	<u>Equity Interest</u>		<u>Balance</u>	
		<u>30.06.2007</u>	<u>31.12.2006</u>	<u>30.06.2007</u>	<u>31.12.2006</u>
Forth CRS S.A.	P, Faliro, Attica, Greece	99.31%	99.31%	3,139,169	3,139,169
Telemedicine Technologies S.A.	Paris, France	94.40%	94.40%	314,481	314,481
				<u>3,453,650</u>	<u>3,453,650</u>

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

	<u>Registered Office</u>	<u>Equity Interest</u>		<u>Balance</u>	
		<u>30.06.2007</u>	<u>31.12. 2006</u>	<u>30.06.2007</u>	<u>31.12. 2006</u>
Forthe-com S.A.	Thessaloniki, Greece	45.00%	45.00%	-	-
Athlonet S.A.	Kallithea, Attica, Greece	44.00%	44.00%	61,548	61,548
				<u>61,548</u>	<u>61,548</u>

On December 18, 2006 FORTHe-com S.A Shareholders Extraordinary General Assembly, in which Forthnet held an equity interest of 45%, decided the dissolution of the Company and its liquidation on December 31, 2006. (Government Gazette 591/24.01.2007). The Company was deleted from Registration Office on June 6, 2007 (Government Gazette 4799/15.06.2007)

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

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2007</u>	<u>31.12.2006</u>	<u>30.06.2007</u>	<u>31.12.2006</u>
MBA	512,569	512,569	512,569	512,569
Forth CRS	24,595	24,595	-	-
Telemedicine	190,355	190,355	-	-
Total	<u>727,519</u>	<u>727,519</u>	<u>512,569</u>	<u>512,569</u>

(amounts in Euro, unless otherwise stated)

9. PROPERTY, PLANT AND EQUIPMENT:

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

The Group	Land	Buildings	Telecommuni- cation equipment	Transpo- rtation Means	Furniture & Other Equipment	Constructi- on in Progress (CIP)	Total
COST							
At January 1, 2006	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
Additions 01.01.2007- 30.06.2007	-	1,218,346	12,158,530	-	1,778,709	3,262,685	18,418,270
Transfers from CIP 01.01.2007-30.06.2007	-	3,402,954	870,351	-	-	(4,273,305)	-
Disposals 01.01.2007- 30.06.2007	-	-	(22,407)	-	(1,990,711)	-	(2,013,118)
Transfers	-	-	1,636,058	-	-	-	1,636,058
At June 30, 2007	1,672,789	18,774,128	109,216,443	62,008	9,543,169	6,889,580	146,158,117
DEPRECIATION							
At January 1, 2006	-	(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, 2006	-	(2,510,752)	(35,227,966)	(23,830)	(6,364,780)	-	(44,127,328)
Depreciation expense 01.01.2007 -30.06.2007	-	(657,849)	(5,921,492)	(3,177)	(620,998)	-	(7,203,516)
Disposals 01.01.2007- 30.06.2007	-	-	22,407	-	1,614,037	-	1,636,444
Transfers	-	-	(1,636,058)	-	-	-	(1,636,058)
At June 30, 2007	-	(3,168,601)	(42,763,109)	(27,007)	(5,371,741)	-	(51,330,458)
NET BOOK VALUE							
At January 1, 2006	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
At June 30, 2007	1,672,789	15,605,527	66,453,334	35,001	4,171,428	6,889,580	94,827,659

(amounts in Euro, unless otherwise stated)

The Company	Land	Buildings	Telecommuni- cation equipment	Transpo- rtation Means	Furniture & Other Equipment	Constructi- on in Progress (CIP)	Total
COST							
At January 1, 2006	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
Subsidiary Absorption	-	-	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
Additions 01.01.2007- 30.06.2007	-	1,217,949	12,156,098	-	1,147,830	3,262,685	17,784,562
Transfers from CIP 01.01.2007-30.06.2007	-	3,402,954	870,351	-	-	(4,273,305)	-
Disposals 01.01.2007- 30.06.2007	-	-	(22,407)	-	(1,989,847)	-	(2,012,254)
At June 30, 2007	1,672,789	18,645,734	109,055,237	51,205	6,624,195	6,889,580	142,938,740
DEPRECIATION							
At January 1, 2006	-	(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)
Subsidiary Absorption	-	-	(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)
Depreciation expense 01.01.2007 -30.06.2007	-	(651,761)	(5,918,945)	(2,560)	(505,037)	-	(7,078,303)
Disposals 01.01.2007- 30.06.2007	-	-	22,407	-	1,613,171	-	1,635,578
At June 30, 2007	-	(3,119,841)	(42,705,690)	(20,007)	(3,443,124)	-	(49,288,662)
NET BOOK VALUE							
At January 1, 2006	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
At June 30, 2007	1,672,789	15,525,893	66,349,547	31,198	3,181,071	6,889,580	93,650,078

There is no property, plant and equipment that has been pledged as security. The title of the capitalized leased assets has been retained by the lessor. The net book value of the Company's and Group's capitalized leased assets at June 30, 2007 amounted to € 2,762,463 and € 2,840,216 respectively.

(amounts in Euro, unless otherwise stated)

10. INTANGIBLE ASSETS:

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

<u>The Group</u>	<u>Purchased Software</u>	<u>Internally Generated Software</u>	<u>Licenses & Other Intangibles</u>	<u>Intangibles Under Development</u>	<u>Total</u>
<u>COST</u>					
At January 1, 2006	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 CIP	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
Additions 01.01.2007-31.03.2007	898,991	137,134	-	243,225	1,279,350
Transfers from CIP 01.01.2007-30.06.2007	498,886	-	-	(498,811)	75
Disposals 01.01.2007-30.06.2007	(3,043,298)	-	-	-	(3,043,298)
At June 30, 2007	7,221,156	3,617,964	9,524,118	577,331	20,940,569
<u>DEPRECIATION</u>					
At January 1, 2006	(4,556,261)	(1,505,762)	(2,450,670)	-	(8,512,693)
Depreciation expense	(1,200,434)	(77,636)	(1,036,582)	-	(2,314,652)
Transfers	542	-	-	-	542
At December 31, 2006	(5,756,153)	(1,583,398)	(3,487,252)	-	(10,826,803)
Depreciation expense 01.01.2007 -30.06.2007	(893,915)	(5,728)	(420,791)	-	(1,320,434)
Transfers 01.01.2007 -30.06.2007	3,043,298	-	-	-	3,043,298
At June 30, 2007	(3,606,770)	(1,589,126)	(3,908,043)	-	(9,103,939)
<u>NET BOOK VALUE</u>					
At January 1, 2006	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
At June 30, 2007	3,614,386	2,028,838	5,616,075	577,331	11,836,630

(amounts in Euro, unless otherwise stated)

<u>The Company</u>	<u>Purchased Software</u>	<u>Internally Generated Software</u>	<u>Licenses & Other Intangibles</u>	<u>Total</u>
<u>COST</u>				
At January 1, 2006	6,419,797	338,264	840,000	7,598,061
Additions	2,646,771	922,101	-	3,568,872
Subsidiary Absorption	-	244,946	8,748,083	8,993,029
Transfers from CIP	12,750	-	-	12,750
Disposals	-	-	-	-
At December 31, 2006	9,079,318	1,505,311	9,588,083	20,172,712
Additions 01.01.2007-30.06.2007	619,740	137,134	-	756,874
Disposals 01.01.2007-30.06.2007	(3,043,298)	-	-	(3,043,298)
Transfers	76	-	-	76
At June 30, 2007	6,655,836	1,642,445	9,588,083	17,886,364
<u>DEPRECIATION</u>				
At January 1, 2006	(5,220,477)	(116,715)	(375,000)	(5,712,192)
Depreciation expense	(849,240)	(77,636)	(957,926)	(1,884,802)
Subsidiary Absorption	-	(122,424)	(2,233,992)	(2,356,416)
Transfers from CIP	542	-	-	542
At December 31, 2006	(6,069,175)	(316,775)	(3,566,918)	(9,952,868)
Depreciation expense 01.01.2007 - 30.06.2007	(728,379)	(5,728)	(381,463)	(1,115,570)
Transfers	3,043,298	-	-	3,043,298
At June 30, 2007	(3,754,256)	(322,503)	(3,948,381)	(8,025,140)
<u>NET BOOK VALUE</u>				
At January 1, 2006	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
At June 30, 2007	2,901,580	1,319,942	5,639,702	9,861,224

11. AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets are analyzed as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2007</u>	<u>31.12.2006</u>	<u>30.06.2007</u>	<u>31.12.2006</u>
Shares – unlisted	379,877	379,877	330,149	330,149
Total	379,877	379,877	330,149	330,149

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

(amounts in Euro, unless otherwise stated)

12. INVENTORIES:

Inventories in the accompanying interim condensed financial statements are analysed as follows:

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Merchandise	1,590,334	1,188,802	1,573,202	1,169,126
Consumables	117,774	99,789	-	-
Total	1,708,108	1,288,591	1,573,202	1,169,126

13. TRADE ACCOUNTS RECEIVABLE:

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

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Domestic customers	33,178,082	27,076,607	30,774,778	25,548,092
Foreign customers	671,584	1,014,945	491,941	890,974
Accounts payable due to state owned companies	1,500,350	1,529,463	1,500,350	1,529,463
Cheques and notes receivable	3,477,907	4,430,986	3,115,861	3,493,542
Unbilled revenue	4,824,671	4,308,983	4,824,671	4,308,073
	43,652,594	38,360,984	40,707,601	35,770,144
Less: Allowance for doubtful accounts receivable	(10,052,928)	(7,770,410)	(9,670,410)	(7,370,410)
Total Trade Accounts Receivable	33,599,666	30,590,574	31,037,191	28,399,734

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

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Beginning balance	7,770,410	4,571,370	7,370,410	4,400,000
Provision (Note 6)	2,330,000	3,330,000	2,300,000	3,100,000
Less: Utilisation	(47,482)	(130,960)	-	(129,590)
Ending balance	10,052,928	7,770,410	9,670,410	7,370,410

14. PREPAYMENTS AND OTHER RECEIVABLES:

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

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Receivables due from the Greek State	2,623,993	476,922	2,621,820	463,245
Prepaid expenses	3,154,950	2,892,649	2,982,615	2,772,002
Value added tax	3,313,952	3,498,098	3,252,227	3,498,098
Advances to personnel	12,036	9,770	6,821	4,555
Advances to suppliers	418,674	234,655	244,634	50,935
Other debtors	391,472	631,330	696,351	950,616
Total Prepayments and other receivables	9,915,077	7,743,424	9,804,468	7,739,451

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Bank bonds	20,000,000	68,282,477	20,000,000	68,282,477
Less: changes in fair value	-	(152,000)	-	(152,000)
Total	20,000,000	68,130,477	20,000,000	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.

During the period January 1, 2007 – June 30, 2007 bank bonds of € 48,000,000 face value were liquidated

Interest earned on bank bonds is accounted for on an accrual basis and for the period January 1 – June 30, 2007, amounted to € 1,255,815 for the Group and the Company and is included in financial income in the accompanying statement of income.

16. CASH AND CASH EQUIVALENTS:

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

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Cash in hand	42,871	56,439	41,468	55,537
Cash at banks	4,909,270	4,020,865	4,717,162	3,065,525
Time deposits	39,900,000	20,900,000	39,500,000	20,900,000
	44,852,141	24,977,304	44,258,630	24,021,062

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 amounted for the Group and the Company to € 305,238 and € 297,483 (June 30, 2006, € 340,832 and € 340,150 respectively) (Note 5)

17. 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, 2005, the Company's ordinary share capital 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 June 30, 2007, 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.

(amounts in Euro, unless otherwise stated)

18. LONG-TERM AND SHORT-TERM BORROWINGS:
a) Long Term Loans:

Long-term loans for the Group and the Company at June 30, 2007 and December 31, 2006, are analyzed as follows:

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Bond loan	30,909,091	34,000,000	30,909,091	34,000,000
Less current portion:				
- Bond loan	(30,909,091)	(34,000,000)	(30,909,091)	(34,000,000)
Long-term portion	-	-	-	-

Bond Loan 2005:

In December 2005, Forthnet entered into Bond Loan (“Bond”) agreement with a consortium of banks for a principle amount of € 50 million (interest rate 6 month Euribor plus 1.5%). The purpose of the Bond is the refinancing of existing bank indebtedness and to finance a portion of the Company’s capital expenditure. Through December 31, 2006, the first two series of the Bond had been drawn-down amounting to € 34 million. On June 21, 2007 the first installment of € 3,090,909 was paid.

Bond Loan 2007:

In June 29, 2007, Forthnet entered into Bond Loan (“Bond”) Agreement with a consortium of banks for a principle amount up to € 150 million (interest rate equal to 3 month Euribor plus 1.15% to 1.75% depending on the financial ratios stated in the Agreement). The purpose of the Bond is the financing of its investment plan for the years 2006-2009.

The Bond issuance of up to € 120,000,000 will take place if certain obligations, arising from the Agreement, are met. The Bond is divided in 3 tranches as follows:

- i) The first tranche amounting to € 50,000,000 will be drawn from the signing of the Agreement to March 31, 2008.
- ii) The second tranche amounting to € 35,000,000 will be drawn from April 1, 2008 to March 31, 2009.
- iii) The third tranche amounting to € 35,000,000 will be drawn from April 1, 2009 to March 31, 2010.

The repayment of the Bond is in 10 semiannual installments. The first 9 is equal amounting to 75 % of the total amount. The last one will be made on the Bond’s maturity and is equal to the 25% of the facility. First installment is scheduled for September 30, 2010.

According to the agreement the Company has to comply with certain financial and other obligations.

The remaining € 30,000,000 may be drawn subject to a mutual agreement between the parties until 30/03/2010.

Total expenses on Long Term Loans for the Group and the Company for the six month period ending 30 June 2007, and 2006 were € 912,213 και € 743,207 respectively (Note 5).

b) Short-term borrowings:

Forth CRS and Telemedicine have short-term borrowings with an annual variable interest rates of approximately 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	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Credit lines available	13,310,000	13,310,000	11,600,000	11,600,000
Unused portion	(12,204,407)	(12,305,609)	(11,600,000)	(11,600,000)
Used portion	1,105,593	1,004,391	-	-

Total expenses on Short Term Borrowings for the six month period ending 30 June 2007, and 2006 were € 19,614 and € 201,732 for the Group and € 0 και € 190,504 for the Company respectively (Note 5).

(amounts in Euro, unless otherwise stated)

19. 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 instalments (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 duration of three years, repayable in equal monthly instalments bearing interest at Euribor plus a margin of 2.5%.

The finance lease obligations are analyzed as follows:

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Obligation under finance lease	2,453,029	2,561,232	2,370,167	2,450,214
Less: Current portion	(169,199)	(179,071)	(121,982)	(129,070)
Long-term portion	<u>2,283,830</u>	<u>2,382,161</u>	<u>2,248,185</u>	<u>2,321,144</u>

20. TRADE ACCOUNTS PAYABLE:

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

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Domestic suppliers	32,140,366	25,151,440	31,010,674	24,771,686
Foreign suppliers	4,415,157	5,023,786	4,387,912	5,018,303
Post dated cheques payable	9,114,190	6,277,824	8,936,927	6,050,242
	<u>45,669,713</u>	<u>36,453,050</u>	<u>44,335,513</u>	<u>35,840,231</u>

21. ACCRUED AND OTHER CURRENT LIABILITIES:

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

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Social security payable	546,699	924,665	470,292	825,647
Value added tax	117,734	82,986	-	-
Other taxes and duties	278,490	493,551	194,420	390,504
Customer advances	756,852	1,173,484	717,532	1,123,190
Liability for the acquisition of Internet Hellas	783,311	890,865	783,311	890,865
Other current liabilities	986,559	1,002,892	432,913	546,983
	<u>3,469,645</u>	<u>4,568,443</u>	<u>2,598,468</u>	<u>3,777,189</u>

(amounts in Euro, unless otherwise stated)

22. RELATED PARTIES:

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

Account balances and transactions for the Company with related companies are as follows:

Related Party	Relation with FORTHnet	Period Ending at:	Amounts owed by related parties	Amounts owed to related parties
Technology and Research Foundation	Shareholder	31.12.2006	14,192	2,071
		30.06.2007	5,363	2,733
Forth CRS S.A.	Subsidiary	31.12.2006	419,489	11,723
		30.06.2007	622,182	28,741
Telemedicine Technologies S.A	Subsidiary	31.12.2006	336,675	-
		30.06.2007	336,675	-
Athlonet S.A.	Associated	31.12.2006	-	2,998
		30.06.2007	1,283	324
	Total:	31.12.2006	770,356	16,792
	Total:	30.06.2007	965,503	31,798

Related Party	Relation with FORTHnet	Period Ending at:	Sales to related parties	Purchases from related parties
Technology and Research Foundation	Shareholder	30.06.2006	78,199	36,900
		30.06.2007	60,746	27,786
Forth CRS S.A.	Subsidiary	30.06.2006	36,723	11,530
		30.06.2007	170,087	14,722
Athlonet S.A.	Associated	30.06.2006	2,250	4,043
		30.06.2007	4,397	1,072
	Total:	30.06.2006	117,172	52,473
	Total:	30.06.2007	235,230	43,580

Account balances and transactions for the Group with related companies are as follows:

Related Party	Relation with The Group	Period Ending at:	Amounts owed by related parties	Amounts owed to related parties
Technology and Research Foundation	Shareholder	31.12.2006	14,192	2,071
		30.06.2007	5,363	2,733
Athlonet S.A.	Associated	31.12.2006	-	2,998
		30.06.2007	1,283	324
	Total:	31.12.2006	14,192	5,069
	Total:	30.06.2007	6,646	3,057

(amounts in Euro, unless otherwise stated)

<u>Related Party</u>	<u>Relation with the Group</u>	<u>Period Ending at:</u>	<u>Sales to related parties</u>	<u>Purchases from related parties</u>
Technology and Research Foundation	Shareholder	30.06.2006	78,199	36,900
		30.06.2007	60,746	27,786
Athlonet S.A.	Associated	30.06.2006	2,250	4,043
		30.06.2007	4,397	1,072
	Total:	30.06.2006	80,449	40,943
	Total:	30.06.2007	65,143	28,858

Salaries and fees for the members the Board of Directors and the general managers of the Group for the periods January 1, 2007 to June 30, 2007 and January 1, 2006 to June 30, 2006, respectively, are analyzed as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>30.06.2007</u>	<u>30.06.2006</u>	<u>30.06.2007</u>	<u>30.06.2006</u>
Salaries and fees for executive members of the BoD	276,168	117,729	276,168	117,729
Salaries and fees for non executive members of the BoD	69,600	68,600	69,600	68,600
Salaries and fees for general managers	704,501	439,148	640,810	375,525
Total	1,050,269	625,477	986,578	561,854

23. EMPLOYEE STOCK OPTION PLANS:

On June 30, 2006, Forthnet's Shareholders Ordinary General Assembly approved a stock option plan for 2,800,000 share on total. This plan is analyzed as follows

SHORT TERM PLAN:

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 311,593 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.

Because of the achievement of the Company's goals as at April 30, 2007 the above mentioned plan will be exercised on December 2007. So, total expense has been charged to the results of the period ended as at June 30, 2007 since there are no other prerequisites.

LONG-TERMS 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 a) 1,746,000 stock options on September 25, 2006 and b) 80,000 stock options on February 9, 2007.

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 1,826,000 at an exercise price of € 5.36 per share.

The fair value of the options as at September 25, 2006 and February 9, 2007 was determined using the Black & Scholes model. The main assumptions affecting the model are the share price at the grant date (€ 7.3 on September 25, 2006 and € 10.76 on February 9, 2007), the exercise price, the dividend yield, discount rate of 4.5% and the volatility of the share price (49.72% on September 25, 2006 and 53.69% on February 9, 2007 respectively). 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 662,407 options which correspond to 662,407 shares based on criteria and targets to be set at a future date.

24. COMMITMENTS AND CONTINGENCIES:

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

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 June 30, 2007.

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.

Subject to Development Law 3299/2004: According to decision no. 28757/YPE/4/00447/L.3299/E/22.12.2006 of the Minister and Deputy-Minister of Finance & Economics (GG 358/15-03-2007), the Company's business plan was approved related to the establishment of an integrated, high-speed broadband network applying a cutting-edge technology for the provision of new data, voice and content services in the regions of Attica and Thessaloniki, in accordance with the provisions of Development Law 3299/2004. The amount of investment being approved reaches €28.54 million. The percentage of subsidy equals to 30% of the total investment, i.e. equal to the amount of €8.56 million. Up to June 30, 2007 the Company's investment amounted to € 7 million and this amount has been charged as a provision to the balance sheet accounts.

Furthermore, according to decision no. 32454/YPE/4/00525/E/1. 3299/2004/29.12.2006 (GG 341/13.03.2007) of the Minister and Deputy-Minister of Finance and Economics, the subsidiary's company FORTH-CRS S.A. business plan was approved to the provision of L. 3299/2004, related to the provision of innovative, large-scale electronic and broadband

(amounts in Euro, unless otherwise stated)

services in the sectors of tourism, transportation and culture in the region of Attica. The amount of investment being approved equals to €1.8 million and the percentage of subsidy reaches 30% of the investment, i.e. €540,000.

The Group's management believes that the above mentioned investment plan will be completed by the end of fiscal year 2007.

Agreements with Information Society S.A. On March 12th, 2007, the Company signed two agreements with Information Society S.A., which are subject to the development programme "INFORMATION SOCIETY" and specifically the sub-projects 6 & 7, within the framework of the action for "Financing Businesses for the development of Broadband Access in the Regions of Greece". Based on the agreements' forecasts the overall budget for the 2 sub-projects equals to €55.6 million, of which amount equal to €42.3 million concern Pillar I (Broadband Access Development), while amount equal to €13.3 million concerns Pillar II (Enhancement of demand for Broadband Services). The available funding for the two Pillars reaches 50% of the budgeted amount and its implementation is expected to be completed by October 31st, 2008.

Commitments:

Rent: The Group has entered into commercial operating lease agreements for the lease of building, office space and offices used as points of presentation for dealers. These lease agreements have an average life of 5 to 12 years with renewal terms included in certain contracts. Future minimum rentals payable under non - cancellable operating leases as at June 30, 2007 and December 31, 2006, are as follows:

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Within one year	1,514,651	1,146,604	1,373,285	1,029,524
2-5 years	5,372,314	3,500,680	4,877,638	3,068,513
Over 5 years	3,031,946	314,649	3,031,946	314,649
Total	9,918,911	4,961,933	9,282,869	4,412,686

Guarantees: The Group issues letters of guarantee to various beneficiaries. Letters of guarantees as at June 30, 2007 and December 31, 2007, are analyzed as follows:

	The Group		The Company	
	30.06.2007	31.12.2006	30.06.2007	31.12.2006
Good execution of agreements	13,981,546	3,217,905	13,981,546	3,217,905
Participation in biddings	8,500	6,069,250	8,500	6,069,250
Guarantee for advance payments received	1,529,810	1,529,407	1,529,810	1,529,407
Total	15,519,856	10,816,562	15,519,856	10,816,562

Contractual Commitments: The outstanding balance of the contractual commitments for the Group and the Company at June 30, 2007, amounted to approximately €23 million.

In addition, the outstanding balance of the contractual commitments relating to the maintenance of international capacity telecommunication lines (OA&M charges), which have been acquired through long term lease (IRU), amounted to approximately €7.5 million.

25. 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 € 293 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 € 4.1 million against OTE with regard to the positive and indirect damages claimed to have been suffered from OTE's unlawful practices of customer winback and 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

(amounts in Euro, unless otherwise stated)

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. The decision concerning the wholesale broadband access market has not been announced to the company until now and thus we have not been informed about its content. With the decision regarding the leased line market, EETT acknowledges OTE's obligation to pay penalties to the alternative providers in case of delays on the delivery and fault repair of leased lines and imposes a fine to OTE for non-compliance. At the same time EETT reserves its power to examine OTE's compliance to the rest of its obligations concerning the leased line market.

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

Finally EETT imposed by decisions to the company a fine, of total amount € 350.000 for alleged violations of the legislation of electronic communications. The company considers that there exist well-founded reasons for the annulment of those decisions and will seek it by referring the case to the competent courts. Consequently, no respective forecast has been available so far.

Iraklion, August 29, 2007

Chairman of the Board of
Directors

Chief Executive Officer

Chief Financial Officer

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Tzortzakis Pantelis
I.D. X 072948

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