



**FINANCIAL STATEMENTS
(SEPARATE AND CONSOLIDATED)
IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL
REPORTING STANDARDS FOR THE
FISCAL YEAR 2007
(JANUARY 1, –DECEMBER 31, 2007)
OF HELLENIC COMPANY FOR
TELECOMMUNICATIONS AND
TELEMATIC APPLICATIONS S.A.
(Forthnet S.A.)**

Forthnet S.A.
Registration No S.A. 34461/06/B/95/94
Scientific Technological Park of Crete
Vassilika Vouton, Iraklion Crete 71003
<http://www.forthnet.gr>

INDEX TO THE FINANCIAL STATEMENTS

	<u>PAGE</u>
Independent Auditors' Report	2
Statement of Income for the year ended December 31, 2007	3
Balance Sheet as at December 31, 2007	4
Statement of Changes in Shareholders Equity for the year ended December 31, 2007	5
Cash Flow Statement (Indirect Method) for the year ended December 31, 2007	6
Notes to the Financial Statements as at December 31, 2007	7-49

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A. "Forthnet S.A.":

Report on the Financial Statements

We have audited the accompanying separate and consolidated financial statements of HELLENIC COMPANY FOR TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS S.A. "Forthnet S.A." (the "Company") which comprise of the separate and consolidated balance sheet as at December 31, 2007 and the statements of income, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion

In our opinion, the aforementioned separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and the Group as of December 31, 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that have been adopted by the European Union.

Report on Other Legal and Regulatory Requirements

The Board of Directors report includes the information that is provided by articles 43^a paragraph 3 and 107 paragraph 3 of C.L. 2190/20 as well as article 11^a of L. 3371/2005 and its content are consistent with the aforementioned separate and consolidated financial statements.

Athens, March 18, 2008

The Certified Auditors Accountants

CHRIS PELENDRIDIS
R.N. ICA (GR) 17831

SPYROS BOUDAS
R.N. ICA (GR) 11451

ERNST & YOUNG (HELLAS)
CERTIFIED AUDITORS ACCOUNTANTS S.A.
SOEL REG. No: 107



SOL S.A.
CERTIFIED AUDITORS
SOEL REG No: 125



ΑΝΟΚΑΛΕΙΣΤΙΚΩΣ
ΑΥΤΟΠΡΟΣΩΠΟΣ ΤΗΣ
ΣΟΛ
ΟΡΚΩΤΟΙ ΕΛΕΓΚΤΕΣ ΛΟΓΙΣΤΕΣ
Αρ.Πρ. Μετ/πρωτ. Ε.Δ.Ε.Κ. 125
Horwath



**HELLENIC COMPANY FOR TELECOMMUNICATIONS
AND TELEMATIC APPLICATIONS S.A.**

Statement of Income for the year ended December 31, 2007

(Amounts in Euro, unless otherwise stated)

	Notes	The Group		The Company	
		01.01- 31.12.2007	01.01- 31.12.2006	01.01- 31.12.2007	01.01- 31.12.2006
Revenues	4	118,842,370	97,600,534	113,978,698	92,756,031
Cost of Sales	8	(115,815,261)	(81,598,133)	(112,600,756)	(78,123,727)
Gross Profit		3,027,109	16,002,401	1,377,942	14,632,304
Selling and distribution expenses	8	(32,841,972)	(28,272,508)	(31,807,665)	(27,147,739)
Administrative expenses	8	(9,064,712)	(6,131,180)	(8,559,406)	(5,693,350)
Research and development expenses	8	(1,827,699)	(1,199,578)	(1,827,699)	(1,199,578)
Other income	4	574,461	887,154	340,896	748,106
Share of profit of associates accounted for under the equity method	10	4,462	6,148	-	-
Financial income	7	2,334,093	2,160,779	2,323,588	2,257,822
Financial expenses	7	(2,648,243)	(2,833,153)	(2,545,943)	(2,769,910)
LOSS BEFORE INCOME TAXES		(40,442,501)	(19,379,937)	(40,698,287)	(19,172,345)
Income taxes	9	7,912,211	2,680,501	7,965,189	2,714,996
NET LOSS		(32,530,290)	(16,699,436)	(32,733,098)	(16,457,349)
To:					
Equity holders of the parent		(32,532,801)	(16,698,583)	(32,733,098)	(16,457,349)
Minority interests		2,511	(853)	-	-
		<u>(32,530,290)</u>	<u>(16,699,436)</u>	<u>(32,733,098)</u>	<u>(16,457,349)</u>
Loss per share (Basic):		(0.84)	(0.56)	(0.85)	(0.55)
Loss per share (Diluted):		(0.84)	(0.56)	(0.84)	(0.55)
Weighted average number of Shares (Basic)	29	38,549,492	29,858,763	38,549,492	29,858,763
Weighted average number of Shares (Diluted)	29	38,799,573	29,903,421	38,799,573	29,903,421

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



**HELLENIC COMPANY FOR TELECOMMUNICATIONS
AND TELEMATIC APPLICATIONS S.A.**

Balance Sheet as at December 31, 2007

(Amounts in Euro, unless otherwise stated)

	Notes	The Group		The Company	
		31.12.2007	31.12.2006	31.12.2007	31.12.2006
ASSETS					
Non-Current Assets:					
Property, plant and equipment	11	122,893,920	83,989,579	121,772,564	83,320,495
Intangible assets	12	16,872,009	11,877,639	14,786,324	10,219,844
Goodwill	10	727,519	727,519	512,569	512,569
Investments in subsidiaries	10	-	-	4,053,234	3,453,650
Investments in associates accounted for using the equity method	10	66,010	61,548	44,500	44,500
Other non-current assets		269,138	185,488	220,141	142,260
Available for sale financial assets	13	379,877	379,877	330,149	330,149
Deferred income taxes	9	17,017,253	9,100,690	16,753,955	8,787,650
Total non-current assets		158,225,726	106,322,340	158,473,436	106,811,117
Current Assets:					
Inventories	14	1,316,383	1,288,591	1,182,931	1,169,126
Trade accounts receivable	15	31,356,622	30,590,574	28,138,279	28,399,734
Prepayments and other receivables	16	19,416,032	7,743,424	19,324,585	7,739,451
Financial assets at fair value through profit or loss	17	-	68,130,477	-	68,130,477
Cash and cash equivalents	18	56,120,418	24,977,304	55,701,928	24,021,062
Total current assets		108,209,455	132,730,370	104,347,723	129,459,850
TOTAL ASSETS		266,435,181	239,052,710	262,821,159	236,270,967
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent company					
Share capital	19	45,852,241	45,478,005	45,852,241	45,478,005
Share premium		143,510,993	142,188,659	143,510,993	142,188,659
Other reserves	20	6,415,982	3,583,262	5,793,312	2,960,592
Accumulated deficit		(72,305,540)	(39,772,739)	(71,990,613)	(39,257,515)
		123,473,676	151,477,187	123,165,933	151,369,741
Minority interest		43,428	36,785	-	-
Total equity and liabilities		123,517,104	151,513,972	123,165,933	151,369,741
Non-Current Liabilities:					
Long-term loans	22	49,821,935	-	49,101,935	-
Finance lease obligations	23	2,234,396	2,382,161	2,209,154	2,321,144
Other long-term liabilities	26	-	1,219,750	-	1,219,750
Reserve for staff retirement indemnities	28	1,312,485	1,046,603	1,242,784	992,167
Government grants	27	7,749,355	26,564	7,738,053	-
Total non-current liabilities		61,118,171	4,675,078	60,291,926	4,533,061
Current Liabilities:					
Trade accounts payable	24	68,718,092	36,453,050	68,545,610	35,840,231
Short-term borrowings	22	1,155,516	1,004,391	-	-
Current portion of interest bearing loans and borrowings	22	-	34,000,000	-	34,000,000
Deferred income	3	7,766,242	6,342,211	7,766,242	6,342,211
Short-term portion of finance lease obligations	23	185,182	179,071	132,359	129,070
Income tax payable		252,537	316,494	215,508	279,464
Accrued and other current liabilities	25	3,722,337	4,568,443	2,703,581	3,777,189
Total current liabilities		81,799,906	82,863,660	79,363,300	80,368,165
TOTAL LIABILITIES AND EQUITY		266,435,181	239,052,710	262,821,159	236,270,967

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



**HELLENIC COMPANY FOR TELECOMMUNICATIONS
AND TELEMATIC APPLICATIONS S.A.**
Statement of Changes in Shareholders Equity for the year ended December 31, 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	-	(2,518,850)	-	-	(2,518,850)	-	(2,518,850)
Minority interest on reserves distributed by subsidiary	-	-	-	-	-	(691)	(691)
Loss for the year 2006	-	-	-	(16,698,583)	(16,698,583)	(853)	(16,699,436)
Employee stock option plan	-	-	492,784	-	492,784	-	492,784
Balance at December 31, 2006	45,478,005	142,188,659	3,583,262	(39,772,739)	151,477,187	36,785	151,513,972
Issuance of share capital	374,236	1,325,683	-	-	1,699,919	-	1,699,919
Share capital issuance costs	-	(3,349)	-	-	(3,349)	-	(3,349)
Minority interest on reserves distributed by subsidiary	-	-	-	-	-	4,132	4,132
Loss for the year 2007	-	-	-	(32,532,801)	(32,532,801)	2,511	(32,530,290)
Employee stock option plan	-	-	2,832,720	-	2,832,720	-	2,832,720
Balance at December 31, 2007	45,852,241	143,510,993	6,415,982	(72,305,540)	123,473,676	43,428	123,517,104

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
Subsidiary absorption	-	-	-	(1,920,589)	(1,920,589)
Issuance of share capital	25,265,558	94,638,786	-	-	119,904,344
Share capital issuance costs	-	(2,518,850)	-	-	(2,518,850)
Employee stock option plan	-	-	492,784	-	492,784
Loss for the year 2006	-	-	-	(16,457,349)	(16,457,349)
Balance at December 31, 2006	45,478,005	142,188,659	2,960,592	(39,257,515)	151,369,741
Issuance of share capital	374,236	1,325,683	-	-	1,699,919
Share capital issuance costs	-	(3,349)	-	-	(3,349)
Employee stock option plan	-	-	2,832,720	-	2,832,720
Loss for the year 2007	-	-	-	(32,733,098)	(32,733,098)
Balance at December 31, 2007	45,852,241	143,510,993	5,793,312	(71,990,613)	123,165,933

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



**HELLENIC COMPANY FOR TELECOMMUNICATIONS
AND TELEMATIC APPLICATIONS S.A.**
Cash Flow Statement (Indirect Method) for the year ended December 31, 2007
(Amounts in Euro, unless otherwise stated)

	The Group		The Company	
	01.01- 31.12.2007	01.01- 31.12.2006	01.01- 31.12.2007	01.01- 31.12.2006
Cash Flows from Operating Activities				
Loss before income taxes	(40,442,501)	(19,379,937)	(40,698,287)	(19,172,345)
Adjustments for:				
Depreciation and amortization	20,047,221	13,737,778	19,230,642	13,040,304
(Gains)/losses on disposal of financial assets	352,242	(11,962)	354,321	(15,236)
Financial expenses	314,150	672,374	222,355	512,088
Share of profit of associates accounted for under the equity method	(4,462)	(6,148)	-	-
Allowance for doubtful accounts receivable	4,930,000	3,330,000	4,900,000	3,100,000
Provision for staff retirement indemnities	372,211	262,837	348,378	243,691
Other provisions	2,832,720	644,784	2,832,720	644,784
Operating losses before working capital changes	(11,598,419)	(750,274)	(12,809,871)	(1,646,714)
(Increase)/decrease in:				
Inventories	(27,792)	(801,342)	(13,805)	(754,262)
Trade accounts receivable	(5,696,048)	(1,587,290)	(4,638,545)	(2,195,219)
Prepayments and other receivables	(11,672,608)	(4,273,495)	(11,585,134)	(4,038,387)
Increase/(decrease) in:				
Trade accounts payable	13,562,726	4,389,022	14,044,653	4,316,986
Deferred income	1,424,031	1,246,209	1,424,031	1,246,209
Accrued and other current liabilities	6,724,190	(1,543,222)	6,521,972	(1,723,791)
Interest paid	(2,380,635)	(2,043,096)	(2,289,888)	(1,988,318)
Tax paid	(63,956)	-	(63,956)	-
Payment of staff retirement indemnities	(106,329)	(40,028)	(97,761)	(36,023)
(Increase)/decrease in other non-current assets	(83,650)	7,244	(77,881)	(225)
Decrease in other long-term liabilities	(1,219,750)	-	(1,219,750)	-
Net Cash used in Operating Activities	(11,138,240)	(5,396,272)	(10,805,935)	(6,819,744)
Cash Flows from Investing Activities				
Capital expenditure for property, plant and equipment	(39,778,658)	(20,437,872)	(38,977,750)	(20,137,184)
Purchase/development of intangible assets	(5,844,090)	(4,703,336)	(4,989,490)	(3,711,524)
Disposals for property, plant and equipment and intangible assets	26,890	50,187	24,455	46,467
Purchase of available for sale financial assets	-	(53,552)	-	(39,525)
Increase in subsidiaries share capital	-	-	(599,584)	-
Interest and related income received	2,219,875	2,160,779	2,210,005	2,257,822
(Purchase)/sales of financial assets at fair value through profit or loss	68,130,477	(68,282,477)	68,130,477	(68,282,477)
Net Cash from/(used in) Investing Activities	24,754,494	(91,266,271)	25,798,113	(89,866,421)
Cash Flows from Financing Activities				
Proceeds from the issuance of share capital	1,695,454	116,356,667	1,695,454	116,356,667
Proceeds from long-term borrowings	49,821,935	-	49,101,935	-
Repayment of long-term borrowings	(34,000,000)	-	(34,000,000)	-
Net change in short-term borrowings	151,125	(2,707,595)	-	(3,500,000)
Net change in finance lease creditors	(141,654)	(179,176)	(108,701)	(121,991)
Distribution of reserves from subsidiary to minority interests	-	(691)	-	-
Net Cash from Financing Activities	17,526,860	113,469,205	16,688,688	112,734,676
Net increase in cash and cash equivalents	31,143,114	16,806,662	31,680,866	16,048,511
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 companies	-	-	-	100,539
Cash and cash equivalents at the end of the year	56,120,418	24,977,304	55,701,928	24,021,062

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



1. CORPORATE INFORMATION:

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

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

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

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

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

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

The accompanying consolidated financial statements for the years ended December 31, 2007 and 2006, include the financial statements of Forthnet and its subsidiaries, Forth CRS S.A. and Telemedicine Technologies S.A.

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

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 are to create, implement and sell services and products associated with the acquisition, transmission and dissemination of information, particularly electronically, in the health sector. The Company aims to implement and sell services in the health sector, with emphasis on business-to-business medical services.

The Group’s average number of employees for the year ended December 31, 2007, amounted to 992 while that of the Company to 935. 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 accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (E.U).

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

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

(b) Standards and Interpretations that are issued but not yet effective:

Up to the date of approval of the financial statements, certain new standards, interpretations and amendments to existing standards have been published but are not yet effective for the current reporting period and which the Group has not early adopted and are as follows:

(i) Standards and interpretations issued by the International Auditing Standards Board (IASB) and adopted by the EU.

IFRS 8 ‘Operating Segments’ (effective for annual periods beginning on or after January 1, 2009)

IFRS 8 replaces IAS 14 ‘Segment Reporting’ and adopts a management-based approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Group is in the process of assessing the impact of the standard on its financial statements.

IFRIC 11, IFRS 2 ‘Group and Treasury Share Transactions’ (effective for annual periods beginning on or after March 1, 2007)

IFRIC 11 requires arrangements whereby an employee is granted options to buy equity shares, to be accounted for as equity-settled schemes by an entity even if the entity chooses or is required to buy those equity shares from another party, or the shareholders of the entity provide the equity instruments granted. The interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent.

This Interpretation applies to the way the Group’s subsidiaries account, in their individual financial statements, for options granted to their employees to buy equity shares of the Company. The accounting treatment followed by the Group is in line with the relevant provisions of the Interpretation.

(ii) Standards and interpretations issued by the IASB but not yet adopted by the EU.

Amendment to IAS 23 'Borrowing costs' (effective for annual periods beginning on or after January 1, 2009)

The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IFRIC 12 'Service Concession Arrangements' (effective for annual periods beginning on or after January 1, 2008)

IFRIC 12 outlines an approach to account for contractual (service concession) arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and/or an intangible asset. IFRIC 12 is not relevant to the Group.

IFRIC 13 'Customer Loyalty Programmes' (effective for annual periods beginning on or after July 1, 2008)

IFRIC 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this Interpretation will have no impact on its financial statements as no such schemes currently exist.

IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective for annual periods beginning on or after January 1, 2008)

IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. It also explains how this limit, also referred to as the “asset ceiling test”, may be influenced by a minimum funding requirement and aims to standardize current practice. The Group expects that this Interpretation will have no effect on its financial position or performance as it does not have any defined benefit schemes.

Amendments to IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2009)

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. Of the main revisions are the requirement that the statement of changes in equity includes only transactions with shareholders; the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with “other comprehensive income”; and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period, i.e. a third column on the balance sheet. The Group will make the necessary changes to the presentation of its financial statements in 2009.

Amendments to IFRS 2 ‘Share Based Payment’ – Vesting Conditions and Cancellations
(effective for annual periods beginning on or after January 1, 2009)

The amendment clarifies two issues: The definition of ‘vesting condition’, introducing the term ‘non-vesting condition’ for conditions other than service conditions and performance conditions. It also clarifies that the same accounting treatment applies to awards that are effectively cancelled by either the entity or the counterparty.

The Group is in the process of assessing the impact of the standard on its financial statements.

Revisions to IFRS 3 ‘Business Combinations’ and IAS 27 ‘Consolidated and Separate Financial Statements’ (effective for annual periods beginning on or after July 1, 2009)

A revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements were issued by IASB on January 10, 2008. IFRS 3R introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). IAS 27R requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

Amendments to IAS 32 and IAS 1 Puttable Financial Instruments (effective for annual periods beginning on or after January 1, 2009)

The amendment to IAS 32 requires certain puttable financial instruments and obligations arising on liquidation to be classified as equity if certain criteria are met. The amendment to IAS 1 requires disclosure of certain information relating to puttable instruments classified as equity. The Group does not expect these amendments to impact the financial statements of the Group.

IFRS and IFRIC Interpretations that became effective in the year ended December 31, 2007: The following Standards and Interpretations became effective within the year ended December 31, 2007. None of the Standards and Interpretations had an impact in the consolidated financial statements, other than IFRS 7 and IAS 1 (amended), which did not have any effect on the financial position of the Group but give rise to additional disclosures.

- (a) IFRS 7, Financial Instruments: Disclosures
- (b) IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
- (c) IFRIC 8, Scope of IFRS 2
- (d) IFRIC 9, Reassessment of Embedded Derivatives
- (e) IFRIC 10, Interim Financial Reporting and Impairment
- (f) IAS 1, Presentation of Financial Statements - Amended

(c) Approval of Financial Statements:

The Board of Directors of Forthnet approved the separate and consolidated financial statements for the year ended December 31, 2007, on March 17, 2008. These financial statements are still subject to final approval by the annual General Assembly of Shareholders.

(d) Significant Accounting Judgements and Estimates:

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

- (a) **Allowance for doubtful receivables:** The Group's management periodically reassess the adequacy of the allowance for doubtful receivables in conjunction with its credit policy and taking into consideration reports from its legal department, which are prepared following the processing of historical data and recent developments of the cases they are handling.
- (b) **Provision for income taxes:** According to IAS 12, income tax provisions are based on estimations as to the taxes that shall be paid to the tax authorities and includes the current income tax for each fiscal year, the provision for additional taxes which may arise from future tax audits and the recognition of future tax benefits. The final clearance of income taxes may be different from the relevant amounts which are included in these financial statements.
- (c) **Depreciation rates:** The Group's assets are depreciated over their estimated remaining useful lives. These useful lives are periodically reassessed to determine whether the original period continues to be appropriate. The actual lives of these assets can vary depending on a variety of factors such as technological innovation and maintenance programs.
- (d) **Impairment of Property, plant and equipment:** Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows (note 3i).
- (e) **Deferred Tax Assets:** Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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 subsidiary acquired plus any costs directly attributable to the acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Where the cost of the acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income. Paragraph (f) outlines the accounting policy on goodwill.

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

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

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

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

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

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

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

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

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

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

<u>Classification</u>	<u>Annual Rates</u>
Buildings	2.50%
Installations on buildings	10%-11%
Network equipment (internet and fixed telephony)	15%
Network support equipment (LMDS)	10%
Network equipment LLU	20%
Fibre-optic network	6.67%
Transportation assets	10%
Computer hardware	30%
Furniture and other equipment	12.50%

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

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

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

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

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

In addition, during the current fiscal year, the Group adopted, as a policy, the capitalization of subscriber acquisition costs for ULL services for which the subscribers have been committed with a contract for 12 months. In case the contract is terminated before the lapse of the 12 months, then the net book value of the customer acquisition costs is recognized as an expense in the statement of income.

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

<u>Classification of Intangible asset</u>	<u>Annual Rates</u>
Software	30%
Fixed wireless access license	7.69%
Subscriber Acquisition Cost	100%
Reputation and customer base	20%-50%

- (h) **Research and Development Costs:** Research costs are expensed as incurred. Development expenditure is mainly incurred for developing software. Costs incurred for the development of an individual project are recognised as an intangible asset only when the requirements of IAS 38 “Intangible Assets” are met. Following initial recognition, development expenditure is carried at cost until the asset is ready for its intended use at which time all costs incurred for that asset are transferred to intangible assets or machinery and are amortised over their average useful lives.
- (i) **Impairment of Assets:** With the exception of goodwill and other intangible assets with indefinite useful life which is tested for impairment on an annual basis, the carrying values of other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Whenever the carrying value of an asset exceeds its recoverable amount an impairment loss is recognised in the statement of income. The recoverable amount is measured as the higher of net selling price and value in use. Net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, after deducting any direct incremental selling costs, while value in use is the present value of estimated future cash flows expected to arise from continuing use of the asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows. Impairment losses which were accounted for in prior years are reversed only when there is sufficient evidence that the assumptions used in determining the recoverable amount have changed. In these circumstances, the related reversal is recognised as income.
- (j) **Investments and Other (primary) Financial Assets:** Financial assets which fall within the scope of IAS 39 are classified based on their nature and characteristics in the following three categories:
- Financial assets at fair value through profit and loss,
 - Loans and receivables,
 - Available-for-sale financial assets.

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

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

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

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

(ii) Loans and receivables:

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

(iii) Available-for-sale financial assets:

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

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

The available for sale financial assets for which their fair value can not be measured reliably, are carried at cost less any impairment in accordance to IAS 39.

- (k) **Inventories:** Inventories are stated at the lower of cost or net realizable value. Cost is determined based on a first-in, first-out method and the monthly weighted average price for a specific category (ADSL in a box). Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. A reserve is established when such items are determined to be obsolete or slow moving.
- (l) **Trade and Other Accounts Receivables:** Trade accounts receivable, which generally have 30-120 day payment terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection is no longer probable. The provision for doubtful debts is charged to the statement of income. Bad debts are written-off against the established reserve when identified.
- (m) **Cash and Cash Equivalents:** The Group considers time deposits and other highly liquid investments with original maturity of three months or less, to be cash equivalents. For the purpose of the cash flow statement, cash and cash equivalents consist of cash at hand and in banks and of cash and cash equivalents as defined above.
- (n) **Borrowing Costs:** Borrowing costs are recognised as an expense in the period in which they are incurred in accordance with the basic treatment of IAS 23 "Borrowing Costs".
- (o) **Long-Term Liabilities:** All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, they are subsequently measured at amortised cost using the effective interest rate method. Gains or losses are recognised in the statement of income either through the amortisation process or where the liabilities are written-off.
- (p) **Stock Option Plan:** The Group has established stock option plans for its employees. The cost of the respective transactions is measured at the fair value of the stock or stock options as of the date of the approval of the plans by the management which is considered the granting date. The fair value is measured through the application of the appropriate valuation models.

The cost of the stock option plans is recognised during the period the requirements are gradually fulfilled and which ends at the date the executives participating in the plan have vested their rights of exercise/purchase of stock (vesting date). For options that are not vested, no expense is recognised except for the options whose vesting depends on the fulfillment of specific external market parameters. Options are considered to be vested when all the performance requirements have been fulfilled independent of the fulfillment of the external market parameters. In case of

cancellation of any stock option plans, these are accounted for as if they were vested at the date of cancellation and the non-recognised expenses to date are immediately recognised to the statement of income. In case a cancelled stock option plan is substituted by a new one, it is treated as an amendment of the cancelled plan.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Billed revenue which has been deferred and will be recognised as income in subsequent periods for the Company and the Group at December 31, 2007 and 2006 amounted to € 7,766,242 and € 6,342,211, respectively.

Unbilled revenues (mainly voice telephony) for the Group and the Company at December 31, 2007 and 2006, amounted to € 2,792,676 and € 4,308,983 and € 2,792,676 and € 4,308,073, respectively.

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

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

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

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

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

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

- (z) **Share Capital:** Share capital represents the value of the Parent company's shares in issue. Any excess of the fair value of the consideration received over the par value of the shares issued is recognised as the "share premium" in shareholders' equity. Incremental external costs directly attributable to the issue of new shares are shown as a deduction in equity, net of tax, from the proceeds.

(aa) De-recognition of Financial Assets and Liabilities:

- (i) **Financial assets:** A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. Where continuing involvement takes the form of a written and/or purchase option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

(ii) Financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

4. REVENUES:

Revenues in the accompanying financial statements are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Operating Revenues:				
Fixed telephone (Voice)	59,548,720	52,380,023	59,548,720	52,380,023
Internet Access	21,645,123	18,837,720	21,645,123	18,837,720
Forthnet 2play	10,179,036	-	10,179,036	-
Internet Leased Lines	7,555,998	7,207,327	7,555,998	7,207,327
Data Connectivity Services	2,676,508	2,655,014	2,676,508	2,655,014
LMDS	2,935,220	3,001,749	2,935,220	3,001,749
Data Center Services	2,611,392	2,145,598	2,611,392	2,145,598
Interactive Marketing	1,750,156	1,928,108	1,750,156	1,928,108
Services (ticketing, reservations, etc.)				
Forth CRS	4,002,505	3,988,940	-	-
Other revenues from services rendered	5,280,979	4,895,971	4,707,414	4,427,941
Sales of equipment and consumables	656,733	560,084	369,131	172,551
Total Operating Revenues	118,842,370	97,600,534	113,978,698	92,756,031
Other Income:				
Government grants	431,673	617,695	220,135	494,812
Other	142,788	269,459	120,761	253,294
Total Other Income	574,461	887,154	340,896	748,106
Total Revenues	119,416,831	98,487,688	114,319,594	93,504,137

5. PAYROLL COST:

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Wages and salaries	20,240,620	15,800,946	18,631,866	14,244,570
Social security costs (Note 28)	4,937,948	3,855,430	4,466,590	3,413,732
Staff retirement indemnities (Note 28)	372,211	262,837	348,378	243,691
Stock option plans	2,832,720	492,784	2,832,720	492,784
Other staff costs	575,660	230,183	550,551	207,314
Total	28,959,159	20,642,180	26,830,105	18,602,091
Less: amounts capitalized	(2,511,282)	(2,893,148)	(2,005,084)	(2,402,697)
Payroll expense (Note 8)	26,447,877	17,749,032	24,825,021	16,199,394

6. DEPRECIATION AND AMORTISATION:

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Depreciation on buildings	2,100,554	490,843	2,088,312	479,423
Depreciation on network equipment	13,059,752	9,786,256	13,054,432	9,782,201
Depreciation on transportation equipment	6,290	6,354	5,057	5,120
Depreciation on furniture and equipment	1,467,078	1,139,673	1,145,768	888,758
Depreciation on property, plant and equipment (Note 11)	16,633,674	11,423,126	16,293,569	11,155,502
Amortisation on fixed wireless access license	659,218	659,218	659,218	659,218
Amortisation on software and other intangible assets	2,754,329	1,655,434	2,277,855	1,225,584
Amortisation on intangible assets (Note 12)	3,413,547	2,314,652	2,937,073	1,884,802
Depreciation and amortisation (Note 8)	20,047,221	13,737,778	19,230,642	13,040,304

7. FINANCIAL INCOME / (EXPENSES):

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

	<u>The Group</u>		<u>The Company</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Interest on long-term borrowings (Note 22)	(1,847,714)	(1,587,264)	(1,841,956)	(1,587,264)
Interest on short-term borrowings (Note 22)	(80,642)	(240,031)	-	(190,504)
Finance charges paid under finance leases	(141,850)	(150,386)	(136,054)	(141,920)
Interest on services related to the acquisition of Internet Hellas S.A.	-	(66,820)	-	(66,820)
Bond loan costs (Note 22)	(61,935)	(468,316)	(61,935)	(468,316)
Other financial costs	(516,102)	(320,336)	(505,998)	(315,086)
Total financial expenses	(2,648,243)	(2,833,153)	(2,545,943)	(2,769,910)
Interest earned on cash at banks and on time deposits (Note 18)	980,167	760,462	969,662	758,195
Interest on bank bonds (Note 17)	1,353,926	1,399,700	1,353,926	1,399,700
Other financial income	-	617	-	99,927
Total financial income	2,334,093	2,160,779	2,323,588	2,257,822
Total financial income/(expenses), net	(314,150)	(672,374)	(222,355)	(512,088)

8. ANALYSIS OF EXPENSES:

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

	<u>The Group</u>		<u>The Company</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Payroll and related costs (Note 5)	26,447,877	17,749,032	24,825,021	16,199,394
Third party fees and services	11,085,398	8,174,931	9,860,561	6,872,548
Rentals	2,057,415	1,356,167	1,861,346	1,137,815
Commissions on sales	5,720,615	7,627,753	5,712,984	7,601,015
Repairs and maintenance	2,633,317	2,686,576	2,546,986	2,575,958
Interconnection fees (Voice)	38,321,013	30,990,797	38,321,013	30,990,797
Leased lines (Voice)	2,683,334	2,290,524	2,683,334	2,290,524
Telecommunication Costs ULL	3,831,885	26,983	3,831,885	26,983
Telecommunication Costs DSL (subscribers)	15,494,423	7,364,480	15,494,423	7,364,480
Other telecommunications costs	10,284,321	8,966,309	10,284,321	8,966,309
Taxes and duties	919,027	609,991	893,592	587,165
Sundry expenses	2,086,896	1,241,925	1,906,616	1,001,219
Advertising and promotion costs	8,839,386	7,410,949	8,752,095	7,305,014
Depreciation and amortisation (Note 6)	20,047,221	13,737,778	19,230,642	13,040,304
Allowance for doubtful accounts receivable (Note 15)	4,930,000	3,330,000	4,900,000	3,100,000
Cost of sales of inventory and consumables	4,167,516	3,637,204	3,690,707	3,104,869
Total expenses	159,549,644	117,201,399	154,795,526	112,164,394

The above expenses are analysed as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Cost of sales	115,815,261	81,598,133	112,600,756	78,123,727
Selling and distribution expenses	32,841,972	28,272,508	31,807,665	27,147,739
Administrative expenses	9,064,712	6,131,180	8,559,406	5,693,350
Research and development costs	1,827,699	1,199,578	1,827,699	1,199,578
	<u>159,549,644</u>	<u>117,201,399</u>	<u>154,795,526</u>	<u>112,164,394</u>

9. INCOME TAXES:

In accordance with Greek tax regulations, the corporate tax rate is applied by societe anonymes for fiscal year 2007 is 25% (29% through December 31, 2006).

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

	<u>The Group</u>		<u>The Company</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current income taxes	-	-	-	-
Deferred income taxes	(7,912,211)	(2,680,501)	(7,965,189)	(2,714,996)
Total (credit)/debit for income taxes reflected in the statements of income	<u>(7,912,211)</u>	<u>(2,680,501)</u>	<u>(7,965,189)</u>	<u>(2,714,996)</u>

Forthnet and its subsidiary, Forth CRS S.A., have not been audited by the tax authorities for the fiscal years 2003 through 2007. In addition, the absorbed subsidiary, Internet Hellas S.A. had not been audited by the tax authorities for the fiscal years 1999 through 2004.

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

During the current fiscal year, the tax authorities completed the audit for the years 2002-2005 of the absorbed subsidiary, Mediterranean Broadband Access S.A. and, from the audit, addition taxes and penalties of approximately € 63 thousand were assessed.

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

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

	December 31,	
	2007	2006
<u>The Group</u>		
Loss before tax	(40,442,501)	(19,379,937)
Income tax calculated at the nominal applicable tax rate (25% and 29%, respectively)	(10,110,625)	(5,620,182)
Tax effect of non tax deductible expenses and non taxable income	2,160,998	1,253,767
Reversal of deferred income tax on previously recognized tax losses	-	800,000
Tax effect of change in tax rates	37,416	885,914
Income tax reported in the statements of income	(7,912,211)	(2,680,501)
<u>The Company</u>		
Loss before tax	(40,698,287)	(19,172,345)
Income tax calculated at the nominal applicable tax rate (25% and 29%, respectively)	(10,174,571)	(5,559,980)
Tax effect of non tax deductible expenses and non taxable income	2,152,790	1,186,504
Reversal of deferred income tax on previously recognized tax losses	-	800,000
Tax effect of change in tax rates	56,592	858,480
Income tax reported in the statements of income	7,965,189	(2,714,996)

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

The movement of the deferred tax asset is as follows:

	December 31,	
	2007	2006
<u>The Group</u>		
Beginning balance	9,100,690	5,391,362
Income taxes [credit/(debit)]	7,912,211	2,680,501
Tax charged to equity (share capital issuance costs)	4,352	1,028,827
Ending balance	17,017,253	9,100,690
<u>The Company</u>		
Beginning balance	8,787,650	4,189,527
Income taxes [credit/(debit)]	7,965,189	2,714,996
Business combinations (absorptions)	-	854,300
Tax charged to equity (share capital issuance costs)	1,116	1,028,827
Ending balance	16,753,955	8,787,650

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

<u>The Company</u>	<u>January 1,2007</u>	<u>(Debit)/Credit to P&L</u>	<u>(Debit)/Credit to equity</u>	<u>December 31, 2007</u>
Deferred income tax assets:				
Deferred cost	1,027,482	215,969	1,116	1,244,567
Staff retirement indemnities	248,041	62,655	-	310,696
Tax losses carried forward	5,759,067	9,127,426	-	14,886,493
Property, plant and equipment/intangible assets	1,762,900	(1,440,861)	-	322,039
Total	8,797,490	7,965,189	1,116	16,763,795
Deferred income tax liabilities:				
Other	(9,840)	-	-	(9,840)
Total	(9,840)	-	-	(9,840)
Net deferred income tax asset	8,787,650	7,965,189	1,116	16,753,955

<u>The Group</u>	<u>January 1,2007</u>	<u>(Debit)/Credit to P&L</u>	<u>(Debit)/Credit to equity</u>	<u>December 31, 2007</u>
Deferred income tax assets:				
Deferred cost	1,095,774	278,195	4,352	1,378,321
Staff retirement indemnities	261,651	66,470	-	328,121
Tax losses carried forward	5,855,807	9,124,876	-	14,980,683
Property, plant and equipment/intangible assets	1,762,900	(1,422,932)	-	339,968
Other	138,153	(138,153)	-	-
Total	9,114,285	7,908,456	4,352	17,027,093
Deferred income tax liabilities:				
Other	(13,595)	3,755	-	(9,840)
Total	(13,595)	3,755	-	(9,840)
Net deferred income tax asset	9,100,690	7,912,211	4,352	17,017,253

During the current fiscal year the Company incurred tax losses of € 36,509,704 (€ 23,036,267 at December 31, 2006) for which a deferred tax asset was recognized. The Company's management believes that these tax losses will be recovered through profits of the following five years.

10. SUBSIDIARIES AND ASSOCIATES - GOODWILL:

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

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>Equity Interest</u>		<u>As at December 31,</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Forth CRS S.A.	P, Faliro, Attica, Greece	99.31%	99.31%	3,738,753	3,139,169
Telemedicine Technologies S.A.	Paris, France	94.40%	94.40%	314,481	314,481
				4,053,234	3,453,650

Forth CRS S.A.:

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

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

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

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

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

On October 29, 2007, minutes of the Board of Directors (“BoD”), dated July 30, 2007, by which the BoD certified the payment of the amount of € 603,750 for share capital increase resolved by the General Assembly Meeting, dated June 29, 2007, were, according to the publication procedure, registered with the Registry for the Companies of Societe Anonyme.

Forthnet participated in the above share capital increase by the amount of € 599,584.

Telemedicine Technologies S.A.:

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

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

Internet Hellas S.A.:

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

As at December 31, 2007 and 2006, the balance of the services to be provided amounted to € 67,978 and € 1,260,931 and was included in “Accrued and other current liabilities” in the accompanying 2006 balance sheet (Note 25).

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

	<u>Registered Office</u>	<u>Equity Interest</u>		<u>Balance at December 31,</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Athlonet S.A.	Kallithea, Attica, Greece	44.00%	44.00%	66,010	61,548
				66,010	61,548

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

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

	December 31,	
	2007	2006
Share of associate's balance sheet:		
Current assets	71,023	76,685
Non - current assets	3,076	1,794
Current liabilities	(8,089)	(16,931)
Net assets	66,010	61,548
Share of associate's revenue and profit/(loss):		
Revenue	148,492	229,896
Profit/(loss) for the year	4,462	6,148
Carrying amount of investment	66,010	61,548

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

	December 31,	
	2007	2006
MBA	512,569	512,569

Goodwill in the consolidated balance sheet is analysed as follows:

	December 31,	
	2007	2006
MBA	512,569	512,569
Forth CRS	24,595	24,595
Telemedicine	190,355	190,355
Total	727,519	727,519

11. PROPERTY, PLANT AND EQUIPMENT:

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

THE GROUP	Land	Buildings	Telecommunication Equipment	Transportation Means	Furniture & Other Equipment	Construction in Progress (CIP)	Total
<u>COST</u>							
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	-	12,291,117	31,605,174	-	5,031,187	6,989,669	55,917,147
Transfers from CIP	-	3,402,954	9,225,601	-	-	(12,628,555)	-
Disposals/Write offs	-	-	(20,468)	-	(1,998,175)	-	(2,018,643)
At December 31, 2007	1,672,789	29,846,899	135,384,218	62,008	12,788,183	2,261,314	182,015,411
<u>DEPRECIATION</u>							
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	-	(2,100,554)	(13,059,752)	(6,290)	(1,467,078)	-	(16,633,674)
Disposals/Write offs	-	-	20,468	-	1,619,043	-	1,639,511
At December 31, 2007	-	(4,611,306)	(48,267,250)	(30,120)	(6,212,815)	-	(59,121,491)
<u>NET BOOK VALUE</u>							
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 December 31, 2007	1,672,789	25,235,593	87,116,968	31,888	6,575,368	2,261,314	122,893,920



**HELLENIC COMPANY FOR TELECOMMUNICATIONS
AND TELEMATIC APPLICATIONS S.A.**

Notes to the Financial Statements for the year ended December 31, 2007
(Amounts in Euro, unless otherwise stated)

THE COMPANY	Land	Buildings	Telecommunication Equipment	Transportation Means	Furniture & Other Equipment	Construction in Progress (CIP)	Total
<u>COST</u>							
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
Business combinations	-	-	15,889,004	-	48,347	300,315	16,237,666
Transfers from CIP	535,200	4,419,306	785,970	-	411,842	(6,165,068)	(12,750)
Disposals	-	-	(34,554)	-	(65,536)	-	(100,090)
At December 31, 2006	1,672,789	14,024,831	96,051,195	51,205	7,466,212	7,900,200	127,166,432
Additions	-	12,289,732	31,569,435	-	4,275,577	6,989,669	55,124,413
Transfers from CIP	-	3,402,954	9,225,601	-	-	(12,628,555)	-
Disposals/Write offs	-	-	(20,468)	-	(1,995,740)	-	(2,016,208)
Transfers	-	-	(1,636,058)	-	-	-	(1,636,058)
At December 31, 2007	1,672,789	29,717,517	135,189,705	51,205	9,746,049	2,261,314	178,638,579
<u>DEPRECIATION</u>							
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)
Business combinations	-	-	(3,004,232)	-	(28,365)	-	(3,032,597)
Disposals	-	-	5,754	-	63,105	-	68,859
At December 31, 2006	-	(2,468,080)	(36,809,152)	(17,447)	(4,551,258)	-	(43,845,937)
Depreciation expense	-	(2,088,312)	(13,054,432)	(5,057)	(1,145,768)	-	(16,293,569)
Disposals/Write offs	-	-	20,468	-	1,616,965	-	1,637,433
Depreciation transfers	-	-	1,636,058	-	-	-	1,636,058
At December 31, 2007	-	(4,556,392)	(48,207,058)	(22,504)	(4,080,061)	-	(56,866,015)
<u>NET BOOK VALUE</u>							
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 December 31, 2007	1,672,789	25,161,125	86,982,647	28,701	5,665,988	2,261,314	121,772,564

There is no property, plant and equipment that has been pledged as security. The title of the capitalized leased assets has been retained by the lessor. The net book value of the Company's capitalized leased assets at December 31, 2007 and 2006, amounted to € 2,641,587 and € 2,911,298, respectively. For the Group the related amounts are € 2,689,349 and € 3,019,041 at December 31, 2007 and 2006, respectively. The net book value of property, plant and equipment held under finance leases are analyzed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Land	535,200	535,200	535,200	535,200
Buildings	2,067,171	2,120,518	2,067,171	2,120,518
Telecommunication and other equipment	86,978	363,323	39,216	255,580
Total	2,689,349	3,019,041	2,641,587	2,911,298

12. INTANGIBLE ASSETS:

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

THE GROUP	Purchased Software	Internally Generated Software	Licenses & Other Intangibles	Intangibles Under Development	Total
<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 intangibles under development	35,268	-	-	(22,518)	12,750
At December 31, 2006	8,866,577	3,480,830	9,524,118	832,917	22,704,442
Additions	2,873,460	235,382	4,849,384	449,691	8,407,917
Transfers from intangibles under development	587,527	-	-	(587,527)	-
Disposals/Write offs	(3,043,297)	-	-	-	(3,043,297)
At December 31, 2007	9,284,267	3,716,212	14,373,502	695,081	28,069,062
<u>AMORTISATION</u>					
At January 1, 2006	(4,556,261)	(1,505,762)	(2,450,670)	-	(8,512,693)
Amortisation expense	(1,200,434)	(77,636)	(1,036,582)	-	(2,314,652)
Amortisation transfers	542	-	-	-	542
At December 31, 2006	(5,756,153)	(1,583,398)	(3,487,252)	-	(10,826,803)
Amortisation expense	(1,943,509)	(27,892)	(1,442,146)	-	(3,413,547)
Disposals/Write offs	3,043,297	-	-	-	3,043,297
At December 31, 2007	(4,656,365)	(1,611,290)	(4,929,398)	-	(11,197,053)
<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 December 31, 2007	4,627,902	2,104,922	9,444,104	695,081	16,872,009

<u>THE COMPANY</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	6,419,797	338,264	840,000	-	7,598,061
Additions	2,646,771	922,101	-	-	3,568,872
Business combinations	-	244,946	8,748,083	-	8,993,029
Transfers from intangibles under development	12,750	-	-	-	12,750
At December 31, 2006	9,079,318	1,505,311	9,588,083	-	20,172,712
Additions	2,427,705	235,382	4,840,466	-	7,503,553
Disposals/Write offs	(3,043,297)	-	-	-	(3,043,297)
At December 31, 2007	8,463,726	1,740,693	14,428,549	-	24,632,968
<u>AMORTIZATION</u>					
At January 1, 2006	(5,220,477)	(116,715)	(375,000)	-	(5,712,192)
Amortisation expense	(849,240)	(77,636)	(957,926)	-	(1,884,802)
Business combinations	-	(122,424)	(2,233,992)	-	(2,356,416)
Amortisation transfers	542	-	-	-	542
At December 31, 2006	(6,069,175)	(316,775)	(3,566,918)	-	(9,952,868)
Amortisation expense	(1,545,690)	(27,892)	(1,363,491)	-	(2,937,073)
Disposals/Write offs	3,043,297	-	-	-	3,043,297
At December 31, 2007	(4,571,568)	(344,667)	(4,930,409)	-	(9,846,644)
<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 December 31, 2007	3,892,158	1,396,026	9,498,140	-	14,786,324

13. AVAILABLE FOR SALE FINANCIAL ASSETS:

Available for sale financial assets are analysed as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>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 unlisted shares, and therefore, have no fixed maturity or coupon rate.

14. INVENTORIES:

Inventories in the accompanying financial statements are analysed as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Merchandise	1,220,584	1,188,802	1,182,931	1,169,126
Consumables	95,799	99,789	-	-
Total	1,316,383	1,288,591	1,182,931	1,169,126

15. TRADE ACCOUNTS RECEIVABLE:

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

	<u>The Group</u>		<u>The Company</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Domestic customers	36,418,806	27,076,607	33,652,616	25,548,092
Foreign customers	894,442	1,014,945	655,528	890,974
Accounts payable due to state owned companies	1,465,240	1,529,463	1,465,240	1,529,463
Cheques and notes receivable	2,167,509	4,430,986	1,571,753	3,493,542
Unbilled revenue	2,792,676	4,308,983	2,792,676	4,308,073
	43,738,673	38,360,984	40,137,813	35,770,144
Less: Allowance for doubtful accounts receivable	(12,382,051)	(7,770,410)	(11,999,534)	(7,370,410)
Balance of trade accounts receivable	31,356,622	30,590,574	28,138,279	28,399,734

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

	<u>The Group</u>		<u>The Company</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Beginning balance	7,770,410	4,571,370	7,370,410	4,400,000
Provision (Note 8)	4,930,000	3,330,000	4,900,000	3,100,000
Less: Utilisation	(318,359)	(130,960)	(270,876)	(129,590)
Ending balance	12,382,051	7,770,410	11,999,534	7,370,410

The ageing analysis of trade receivables is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>December 31,</u>		<u>December 31,</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Neither past due nor impaired	18,132,126	15,056,298	16,891,656	13,393,339
Part due not impaired:				
60-90 days	4,516,065	5,982,139	3,515,900	4,583,636
90-180 days	4,204,375	3,949,784	3,985,279	5,206,628
181-365 days	3,665,628	3,194,302	2,966,579	2,880,550
>365 days	838,428	2,408,051	778,865	2,335,581
Total	31,356,622	30,590,574	28,138,279	28,399,734

Trade receivables are non-interest bearing and are normally settled on: Group 0-120 days' terms, Company 0-120 days' terms.

16. PREPAYMENTS AND OTHER RECEIVABLES:

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Receivables due from the Greek State	8,137,756	476,922	8,134,505	463,245
Prepaid expenses	2,557,452	2,892,649	2,364,024	2,772,002
Value added tax	8,148,294	3,498,098	8,148,294	3,498,098
Advances to personnel	22,297	9,770	17,082	4,555
Advances to suppliers	237,729	234,655	51,999	50,935
Other debtors	312,504	631,330	608,681	950,616
Total balance of other receivables and prepayments	19,416,032	7,743,424	19,324,585	7,739,451

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

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Bank bonds	-	68,282,477	-	68,282,477
Less: changes in fair value	-	(152,000)	-	(152,000)
Total	-	68,130,477	-	68,130,477

The above mentioned financial assets consist of bank bonds with an interest coupon and were held for trading purposes and within the year 2007 were sold.

Interest earned on bank bonds is accounted for on an accrual basis and for the year ended December 31, 2007, amounted to € 1,353,926 for the Group and the Company and for the year ended December 31, 2006 to € 1,399,700 respectively and are included in financial income in the accompanying statement of income.

18. CASH AND CASH EQUIVALENTS:

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Cash in hand	30,464	56,439	29,077	55,537
Cash at banks	6,089,954	4,020,865	5,672,851	3,065,525
Time deposits	50,000,000	20,900,000	50,000,000	20,900,000
	56,120,418	24,977,304	55,701,928	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 for the year ended December 31, 2007, amounted to € 980,167 and € 969,662 for the Group and the Company, respectively, (for the year ended December 31, 2006, € 760,462 and € 758,195 for the Group and the Company, respectively) and is included in financial income in the accompanying statements of income.

19. SHARE CAPITAL:

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

Following the decisions of Shareholders' General Meetings through December 31, 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».

By the decision of the General Shareholders Meeting, dated June 30, 2006, as amended by the General Assembly Meeting, dated August 10, 2007, as well as of the resolutions of the Board of Directors, dated September 25, 2006, April 27, 2007, November 11, 2007 and December 21, 2007, 317,149 shares were exercised at a price of € 5.36 per share. As a result, the share capital was increased by € 374,236, while the resulting surplus on the above transactions of € 1,325,683 net of issuance expenses and related deferred tax was credited to the account "Share Premium".

As a result, the Company's ordinary share capital as at December 31, 2007, amounted to € 45,852,241 divided into 38,857,831 authorised ordinary shares of € 1.18 par value each. All issued shares are fully paid.

20. OTHER RESERVES:

Other reserves are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Legal reserve	118,940	118,940	94,031	94,031
Tax-free reserves	1,862,148	1,862,148	1,853,715	1,853,715
Special reserves	640,474	640,474	122,446	122,446
Reserve for employee stock option plan	3,723,120	890,400	3,723,120	890,400
Other	71,300	71,300	-	-
Total reserve	6,415,982	3,583,262	5,793,312	2,960,592

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

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

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

21. DIVIDENDS:

Under Greek corporate law, companies are required each year to distribute in cash, to the shareholders at least 35% of net profit, after allowing for the legal reserve and certain profits from the sale of shares described under par. 1 of art. 3, of Law 148/1967. The above provisions do not apply, if the General Shareholders Meeting by a majority of at least 65% resolves not to distribute profits. In this case, the non distributed - profits are transferred to a "special reserves account". The Company is obliged within four years from the formation of reserves to capitalize these reserves by the issuance of new shares which it grants free to the beneficiaries (par. 2 art. 3 of the Law 148/1967). The above provisions of par. 1 and 2 do not apply, if approved by the General Shareholders Meeting by a majority of at least 70% of the paid up share capital. No dividends were paid during the year ended December 31, 2007. Furthermore, Greek corporate law requires certain conditions to be met before dividends can be distributed, which are as follows:

- (a) No dividends can be distributed to the shareholders as long as a company's net equity, as reflected in its financial statements, is, or after such distribution, will be less than the outstanding capital plus non-distributable reserves.
- (b) No dividends can be distributed to the shareholders as long as the unamortised balance of "Pre-operating Expenses", as reflected in its financial statements, exceeds the aggregate of distributable reserves plus retained earnings.

No dividends were paid during the year ended December 31, 2007.

22. LONG-TERM AND SHORT-TERM BORROWINGS:

a) Long-term loans:

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Bond loan	49,101,935	34,000,000	49,101,935	34,000,000
Other long term loans	720,000	-	-	-
Total	49,821,935	34,000,000	49,101,935	34,000,000
Less current portion:				
- Bond loan	-	(34,000,000)	-	(34,000,000)
- Other	-	-	-	-
Long-term portion	49,821,935	-	49,101,935	-

Bond Loan 2005:

In December 2005, Forthnet entered into Bond Loan (“Bond”) agreement with a consortium of banks for a principle amount of € 50,000,000 which bears interest at the six-month Euribor plus a margin of 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 € 34,000,000 whereas on June 21, 2007, the first payment was made amounting to € 3,090,909. On December 21, 2007, the Company fully repaid the above Bond Loan.

Bond Loan 2007:

On June 29, 2007, Forthnet entered into Bond Loan (“Bond”) agreement with a syndicate of banks for a principle amount up to € 150,000,000 which bears interest at six-month Euribor plus a margin ranging between 1.15 to 1.75 depending on the financial covenants 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 three tranches as follows:

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

The repayment of the Bond is in 10 semiannual installments. The first 9 installments are equal and amount to 75 % of the total amount. The final installment 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.

The remaining € 30,000,000 may be drawn subject to a mutual agreement between the parties until March 31, 2010.

In accordance with the Bond Loan Agreement certain undertakings are made including but not limited to: (i) Forthnet is obliged to maintain throughout the term of the Bond facility an all-risks-insurance contract through a recognized insurance company on its assets at their current commercial value, (ii) within 3 months from the period ended, Forthnet is obliged to submit the annual and the semi-annual financial statements audited by certified auditors accountants along with the Certificate of Conformity, and (iii) Forthnet is obliged to maintain throughout the term of the Bond facility the following financial ratios based on the annual and semi-annual financial statements audited by certified auditors accountants throughout the term of the Bond facility:

1. EBITDA / Net interest expenses greater or equal to 3 to 6 for the fiscal years 2008-2013.
2. Total net bank borrowing / EBITDA less or equal to 3 to 7 for the fiscal years 2008-2013.
3. Total net bank borrowing / Total equity less or equal to 0.50 to 0.90 for the fiscal years 2008-2013.

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

On December 21, 2007 the first series of the Bond was drawn down amounting to € 50,000,000.

Total interest expenses on long-term loans for the Group and the Company for the years ended December 31, 2007 and 2006, amounted to € 1,847,714 and € 1,587,264 respectively for the Group and € 1,841,956 and € 1,587,264 respectively for the Company and are included in financial expenses (Note 7), in the accompanying statements of income.

b) Short-term borrowings:

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Credit lines available	4,110,000	13,310,000	11,600,000	11,600,000
Unused portion	(2,954,484)	(12,305,609)	(11,600,000)	(11,600,000)
Used portion	1,155,516	1,004,391	-	-

The total interest expense for short-term borrowings for the years ended December 31, 2007 and 2006, amounted to € 80,642 and € 240,031, respectively, for the Group and € 0 and € 190,054, respectively for the Company and is included in financial expenses (Note 7), in the accompanying statements of income.

23. FINANCE LEASE OBLIGATIONS:

The finance lease obligations relate to:

- Leasing of a building at Antigonis 58, Peristeri, Attica, with a value of € 2,669,054 (including expenses, taxes, etc.) and is repayable in a hundred and seventy five (175) monthly installments (from August 10, 2005 through February 10, 2020) bearing interest at the three month Euribor plus a margin of 1.5%.
- Leasing of equipment (printers) by the Company's subsidiary, Forth CRS, during 2005 with a total value of € 199,935, with a duration of three years, repayable in equal monthly installments bearing interest at Euribor plus a margin of 2.5%.

The finance lease obligations are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Obligation under finance lease	2,419,578	2,561,232	2,341,513	2,450,214
Less: Current portion	(185,182)	(179,071)	(132,359)	(129,070)
Long-term portion	2,234,396	2,382,161	2,209,154	2,321,144

Future minimum lease payments under the finance lease in relation with the present value of the net minimum lease payments for the Group and the Company as at December 31, 2007 and 2006, are as follows:

	The Group		The Company	
	As at December 31, 2007		As at December 31, 2007	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
Within one year	331,688	185,182	275,891	132,359
After one year but no more than five years	1,405,286	827,260	1,379,454	802,017
Over five years	1,701,326	1,407,136	1,701,326	1,407,137
Total minimum lease payments	3,438,300	2,419,578	3,356,671	2,341,513
Less: amounts representing finance charges	(1,018,722)	-	(1,015,158)	-
Present value of minimum lease payments	2,419,578	2,419,578	2,341,513	2,341,513

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

24. TRADE ACCOUNTS PAYABLE:

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Domestic suppliers	51,821,734	25,151,440	51,791,496	24,771,686
Foreign suppliers	4,117,531	5,023,786	4,103,635	5,018,303
Post dated cheques payable	12,778,827	6,277,824	12,650,479	6,050,242
	68,718,092	36,453,050	68,545,610	35,840,231

Trade accounts payable include balances due to suppliers for the acquisition of property, plant and equipment. The related balances due for the acquisition of property, plant and equipment as at December 31, 2007 and 2006, for the Group amounted to € 29,588,960 and € 10,886,644 respectively, and the Company amounted to € 29,874,280 and € 11,213,554 respectively.

25. ACCRUED AND OTHER CURRENT LIABILITIES:

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Social security payable	1,230,144	924,665	1,118,137	825,647
Value added tax	120,919	82,986	-	-
Other taxes and duties	560,926	493,551	473,725	390,504
Customer advances	691,471	1,173,484	608,801	1,123,190
Liability for the acquisition of Internet Hellas (Note 10)	67,978	1,260,931	67,978	1,260,931
Other current liabilities	1,050,899	632,826	434,940	176,917
	3,722,337	4,568,443	2,703,581	3,777,189

26. OTHER LONG - TERM LIABILITIES:

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Other long-term liabilities	-	1,219,750	-	1,219,750
Total	-	1,219,750	-	1,219,750

27. GOVERNMENT GRANTS:

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

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Grants received	11,302	1,606,851	-	1,514,051
Government Grant N. 3299/2004 (Note 32)	7,618,053	-	7,618,053	-
Subprojects 6 & 7 of the Operational Programme "INFORMATION SOCIETY" (Note 32)	120,000	-	120,000	-
Released (credit) to the statement of income	-	(1,580,287)	-	(1,514,051)
Ending balance	7,749,355	26,564	7,738,053	-

28. RESERVE FOR STAFF RETIREMENT INDEMNITIES:

- a) **State Pension:** The Company's employees are covered by one of several Greek State sponsored pension funds. Each employee is required to contribute a portion of their monthly salary to the fund, with the Company also contributing a portion. Upon retirement, the pension fund is responsible for paying the employees retirement benefits. As such, the Company has no legal or constructive obligation to pay future benefits under this plan. The contributions to the pension funds for the years ended December 31, 2007 and 2006, amounted to € 4,937,948 and € 3,855,430, respectively for the Group and € 4,466,590 and € 3,413,732, respectively for the Company.

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

An international firm of independent actuaries evaluated the Group's liabilities arising from the obligation to pay retirement indemnities. The details and principal assumptions of the actuarial study as at December 31, 2007 and 2006, have as follows:

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Present value of unfunded obligations	1,297,475	1,203,206	1,231,981	1,142,774
Unrecognised actuarial loss	15,010	(156,603)	10,803	(150,607)
Net Liability in Balance Sheet	1,312,485	1,046,603	1,242,784	992,167
Components of net periodic pension cost				
Service cost	247,228	194,412	232,138	180,490
Interest cost	49,332	36,937	46,854	35,031
Amortisation of unrecognised net loss	1,854	375	1,854	195
Regular charge to operations	298,414	231,724	280,846	215,716
Additional cost of extra benefits	73,797	31,113	67,532	27,975
Total charge to operations	372,211	262,837	348,378	243,691
Reconciliation of benefit obligation				
Present value of liability at start of period	1,203,206	930,300	1,142,774	876,036
Service cost	247,228	194,412	232,138	180,490
Interest cost	49,332	36,937	46,854	35,031
Benefits paid	(106,329)	(40,028)	(97,761)	(36,023)
Extra payments or expenses	73,797	31,113	67,532	27,975
Actuarial gains/(loss)	(169,759)	50,472	(159,556)	59,265
Present value of liability at the end of year	1,297,475	1,203,206	1,231,981	1,142,774
Principal Assumptions				
Discount Rate	4,7%	4.1%	4,7%	4.1%
Rate of compensation increase	4,5%	4.5%	4,5%	4.5%
Increase in consumer price index	3,9%	2.9%	3,9%	2.9%

The additional cost of extra benefits relates to benefits paid to employees who became redundant. Most of these benefits were not expected within the terms of this plan and, accordingly, the excess of benefit payments over existing reserves have been treated as an additional pension charge. The additional pension charge for the years ended December 31, 2007 and 2006, amounted to € 73,797 and € 31,113 respectively for the Group and € 67,532 and € 27,975 respectively for the Company.

29. LOSS PER SHARE:

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

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

The following reflects the net loss and share data used in the basic and diluted earning per share computations as at December 31, 2007 and 2006:

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Net loss attributable to the shareholders of the parent	(32,532,801)	(16,698,583)	(32,733,098)	(16,457,349)
Total weighted average number of ordinary shares	38,549,492	29,858,763	38,549,492	29,858,763
Effect of dilution resulting from share options	250,081	44,658	250,081	44,658
Adjusted weighted average number of ordinary shares for diluted loss per share	38,799,573	29,903,421	38,799,573	29,903,421

30. EMPLOYEE STOCK OPTION PLANS:

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

SHORT TERM PLAN:

First 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 targets as at April 30, 2007 and, as long as the following cumulative conditions are met: (a) the number of unbundled OTE exchanges (b) the number of active Broadband subscribers and, (c) kilometers of rolled out fiber optic network on National level.

- (ii) **Entitlement to Options:** The total number of shares under the option plan granted was 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.

As the Company's targets were reached as at April 30, 2007 the above mentioned plan was exercised in December 2007.

Second Short Term Plan: The plan for 2006 was initially approved on June 30, 2006, by Forthnet's Shareholders Ordinary General Assembly and is specified by the Board of Directors on April 27, 2007, and afterwards by the Managing Director on August 17, 2007, granted 350,000 stock options. 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 targets as at April 30, 2008 and, as long as the following cumulative conditions are met: (a) the number of unbundled OTE exchanges (b) the number of active Broadband subscribers and/or ULL subscribers, (c) kilometers of rolled out fiber optic network on National level.
- (ii) **Entitlement to Options:** The total number of shares under the option plan granted was 350,000 at an exercise price of € 5.36 per share.

The fair value of the options as at August 17, 2007, was determined using the Black & Scholes model. The main assumptions affecting the model are the share price at the grant date of € 9.00, exercise price, dividend yield, discount rate of 4.5% and the volatility of the share price of 4.86%. The volatility is the variance between the expected volatility in the share price and is computed using statistical analyses of the daily share prices of the last 12 months.

LONG-TERM 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) a change of shareholder control in the Company.
- (ii) **Entitlement to Options:** The total number of shares under the option plan granted was 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 (grant dates), 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), exercise price, 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). 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.

On December 21, 2007, the Company's Board of Directors granted 255,000 options which correspond to 255,000 shares to Forthnet's 1st Line Managers at a price set at 5.36 per share. The criteria set for exercising the options was the achievement of the Company's 2008 budget and the Exercise Date was set for December 31, 2009.

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

	December 31,			
	2007		2006	
	No.	EP	No.	EP
Outstanding at the beginning of the year	2,057,593	5.36	-	-
Granted during the year	685,000	5.36	2,057,593	5.36
Exercise of option during the year (First short-term)	(311,593)	5.36	-	-
Exercise of option resulting from unvested rights	(5,556)	-	-	-
Outstanding at the end of the year	2,425,444	5.36	2,057,593	5.36

31. RELATED PARTIES:

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

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

Related Party	Relation with Forthnet	Fiscal Years	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Technology and Research Foundation	Shareholder	2006	127,734	78,752	14,192	2,071
		2007	155,130	53,903	80,306	12,925
Forth CRS S.A.	Subsidiary	2006	98,745	25,433	419,489	11,723
		2007	216,070	21,587	162,287	15,255
Telemedicine Technologies S.A.	Subsidiary	2006	-	-	336,675	-
		2007	-	-	336,675	-
Forth e-com S.A.	Associated	2006	18,074	520,000	-	-
		2007	-	-	-	-
Athlonet S.A.	Associated	2006	17,674	14,278	-	2,998
		2007	9,331	12,260	1,736	5,698
Total:		2006	262,227	638,463	770,356	16,792
		2007	380,531	87,750	581,004	33,878

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

Technology and Research Foundation owned 11.36%, and 11.71% of the ordinary shares of Forthnet as at December 31, 2007 and 2006, respectively and is represented by two non-executive members on Forthnet's Board of Directors.

Novator Equities Limited owned 10.12% and 38.65% of the ordinary shares of Forthnet as at December 31, 2007 and 2006, respectively and is represented by two non-executive members on Forthnet's Board of Directors.

Cycladic Catalyst Master Fund owned 5.72% and 11.31% of the ordinary shares of Forthnet as at December 31, 2007 and 2006 and is represented by one non-executive member on Forthnet's Board of Directors.

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

<u>Related Party</u>	<u>Relation with the Group</u>	<u>Fiscal Years</u>	<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Amounts owed by related parties</u>	<u>Amounts owed to related parties</u>
Technology and Research Foundation	Shareholder	2006 2007	127,734 155,130	78,752 53,903	14,192 80,306	2,071 12,925
Forth e-com S.A.	Associated	2006 2007	18,074 -	520,000 -	- -	- -
Athlonet S.A.	Associated	2006 2007	17,674 9,331	14,278 12,260	- 1,736	2,998 5,698
Total:		2006 2007	163,482 164,461	613,030 66,163	14,192 82,042	5,069 18,623

Salaries and fees for the members the Board of Directors and the general managers of the Group for the fiscal years 2007 and 2006, are analysed as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Salaries and fees for executive members of the BoD	430,619	262,213	430,619	262,213
Salaries and fees for non executive members of the BoD	139,200	135,800	139,200	135,800
Salaries and fees for Senior Managers	1,370,753	1,042,991	1,245,871	905,914
Total	1,940,572	1,441,004	1,815,690	1,303,927

Furthermore, benefits provided by the Group and the Company for the current fiscal year to members of the Board of Directors and Management relating to stock option plans amounted to € 1,199,976 (December 31, 2006 € 199,706 respectively).

In addition, benefits provided by the Group and the Company for the current fiscal year to members of the Board of Directors and Managerial executives relating to termination compensation amounted to € 68,609 and € 66,409, respectively (December 31, 2006 € 119,115 and € 115,919 respectively).

32. COMMITMENTS AND CONTINGENCIES:

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

Compensation of Senior Executives: According to the employment contracts of the Chief Executive Officer and certain senior executives, there is a provision for the payment of compensation at the end of their employment term which liability has been included in the provision for staff retirement indemnities. In addition, in case of early termination of their contracts by the Company without grounds or in case of forced resignation, the Company shall pay to them an additional compensation. The amount of the additional compensation amounted to approximately € 1.3 million at December 31, 2007 (approximately € 1.2 million at December 31, 2006).

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

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 and Economics (GG 358/15-03-2007), the Company's business plan relating 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 was approved. The amount of investment approved amounts to approximately €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 December 31, 2007, the Company's investment amounted to approximately € 25 million and a related provision of approximately € 7.6 million has been included in Government Grants and receivable from State in the accompanying 2007 balance sheet. The Company's management estimates that the overall investment will be completed within the 1st quarter of 2008.

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 Company's subsidiary, FORTH-CRS S.A., business plan relating to the provision of innovative, large-scale electronic and broadband services in the sectors of tourism, transportation and culture in the region of Attica was approved in accordance with the provisions of Law 3299/2004. The amount of investment approved equals to approximately €1.8 million and the percentage of subsidy equals to 30% of the investment, i.e. € 540 thousand.

Agreements with Information Society S.A. On March 12, 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, an amount of €42.3 million concerns Milestone I (Broadband Access Development), while an amount of €13.3 million concerns Milestone II (Enhancement of demand for Broadband Services). The available funding for the two Milestones reaches 50% of the budgeted amount and its implementation is expected to be completed by October 31, 2008.

Commitments:

Rent: The Group has entered into commercial operating lease agreements for the lease of a building, office space and offices used as points of presentation for dealers. These lease agreements have an average life of 5 to 10 years with renewal terms included in certain contracts. Future minimum rentals payable under non-cancelable operating leases as at December 31, 2007 and 2006, are as follows:

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Within one year	1,667,459	1,146,604	1,524,576	1,029,524
2-5 years	5,535,924	3,500,680	5,112,423	3,068,513
Over 5 years	3,200,940	314,649	3,200,940	314,649
Total	10,404,323	4,961,933	9,867,939	4,412,686

Guarantees: Letters of guarantee issued by the Group to various beneficiaries as at December 31, 2007 and 2006, are analysed as follows:

	The Group		The Company	
	December 31,		December 31,	
	2007	2006	2007	2006
Good execution of agreements	13,705,972	3,217,905	13,705,972	3,217,905
Participation in biddings	8,500	6,069,250	8,500	6,069,250
Guarantee for advance payments received	2,130,654	1,529,407	2,130,654	1,529,407
Total	15,845,126	10,816,562	15,845,126	10,816,562

Contractual Commitments: The outstanding balance of the contractual commitments for the Group and the Company at December 31, 2007, amounted to approximately €28 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 €8 million.

33. FINANCIAL INSTRUMENTS:

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

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

Credit Risk: The Group's maximum exposure to credit risk, due to the failure of counter parties to perform their obligations as at December 31, 2007, in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the accompanying balance sheets. The Group has no significant concentrations of credit risk with any single counter party.

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

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

The following table demonstrates the sensitivity of the Group's profit before tax (through the impact of the outstanding floating rate borrowings at the end of the period on profits) to reasonable changes in interest rates, with all other variables held constant.

Sensitivity Analysis of Group's Borrowings due to Interest Rate Changes:

	The Group		The Company	
	December 31, 2007		December 31, 2006	
	Interest Rate Variation	Effect on income	Interest Rate Variation	Effect on income
EURO	1.0%	338,410	1.0%	348,953
	-1.0%	-338,410	-1.0%	-348,953

Note: Table above excludes the positive impact of interest received from deposits.

Liquidity Risk: The Group manages liquidity risk by monitoring forecasted cash flows and ensuring that adequate banking facilities and reserve borrowing facilities are maintained. The Group has sufficient undrawn committed and uncommitted borrowing facilities that can be utilized to fund any potential shortfall in cash resources.

Prudent liquidity risk management implies the availability of funding through adequate amounts of committed credit facilities, cash and marketable securities and the ability to close out those positions as and when required by the business or project.

The table below summarizes the maturity profile of financial liabilities at December 31, 2007 and 2006, respectively, based on contractual undiscounted payments.

Group

Year ended December 31, 2007	On demand	Less than 6 months	6 to 12 months	1 to 5 years	>5 years	Total
Borrowings	-	1,083,516	72,000	20,728,040	29,093,895	50,977,451
Trade and other payables	2,550,000	33,283,758	36,606,671	-	-	72,440,429
Total	2,550,000	34,367,274	36,678,671	20,728,040	29,093,895	123,417,880

Year ended December 31, 2006	On demand	Less than 6 months	6 to 12 months	1 to 5 years	>5 years	Total
Borrowings	-	1,004,391	34,000,000	-	-	35,004,391
Trade and other payables	550,000	18,550,000	19,500,000	2,421,493	-	41,021,493
Total	550,000	19,554,391	53,500,000	2,421,493	-	76,025,884

Company

<u>Year ended December 31, 2007</u>	<u>On demand</u>	<u>Less than 6 months</u>	<u>6 to 12 months</u>	<u>1 to 5 years</u>	<u>>5 years</u>	<u>Total</u>
Borrowings	-	-	-	20,152,040	28,949,895	49,101,935
Trade and other payables	2,500,000	32,233,758	36,515,433	-	-	71,249,191
Total	<u>2,500,000</u>	<u>32,233,758</u>	<u>36,515,433</u>	<u>20,152,040</u>	<u>28,949,895</u>	<u>120,351,126</u>

<u>Year ended December 31, 2006</u>	<u>On demand</u>	<u>Less than 6 months</u>	<u>6 to 12 months</u>	<u>1 to 5 years</u>	<u>>5 years</u>	<u>Total</u>
Borrowings	-	-	34,000,000	-	-	34,000,000
Trade and other payables	500,000	18,300,000	18,500,000	2,317,420	-	39,617,420
Total	<u>500,000</u>	<u>18,300,000</u>	<u>52,500,000</u>	<u>2,317,420</u>	<u>-</u>	<u>73,617,420</u>

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong internal calculation credit rating and healthy capital ratios in order to support its operations and maximize shareholder value. The Group's policy is to maintain leverage targets in line with an investment grade profile. The Group monitors capital using net debt to EBITDA ratio. The Group includes within net debt, interest bearing loans and borrowings, less cash and cash equivalents.

	<u>The Group</u>		<u>The Company</u>	
	<u>December 31, 2007</u>	<u>December 31, 2006</u>	<u>December 31, 2007</u>	<u>December 31, 2006</u>
Long-term borrowings	49,821,935	-	49,101,935	-
Short-term borrowings	1,155,516	35,004,391	-	34,000,000
Total Debt	<u>50,977,451</u>	<u>35,004,391</u>	<u>49,101,935</u>	<u>34,000,000</u>
Less : Cash and cash equivalents	56,120,418	24,977,304	55,701,928	24,021,062
Net Debt/(cash)	<u>(5,142,967)</u>	<u>10,027,087</u>	<u>(6,599,993)</u>	<u>9,978,938</u>
-EBITDA	<u>(20,085,592)</u>	<u>(4,975,932)</u>	<u>(21,245,290)</u>	<u>(5,619,953)</u>

34. LITIGATION - ARBITRATION

Forthnet's outstanding judicial claims against third parties amount to approximately € 37.3 million.

- I. Approximately € 26.7 million of this amount 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.

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

the critical fees. There are still outstanding appeals, in the Court of Appeal of Athens, against the decision of EETT for the new regulation of preselection.

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

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

II. A. The remaining (apart from the above claims concerning regulatory and telecommunication law matters) judicial claims of the Company against third parties amount to approximately € 6.2 million. For these judicial claims no related revenue has been provided by the Company in its financial statements.

B. Pending judicial claims of third parties against the Company amount to approximately € 3.1 million out of which, € 2.6 million relate to a counter-suit from a Cyprian company seeking a compensation resulting from an alleged cancellation of an agreement. The court date was initially set for February 13, 2008 but it was postponed for May 12, 2008.

The Company's Management estimates that the above pending judicial claim will have no influence and therefore no related expense has been provided by the Company in its financial statements.

35. SUBSEQUENT EVENTS:

- On February 8, 2008, EETT approved the change of control of Forthnet in accordance with resolution No 428/13/2007 which may result in the early exercise of the Company's stock option plan.
- the shareholder, Technology and Research Foundation, notified Forthnet by its letter of February 15, 2008, of the change of its participation in Forthnet's share capital from 11.36 % corresponding to 4,412,465 voting rights and equal number of shares to 6.21% corresponding to 2,412,465 voting rights and equal number of shares. The transaction resulting in the above change took place on February 14, 2008.
- Mr. BJORGOLFUR THOR BJORGOLFSSON notified Forthnet by his letter of February 15, 2008, of the change of his participation in Forthnet's share capital, he held indirectly through the companies NOVATOR CAYMAN ISLANDS, NOVATOR ONE LIMITED PARTNERSHIP and NOVATOR EQUITIES Ltd, from 10.12% corresponding to 3,934,068 voting rights and equal number of shares to 00.00%. The transaction resulting in the above change took place on February 14, 2008.
- NOVATOR CAYMAN LTD notified Forthnet by its letter of February 15, 2008, of the change of its participation in Forthnet's share capital it held indirectly through the company NOVATOR ONE LIMITED PARTNERSHIP and NOVATOR EQUITIES Ltd, from 10.12% corresponding to 3,934,068 voting rights and equal number of shares to 00.00%. The transaction resulting in the above change took place on February 14, 2008.
- NOVATOR ONE LIMITED PARTNERSHIP notified Forthnet by its letter of February 15, 2008, of the change of its participation in Forthnet's share capital it held indirectly through the company NOVATOR EQUITIES Ltd, from 10.12% corresponding to 3,934,068 voting rights and equal number of shares to 00.00%. The transaction resulting in the above change took place on February 14, 2008.



**HELLENIC COMPANY FOR TELECOMMUNICATIONS
AND TELEMATIC APPLICATIONS S.A.**

Notes to the Financial Statements for the year ended December 31, 2007

(Amounts in Euro, unless otherwise stated)

- NOVATOR EQUITIES Ltd notified Forthnet by its letter of February 15, 2008, of the change of its participation in Forthnet's share capital from 10.12% corresponding to 3,934,068 voting rights and equal number of shares to 00.00%. The transaction resulting in the above change took place on February 14, 2008. NOVATOR EQUITIES Ltd held before the said transaction directly 2,269,068 voting rights and equal number of shares and indirectly through NORDEA BANK 1,665,000 voting rights and equal number of shares.
- CYCLADIC CATALYST MASTER FUND notified Forthnet by its letter of February 18, 2008, of the change of its direct participation in Forthnet's share capital from 5.72% corresponding to 2,224,844 voting rights and equal number of shares to 00.00%. The transaction resulting in the above change took place on February 14, 2008.
- FORGENDO LIMITED notified Forthnet by its letter of February 14, 2008, of the change of its participation in Forthnet's share capital from 00.00% to 20.996% corresponding to 8,158,912 voting rights and equal number of shares. The transaction took place at the price of € 11.5 per share. FORGENDO LIMITED also notified that it is owned 50% by EMIRATES INTERNATIONAL TELECOMMUNICATIONS LIMITED and 50% by GO Plc, whereas none of them exercises sole control.
- On March 7, 2008, Forthnet confirmed that it is participating in a private international tender process for the acquisition of all shares in the foreign companies NetMed N.V. and Intervision (Services) B.V. Of the Purchased Companies, NetMed N.V. is the parent company of, among others, NetMed Hellas A.E. and Multichoice Hellas A.E., which provide pay tv services in Greece and in Cyprus. Within the context of the process, which is subject to a specific confidentiality agreement, the breach of which entails material ramifications, Forthnet, like other bidders, submitted a binding offer. The Binding Offer is based on certain assumptions and is subject to certain conditions, including completion of financial, technical, commercial and legal due diligence of the Purchased Companies and their affiliate undertakings and the entering into the relevant transaction documents. At present, the Binding Offer is being considered by the sellers and in parallel the due diligence continues, whilst non exclusive negotiations are undergone.

Iraklion, March 17, 2008

President of the Board of
Directors

Ioannis Averof
I.D. N. 772354

Chief Financial Officer

Pavlos Kanellopoulos
I.D. N 006982

Chief Executive Officer

Pantelis Tzortzakis
I.D. X 072948

Chief Accountant

Spyros Kosmas
I.D. AZ 555377
License No. O.E.E. 0016310
A Class