

# *Annual Report* *2008*



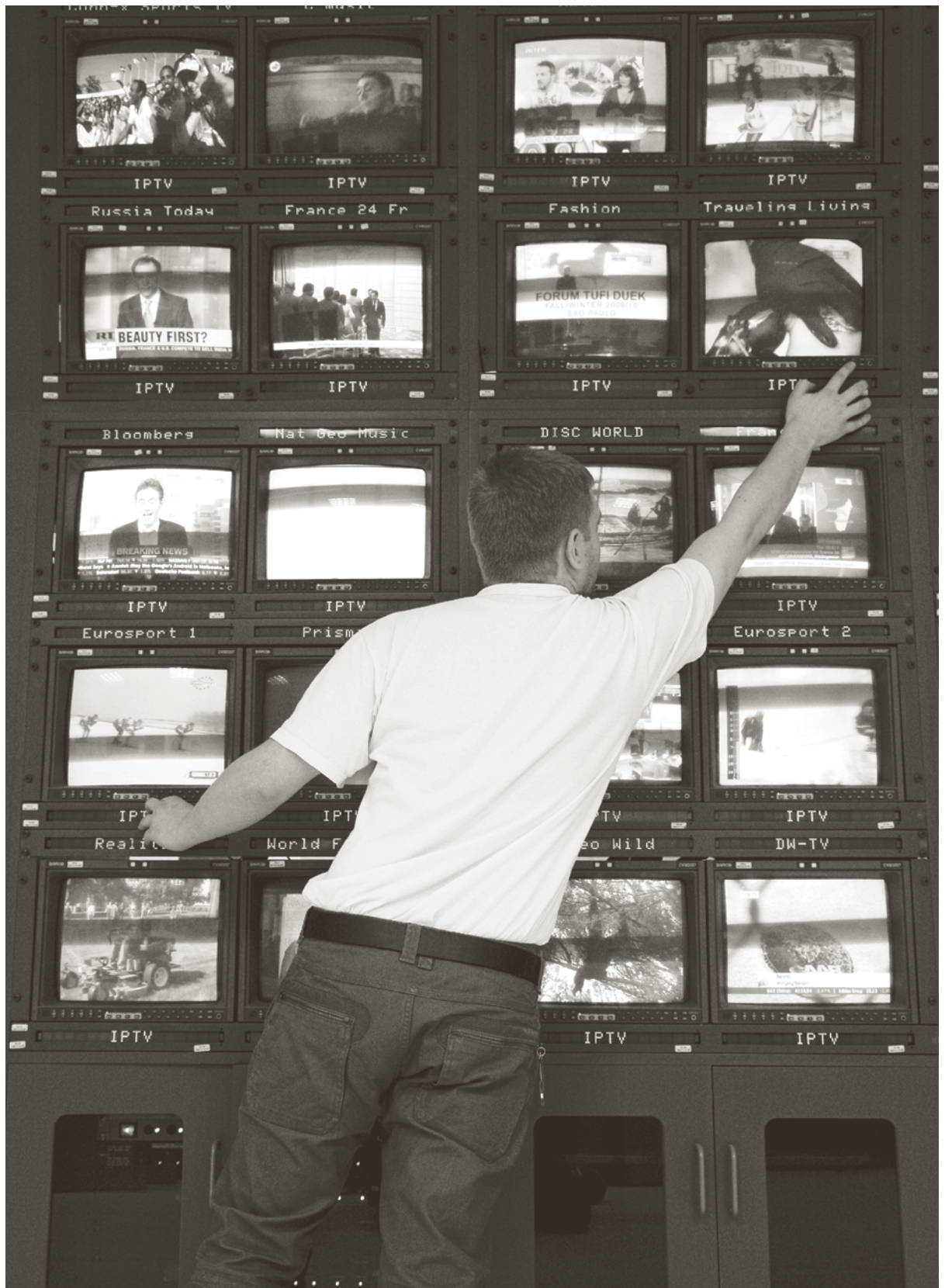
***OTE is a vibrant, strong organization.  
Everyday, OTE's people strive for the development  
of telecommunications in SE Europe.  
OTE's 2008 Annual Report is a documentary of their work.***

















# OTE Group

## GREECE

Fixed-line and mobile telephony

Fixed-line subscribers: 5,386,000

ADSL subscribers: 972,000

Mobile telephony subscribers: 7,893,000

## ROMANIA

Fixed-line and mobile telephony

Fixed-line subscribers: 2,979,000

ADSL subscribers: 651,000

Mobile telephony subscribers: 5,894,000

## BULGARIA

Mobile telephony

Subscribers: 4,097,000

## ALBANIA

Mobile telephony

Subscribers: 1,396,000

## FYROM\*

Mobile telephony

Subscribers: 747,000

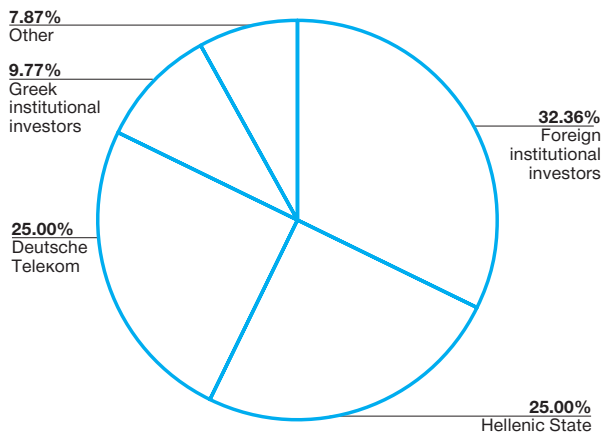
Through Germanos, OTE Group operates the most efficient telecoms/technology retail network in SE Europe with 861 stores.

## SERBIA

Fixed-line and mobile telephony

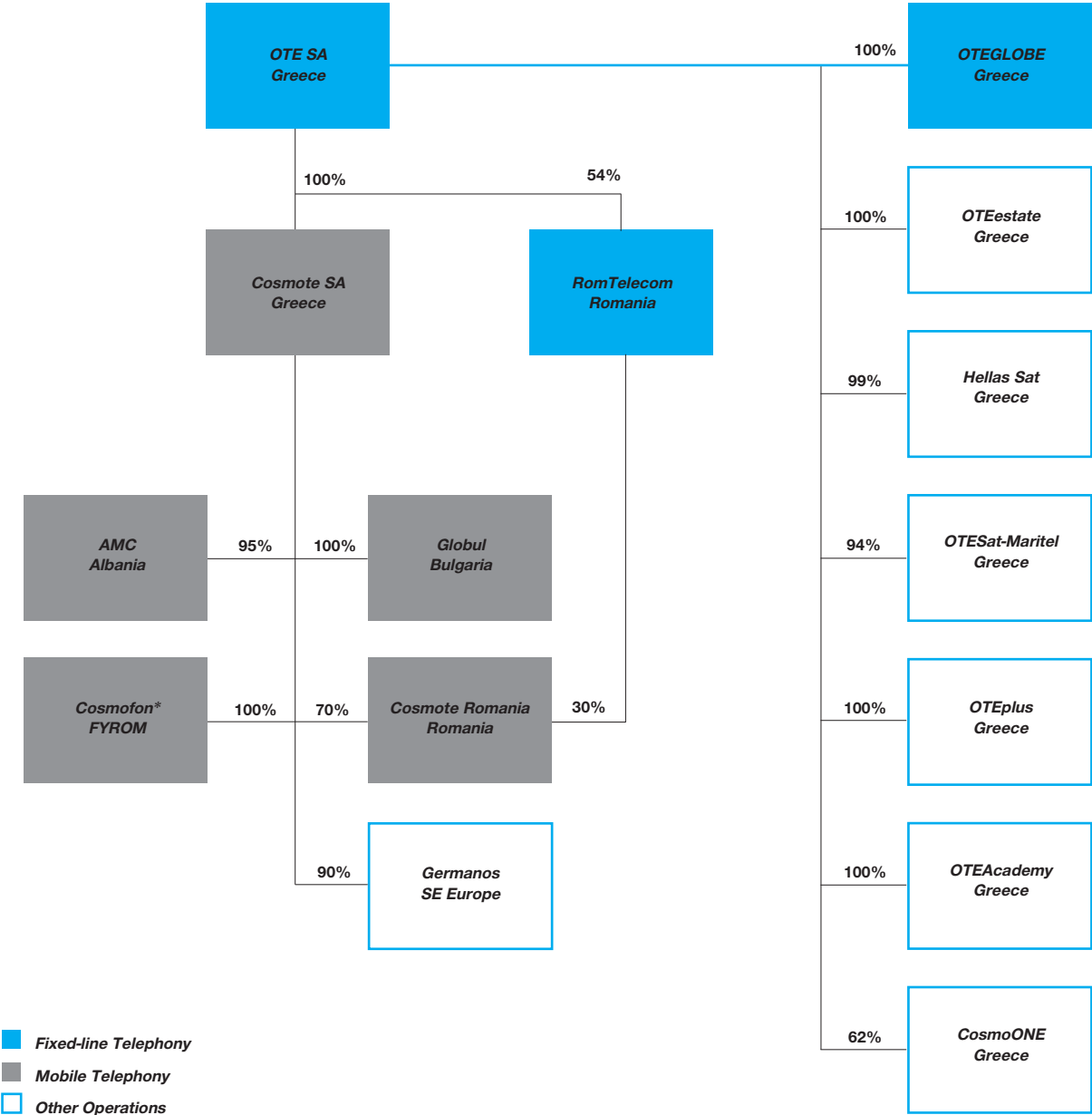
OTE owns 20% of Telekom Srbija

**Shareholder Structure, March 31, 2009**



\* In March 2009, OTE Group agreed to sell its mobile telephony operations in FYROM

# Group structure



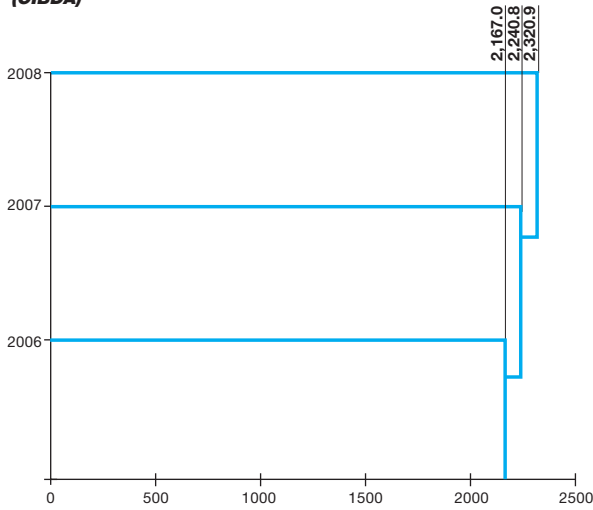
\* In March 2009, OTE Group agreed to sell its mobile telephony operations in FYROM



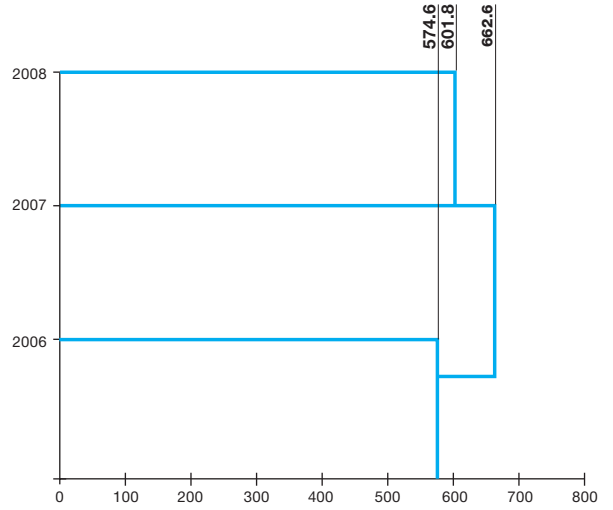
# Continued growth

(all amounts are in € mn unless otherwise stated)

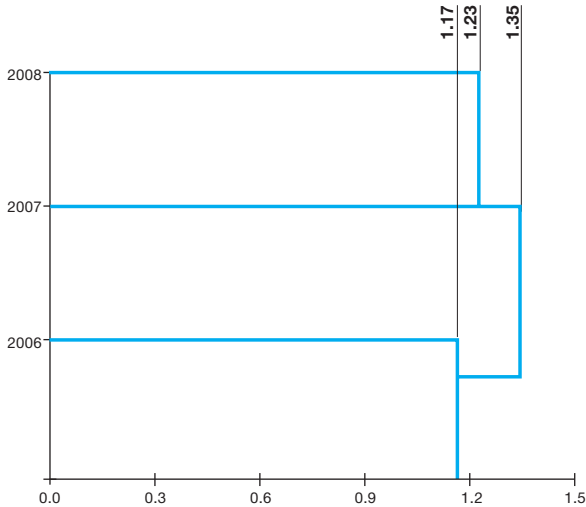
**Operating Income before Depreciation and Amortization (OIBDA)\***



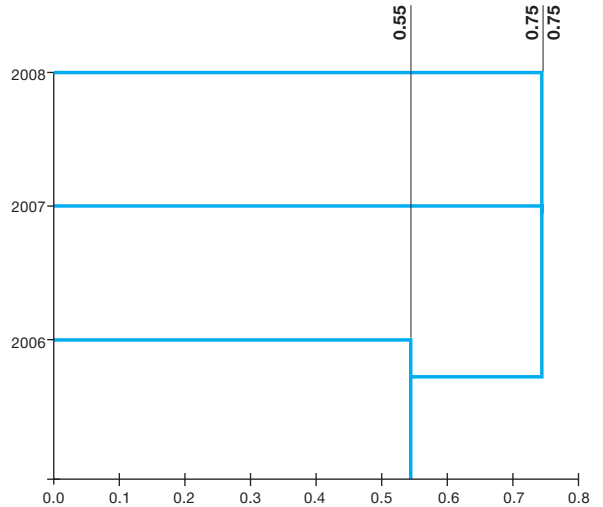
**Net Income\*\***



**Earnings per Share (€)\*\***



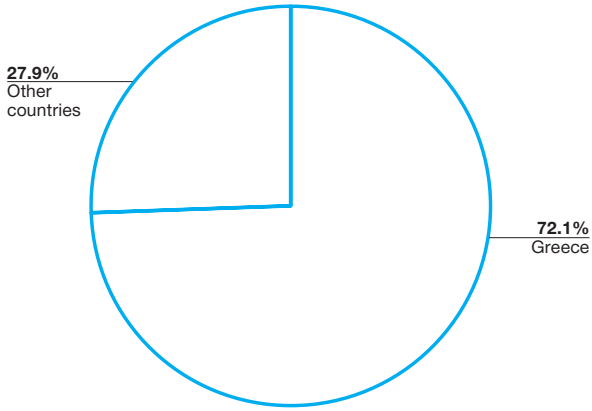
**Dividend per Share (€)**



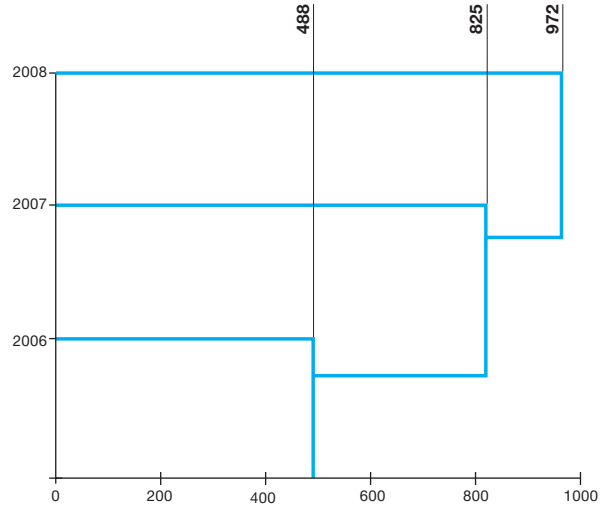
\* Excluding impact of voluntary retirement programs and employee exit schemes (reversal of €49.8 mn provision in 2006, costs of €22.1 mn in 2007 and €50.2 mn in 2008)

\*\* Figures for 2006 and 2007 include non-recurring gains from the sale of ArmenTel and InfOTE respectively

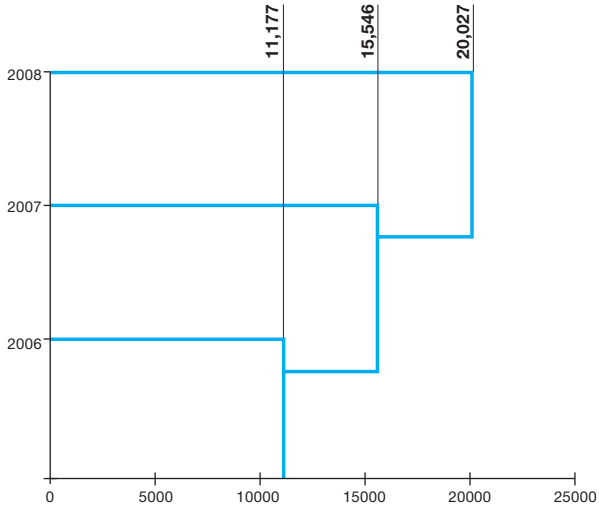
**Revenue Breakdown by Region 2008 (gross)**



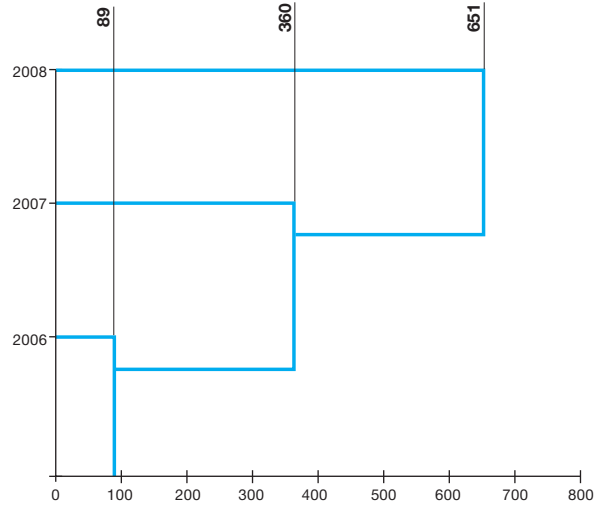
**OTE ADSL Subscribers (000)**



**Mobile Telephony Subscribers (000)**



**RomTelecom ADSL Subscribers (000)**



# The largest telecommunications Group in SE Europe

### OTE GROUP

Consisting of the parent company OTE S.A. and its subsidiaries, Cosmote, RomTelecom and others, the Group offers fixed-line, broadband, data, leased line and mobile telephony services in Greece and Romania, as well as mobile telephony services in Albania, Bulgaria and in the Former Yugoslav Republic of Macedonia (FYROM\*). The Group is also present in Serbia through its 20% stake in the country's incumbent operator, Telekom Srbija. OTE Group is additionally involved in a range of activities in Greece, notably in real-estate, satellite telecommunications and professional training.

### FIXED-LINE OPERATIONS IN GREECE (OTE)

OTE S.A. is the incumbent telecommunications operator in Greece offering fixed-line, broadband, data and leased line services.

*Strategy: Development of competitive bundled products (broadband Internet, voice and mobile telephony), adoption of a dynamic tariff policy, investments in infrastructure, higher efficiency and competitive performance.*

### MOBILE TELEPHONY OPERATIONS IN GREECE AND ABROAD (COSMOTE GROUP)

Cosmote, fully-owned by OTE Group, is the leading provider of mobile communications in Greece. The company also enjoys significant mobile telephony market shares in Albania and Bulgaria, and is expanding rapidly in Romania. Cosmote is also the owner of the largest distributor of ICT products in SE Europe, Germanos S.A. (Germanos)

*Strategy: Maintain market-leading performance, increased focus on reducing operating costs in Greece and abroad.*

### FIXED-LINE OPERATIONS IN ROMANIA (ROMTELECOM)

OTE owns 54% of RomTelecom, the main telecommunications operator in Romania, providing fixed-line, broadband, data, leased line and satellite TV services to the local market.

*Strategy: Further development and promotion of broadband services, introduction of new bundled products, competitive tariff policy, investments in infrastructure, emphasis on restructuring and reduction of operating costs.*

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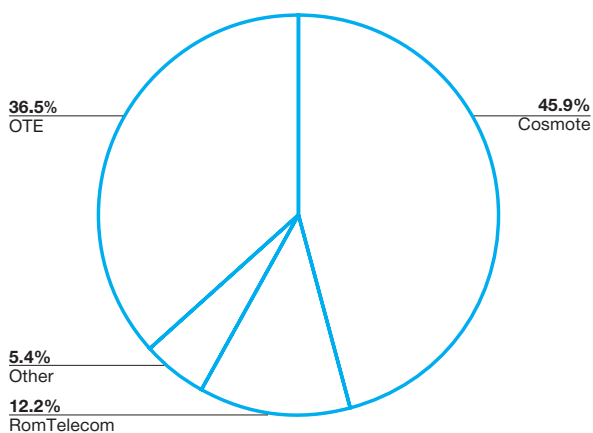
\* In March 2009, OTE Group agreed to sell its mobile telephony operations in FYROM

## OTHER OPERATIONS IN GREECE AND ABROAD

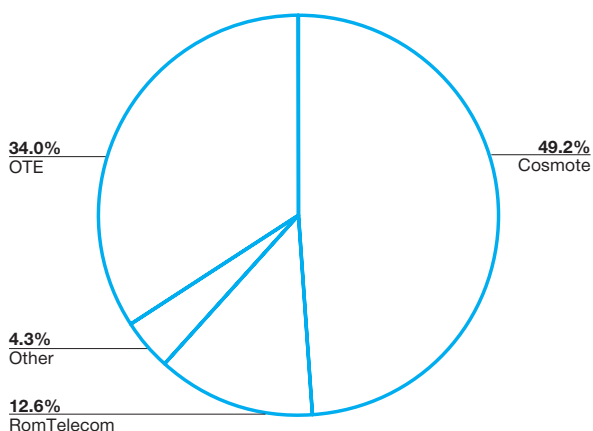
In Greece, the Group is involved in a range of activities, notably in real-estate, international wholesale telephony, satellite and maritime communications, and professional training. The Group is also present in Serbia through its 20% stake in the country's incumbent operator Telekom Srbija.

*Strategy: Realizing part of the value of the Group's real-estate portfolio through the formation of a real-estate investment company, development of synergies between the companies of OTE Group.*

**Segment Revenue Contribution (2008)\***



**Segment OIBDA Contribution (2008)\*\***



\* Before eliminations

\*\* Operating income before depreciation and amortization excluding impact of voluntary retirement programs and employee exit schemes



# New era for OTE Group

## NEW SHAREHOLDER

In **March**, an agreement was signed between Marfin Investment Group and Deutsche Telekom A.G., as per which the stake in OTE held by Marfin Investment Group was acquired by Deutsche Telekom A.G.\* As a result, during the same month Deutsche Telekom's stake in OTE's share capital reached 19.99%.

In **May**, the Greek Inter-Ministerial Privatizations Committee approved Deutsche Telekom's request for:

- a) Obtaining voting rights corresponding to over 20% of OTE's share capital
- b) Purchasing a 3% stake in OTE's share capital held by the Greek State
- c) Entering in a Shareholders' Agreement with the Greek State, and having all relevant contractual documents endorsed by the Greek State

During the same month, the Share Purchase Agreement and the Shareholders' Agreement were signed between the Greek State and Deutsche Telekom.

In **June**, the Greek Parliament ratified the Share Purchase Agreement and the Shareholders' Agreement, signed by the Greek State and Deutsche Telekom. Deutsche Telekom acquired OTE shares in the stock market for the first time.

In **July**, Deutsche Telekom's stake in OTE's share capital reached 22%.

In **October**, the European Commission approved the acquisition of OTE by Deutsche Telekom, stating that the proposed transaction does not hinder competition in the European Economic Area (EEA).

In **November**, Deutsche Telekom's stake in OTE's share capital stood at 25%.

*\*Deutsche Telekom is one of the largest global telecommunications groups, with 228,000 employees globally and revenues of €61.7 bn.*

*Deutsche Telekom has a presence in about 50 countries around the world, offering voice, broadband Internet and mobile telephony services, as well as ICT solutions for business clients. Deutsche Telekom is listed on 8 German stock exchanges, as well as on NYSE and Tokyo Stock Exchange, and its market capitalization is over €40 bn.*

*As at December 31, 2008, Deutsche Telekom boasted 33.8 million fixed-lines, 15 million broadband connections and 128 million mobile telephony subscribers.*

*Commenting on this strategic partnership, OTE's Chairman of the Board of Directors and CEO stressed: "The global trends in telecommunications lead to the formation of larger groups of companies, strong enough to withstand competition and able to commit to the large investments needed to keep pace with technological developments. OTE's inclusion therefore in the Deutsche Telekom Group will ensure OTE's sustainable growth in an environment characterized by regulatory and technological change. Deutsche Telekom's involvement in OTE operations is expected to benefit the company, its employees and its shareholders."*

## GROUP RESTRUCTURING

In **January**, OTE concluded the Public Offer for its subsidiary Cosmote.

In **February**, the company announced a Voluntary Retirement Program based on incentives. Employees who were eligible for retirement (based on 35 years of employment normal retirement age) were

offered €5,000-€40,000 each, provided that the remaining time until normal retirement was from 1 to 5 years.

In **April**, OTE concluded the acquisition of 100% of Cosmote S.A.'s share capital and the company was delisted. April 1, 2008 was the last trading date of Cosmote shares in the ASE (Athens Stock Exchange). During the same month, OTE's subsidiary OTEestate filed a request with the Hellenic Capital Market Commission a licence to set up a Real Estate Investment Company. This initiative is part of OTE Group's strategy to capitalize on the large portfolio of real-estate assets owned by OTEestate.

In **July**, OTE concluded OTENET's merger via absorption. The rapid growth of broadband services in Greece combined with the need for best-of-class customer care and greater flexibility in the introduction of new products and integrated broadband services (double play/voice and data and triple-play/voice, data and Video on Demand or IPTV) were factored in the strategic decision of OTENET's merger with OTE.

#### **FOCUS ON BROADBAND DEVELOPMENT AND SERVICES CONVERGENCE**

In **January**, OTE launched **conn-x@work** for business customers.

In **March**, OTE introduced **conn-x@work plus**, a complete, integrated telecommunications solution for large corporations. It includes bundles of services such as broadband Internet access or VPN, attractive rates for fixed-line calls, equipment and complementary value-added services.

In **May**, OTE launched the bundled product **OTE all in 1** that combines fixed-line, mobile telephony and broadband Internet services. For the first time, OTE customers can enjoy all telecom services under a single monthly bill.

In **June**, OTE upgraded the **OTE 120** and **OTE 240** flat rate voice plans keeping tariffs unchanged. These programs include 120 or 240 minutes for local and national long-distance calls to any fixed-line network.

In **September**, OTE broadband connections exceeded 1.5 million.

In **October**, OTE launched **conn-x TV** (IPTV service) on a pilot basis in the regions of Attica, Thessaloniki, Patra, Larisa and Iraklio (Crete). The full launch of the service takes place in the beginning of 2009. Through conn-x TV and a broadband access connection, customers can now enjoy digital TV services.



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## **ANNUAL FINANCIAL REPORT**

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# Message from the Chairman



Athens, May 2009

In 2008 Deutsche Telekom (DT) bought 25% of OTE S.A. and entered into an agreement with the Greek State which gives DT effective management control. Greece retains significant rights to influence strategic decisions and appointments. From the standpoint of a shareholder of OTE, this development has advantages but could also raise legitimate questions. One big advantage is that the arrangement ensures that OTE will continue to be professionally managed. Some of the countries in which OTE group operates have a tradition of seeing large utilities, regardless of their ownership, as part of the State and by extension of the party in power. The dominant presence of a large multinational telecom operator reduces significantly the risk of OTE reverting to a pre-2004 condition. Another advantage relates to size which becomes increasingly important in telecoms. OTE, big by local measurements remains an average operation by world standards. Joining the family of one of the largest international telecom groups allows us to participate more fully and immediately in the developments of the industry, improving our competitiveness and resilience.

Many a merger has floundered on the rocks of cultural differences, organizational confusion and power struggles. Approximately nine months into the partnership, the signs are that DT and OTE are building a solid relationship and are working jointly to extract value from it. In a publicly traded company, the Board of which is dominated by two major shareholders, it is imperative to demonstrate strict adherence to corporate governance rules. In OTE, both at top management level and below all decisions and actions are evaluated from the standpoint of the interests of all shareholders.

The Annual Report analyses in detail group performance and results. Net after tax profit for distribution was €601.8 mn compared with €662.6 mn in 2007. If we deduct from 2007 the net one-off gain from the sale of InfOTE, amounting to €174.1 mn, and also the one-off tax audit provisions that stood at €57.8 mn, the net profit last year was 10.2% above the year before. This and the maintenance of a sound cash position, allow OTE to propose a dividend of €0.75 per share, the same as last year.

Top performer was again Cosmote with sales up by 6.6% and market share in Greece up by 3.3 percentage points to almost 42%. Cosmote Romania achieved its target of a positive OIBDA in 2008, after three years of operation. The contribution of the Germanos chain to performance was crucial in achieving these results. In this respect, Germanos operations in Greece, Romania and Bulgaria are being integrated with Cosmote in the relevant countries.

Fixed telephony in Greece continues to be hampered by the legacy of high manpower costs as the savings achieved by the voluntary exit plan of 2005 are eroded by subsequent mandatory salary increases.

Churn is also accelerating due to prices controlled by the Regulator, forcing OTE to retail its services at 30% to 40% above its competitors while selling LLU at below its cost. Though the targets of the 2008 business plan were achieved and in some cases exceeded, there is no indication that these handicaps will disappear soon.

Unfortunately the Greek Regulator is intent on forcing functional separation on OTE and all its actions are accordingly aimed towards proving that there is no competition in Greece and that the level of service is low. Facts are irrelevant.

Satellite television which was started by RomTelecom as a move to reduce churn has grown to close to 650,000 subscribers and keeps growing with positive economic results. The market share of RomTelecom in the ADSL market has also increased from 19% last year to 26%. Problems in Romania fixed remain the low ARPU and competition from unregulated cable operators.

All subsidiaries in the OTE group met or exceeded their targets in 2008. Due to the deterioration of conditions in the property market plans to turn part of OTE Estate into a REIT have been scaled down.

The effort to narrow the broadband gap with the rest of Europe continued in 2008. The number of installed ADSL ports rose from 1.2 million to over 1.4 million bringing penetration to over 14% of the population from 10% in 2007. Due exclusively to OTE's efforts Greece had one of the fastest rates of growth internationally. OTE's retail and wholesale subscribers increased from 825,000 to 972,000 and its market share fell from almost 73% to 59% due to LLU.

In early 2008 the Greek Government announced a subsidized project to bring fiber into 2 million homes. OTE would be allowed to participate only through a special purpose subsidiary and even then only for part of the country. The overhang of this plan and periodic subsequent official repetitions with variations on the original, forced OTE to postpone its own less grandiose but more realistic plans on fiber. The Government project has now once more been postponed and OTE is following developments closely as valuable time has already been lost in bringing the

country's infrastructure up to date. The foray of OTE into IPTV makes it all the more urgent the increase in the speed and capacity of the national network.

In the areas of internal streamlining and cost controls there were significant advances in 2008. The procurement system, an "Achilles heel" since the inception of OTE was completely revamped, while a number of other changes have succeeded in keeping overall costs stable, offsetting the increases in personnel costs in fixed telephony.

All these improvements and advances would not have been possible without the hard work and dedication of the staff at every level. The achievement is even more remarkable if we include in the workload the changes and extensions of the reporting and other systems necessitated by the need of DT to consolidate OTE.

Internal politics in OME-OTE, the Union representing all OTE Unions led in 2008 to an increase in militancy focused mainly on opposition to the entry of DT. We express the sincere wish that OME-OTE leadership should abandon party politics and confrontational attitudes and concentrate its efforts on how to best help OTE to remain competitive.

Before concluding it is worth mentioning three developments which happened in late 2008 and early 2009. One was the beginning of the reorganization of the OTE retail chain by closing 100 shops. It met with strong opposition by the local political establishments but it was implemented with few changes suggested by OME-OTE. It is one of many steps in the effort to create an efficient retail network. Early 2009 saw the implementation of a law, passed in 2006, according to which the State would share in the cost of the Voluntary Exit Plan of OTE. This resulted in about €200 million being "clawed back" and the amount will appear in the results of the first quarter of 2009. Also the Government approved the inclusion in the Voluntary Exit Plan of approximately 600 employees who had been prevented from participating in the original exit. The cost of this will offset most of the "claw back" but the reduction in manpower will reduce future labor costs and allow hiring younger people with needed skills.

The world recession is reducing disposable income which in turn affects telecoms by turning users to cheaper packages. This will hurt price regulated incumbents more than their competitors. In the low ARPU countries of Eastern Europe loss of purchasing power due to weaker currencies will also affect revenue. Trends in the early months of 2009 validate the reasonable assumption that, though probably less than some other sectors, telecoms will be affected by the crisis. OTE which has constantly followed a conservative strategy is well poised to weather the storm and even profit in the longer run by the opportunities that will be presented.

A handwritten signature in black ink, appearing to read 'P. Vourloumis', with a small flourish at the end.

**Panagis Vourloumis**  
**Chairman of the Board of Directors**  
**Chief Executive Officer of OTE SA**













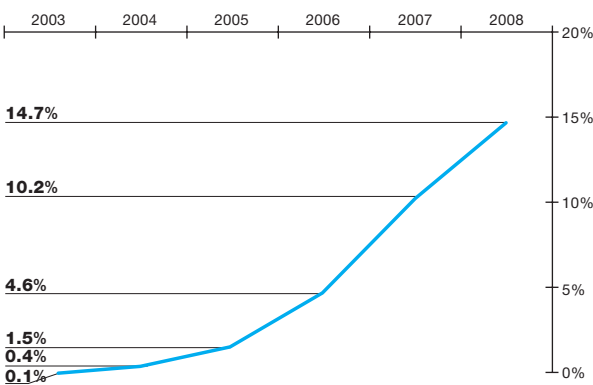
# **Rapidly bridging the digital gap with triple broadband connections in 2 years**

## **MARKET TRENDS**

According to the latest data on broadband developments in Europe, (as published by the European Communications Committee), Greece ranked 6th in terms of broadband penetration growth rates, adding much more lines than the European average (+4.3 lines per 100 people vs. +3.5 lines per 100 people in EU during 2008). Broadband penetration rate in 2008 stood at 14.7% of the population compared to 10.2% in the previous year. (Graph 1)

The rapid bridging of the gap in the penetration of broadband in Greece, as compared to the European average, came as a result of OTE's intense efforts over the last 5 years, ever since broadband development

**Greek Broadband Population Penetration**



Graph 1

became a major target for the company. OTE invested billions of euros in infrastructure, while it radically transformed and adapted the whole organization, so as to better cope with the changes at the technological, regulatory and commercial levels brought by this target of broadband expansion. During the period 2007-2008, OTE's employees installed 650,000 new ADSL ports through 1,400 new DSLAMs and activated, for OTE's competitors, a total of 628,000 lines.

The expansion of broadband services was further boosted by the increased access of alternative operators to OTE's local loop, while even further room for growth exists beyond large urban areas. OTE's initiative to promote broadband services, including LLU, in rural areas, is consistent with the targets of the «Broadband Access in Rural Areas of Greece» program of the Greek Information Society Organization.

OTE's LLU customer base doubled in 2008, reaching 672,000 subscribers compared to 310,000 in 2007. This impressive growth rate would not have been achieved without the commitment and hard work of OTE's employees to meet the strict requirements set by the Regulatory Authority. At the same time, OTE enhanced and actively promoted its products and services for residential and business customers in an effort to respond to specialized and increasing customer needs. This led to a sharp rise in total OTE and LLU broadband connections across the country,

reaching 1.6 million at the end of 2008 compared to 1.1 million at the end of 2007 and a mere 46,000 at the end of 2004. (Graph 2)

Despite the increase of LLU lines, OTE's market share in retail ADSL, at the end of 2008, remained stable at 53%. (Graph 3)

At the residential customer market, most alternative operators focused on offering bundled services, x-play packages that combine voice, broadband Internet, IPTV and mobile telephony services. Competition intensified as a result of mobile operators' offering fixed-line and broadband services.

With regards to the corporate and business customers segment, there was a growing demand for Professional and Connectivity Services. Demand for Professional services was prompted by the need for integrated solutions (bundled products and services from across the telecommunications and IT spectrum), while Connectivity Services take up, a key source of revenue from corporate and business customers is increasing on the basis of IP VPN services.

Tariffs for broadband services dropped as a result of promotional offers by alternative operators and OTE's broadband connection tariffs which, albeit excessive regulatory requirements, remained competitive, especially for low-speed broadband access. Quality of service and immediate response to individual customer needs are ensured via OTE's integrated customer care system and well-set up distribution network.

**COMMERCIAL POLICY**

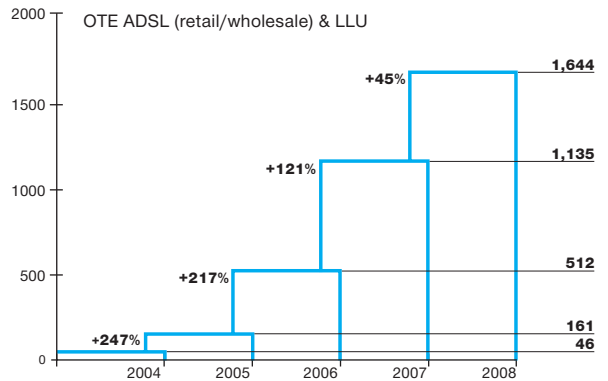
During 2008 OTE focused on successfully launching competitive broadband products and services for residential and corporate/business customers.

**PRODUCTS AND SERVICES FOR RESIDENTIAL CUSTOMERS**

Technological convergence, the consumer trend towards "home entertainment", as well as the rapid expansion of broadband services, over the past few years, have led to the promotion of digital TV services through broadband access (IPTV). This service is also available to clients through triple-play combining voice, usually VoIP, ADSL and TV/VoD services.

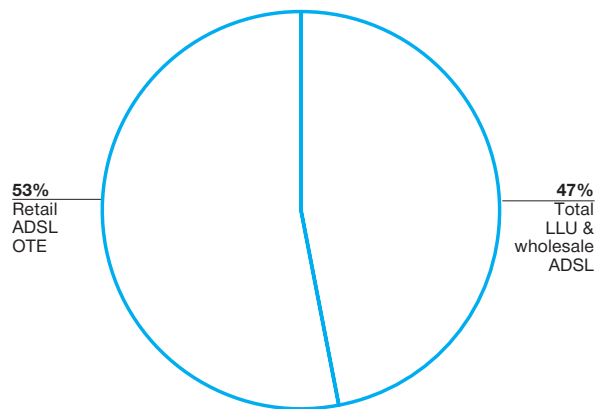
In response to global telecommunication trends and

**Greek Broadband Market (000)**



Graph 2

**OTE Retail ADSL Market Share (2008)**



Graph 3

customer needs, OTE launched the **conn-x TV** (IPTV) service and offered it on a pilot basis in October 2008 to 1,800 subscribers. The commercial IPTV launch took place in February 2009 in Attica, Thessaloniki, Patra, Larisa and Iraklio (Crete). Exclusive distributors are the OTEshops, the 134 call-centre and the Germanos distribution network and soon through other retailers as well. Gradually until the end of 2009, conn-x TV will be available in all Greek prefecture capitals.

Through the conn-x TV offering, OTE will meet customer needs for more TV content options, striving to become a leading operator in the triple-play market.

Through its traditional broadband product **conn-x**, available since 2008, OTE offers the following:

- **Fast download access speeds up to 24Mbps**
- **Fast upload speeds up to 1Mbps**

- *Internet access bundled in **OnDSL Home***
- *“Always-on” broadband access*
- *State-of-the-art equipment (Modem/Router or wireless Modem/Router)*

In October 2008, following OTENET’s absorption, OTE introduced **conn-x student pack** in collaboration with the “DIODOS” project, offering:

- *Free activation and equipment (cable modem/router)*
- *ADSL technical support and first-level technical support for Internet-feed*

OTE also offers to top undergraduate and postgraduate university students the following:

- *Free conn-x at 1Mbps access speed*
- *Free ADSL activation*
- *Free equipment, Modem/Router*

In 2008 there was an increased take up of OTE’s upgraded **conn-x talk** offering, which combines voice and broadband services. Conn-x customers, having subscribed with the flat rate conn-x talk for unlimited voice calls, now comprise 35% of total ADSL customers from 30% at the end of 2007. (Graphs 4 and 4a)

## PRODUCTS AND SERVICES FOR CORPORATE AND BUSINESS CUSTOMERS

The telecommunication needs of corporate and business customers are oriented mainly towards broadband services and bundled products that offer integrated solutions and value added services.

To this end, OTE currently offers:

- *Integrated bundles of broadband connection and Web Presence, such as **conn-x@work***
- *Bundled products that combine broadband connection, discount voice packages, SLA and VAS such as **MNS - conn-x @Work Plus***
- *IP VPN services*
- *Metro Ethernet services*
- *Leased Line services*
- *WiFi Hot spots*
- *Wimax services*
- *Network and System Solutions*
- *Data Center services*

As part of integrated access services (ADSL) and the **conn-x@work** package, OTE offers:

- *High speeds up to 24Mbps*
- *Web site development and hosting*
- *Unlimited corporate user-friendly e-mails*

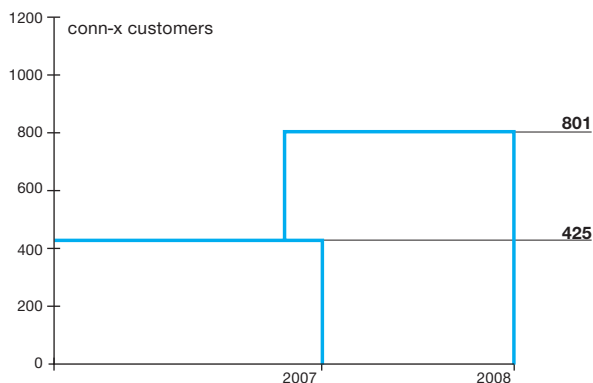
- *Up to 16 static IP addresses*
- *Cable or wireless LAN network possibilities*

The company also offers WiFi Hot spots services. This service enables business customers to commercially offer broadband access for end-customers wishing to access the Internet through wireless connections (using their notebook). Retail fees and tariffs are determined by the businesses customers.

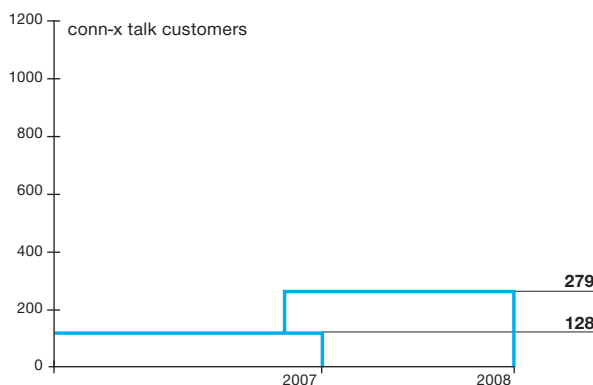
OTE also launched **conn-x@work plus**, an integrated telecoms solution that addresses small and mid-sized businesses, offering connectivity services for voice and data at various points of presence. It is a comprehensive package provided by one single operator. More specifically, conn-x@work plus offers:

- *Fast Internet access up to 24Mbps*
- *Attractive fixed-line tariffs*
- *ADSL access IP VPN solutions*
- *Equipment free of charge, including installation and configuration*

**OTE ADSL & Flat Rate Customers (000)**



Graph 4



Graph 4a

- *Managed Network Services for online monitoring and management of network and equipment*
- *Service Level Agreement (SLA) for installation and fault-repair times*
- *Technical support and fault repair management*

OTE also provides corporate and business customers with Connectivity services mainly based on IP VPN solutions. These services target enterprises seeking to connect their headquarters with their branches, with other remote points (e.g. warehouses), or even with other companies (e.g. clients or suppliers). This connection is provided through OTE's IP MPLS network, whose security and quality specifications are identical to those of closed corporate networks.

IP VPN service is the platform on which other value added services are based, such as the management of customer terminal equipment (WAN CPE terminal management, LAN infrastructure management, IP-PBX management, network security equipment management)

OTE's new products for this particular market segment include the following:

- *Higher connection speeds that respond to customers' increasing needs for bandwidth*
- *Different Internet access options, such as SHDSL, Ethernet, LMDS/GPRS/3G that meet customer needs for quality, efficiency and cost*
- *IP VPN and VoIP services bundling that provides an integrated cost-efficient data-and-voice solution*
- *Diversified quality and SLA levels that meet the versatile customer-applications requirements*
- *Value added services, such as the management of a customer's terminal equipment*

OTE has developed a country-wide Metro Ethernet network, as part of its infrastructure modernization strategy. This network was significantly enhanced in 2008, and currently provides:

- *Cost-effective data and voice services*
- *Interconnection of customers, suppliers and partners within integrated networks*
- *Transfers of large volumes of data to metropolitan and regional areas*
- *Connection of corporate and business customers points of presence for the transfer of data and voice services through new technologies at a very low cost*

- *Integration of customers, suppliers and partners networks within unified, long-distance networks*

Apart from pure broadband access services and aspiring to fully support enterprise customers as a strategic ally, OTE is present in ICT services by means of integrated turn-key solutions that satisfy even specialized business customer needs. These Network and System Solutions cover all stages of a complex project:

- *Consulting Services*
- *Design Services*
- *Implementation Services*
- *After-Sales Services*
- *All necessary equipment (by direct sale or leasing), including installation and configuration*
- *Quality control for deliverables and management of changes.*

Quality of service is ensured through the skills of OTE employees, who hold certifications in a wide range of technologies (network, IP telephony, servers, software etc.), and through the company's partnerships with globally renowned manufacturers (Cisco, HP, Oracle, Microsoft).

For the small and mid-sized business, OTE has developed bundled packages that comprise telephony, broadband Internet access and Data Center services (such as Internet Co-location, Managed Servers, Streaming services etc.) These solutions are suitable for reliable, non-stop operation of businesses' equipment and cost-effective, high-capacity Internet access.

## **2009 OUTLOOK**

With regards to its broadband services, OTE is focused on achieving a higher penetration rate in the market segment of Greek residential customers. OTE aims to retain the leading market share, captured by the conn-x brand, through an upgrade of its service portfolio.

For corporate and business customers, OTE will optimize the conn-x@work products family, retaining its leading position in the broadband market. The company will further promote connectivity services, placing special emphasis on the promotion of Managed Network Services and value-added services. OTE will consolidate its market presence by offering integrated solutions and services, capitalizing on the company's renowned reliability and by upholding corporate customers' satisfaction.







# ***Focused on customer needs and service quality***

Within highly competitive markets, telecom operators aiming for a competitive advantage need to immediately respond and cater for customer needs, develop the most appropriate products that match those needs, and commit to a best-of-class customer service.

Along these lines, at the end of 2007, OTE separated its former Business and Residential Customer Division into two different units: the Corporate and Business Customer division and the Residential Customer division. This strategic organizational development reflects a customer-oriented approach that allows the effective management of two distinct customer segments, residential and business, and will in essence lead to stronger customer relationships.

The two customer divisions are completely autonomous in defining their commercial strategy, developing products and solutions, and offering full support to their respective customer base. As a result, the two organizational units are able to apply the most appropriate segmentation and client management systems, ensuring that customers receive the right product offer and optimal support as per their individual needs.

These organizational changes have significantly enhanced OTE's prompt response to distinct customer needs and have contributed to the company's performance in terms of market share. In addition, through this development OTE has also expanded its product and services offering. These developments have also increased considerably the customer satisfaction levels.

## **MARKET TRENDS**

Rapid developments across all fixed-line segments occurred in 2008. The establishment of stronger corporate entities and the formation of strategic alliances have become prerequisites for survival in this competitive market environment with declining profitability margins. Furthermore, intensified competition brought about partnerships between mobile telephony providers and alternative fixed-line operators, as a means to provide integrated telecom solutions. During the year, most operators were faced with the dilemma to participate in strategic alliances with competitors or request extra capital from their shareholders, in order to survive. In the near future, the market will be driven by the convergence in fixed-line and mobile telephony in terms of service offerings and telecom networks, therefore, market changes and corporate developments are expected to intensify.

In 2008, the market was characterized by the following events:

**The promotion of a full range of service packages at very low prices**, which had a direct negative effect on financial performance of alternative carriers. These packages included single, double and triple play services and their launch was accompanied by extensive marketing campaigns.

**The rapid growth of Local Loop Unbundling (LLU)** that boosted broadband penetration in Greece in both urban and rural areas.

The convergence of services and offering of bundles that combine voice, Internet, IPTV and mobile telephony services. This led to an increased demand for high-speed broadband connections and LLU.

The increased business customer demand integrated solutions that combine products and services from across the ICT (Information and Communication Technologies) spectrum.

The launch of flat rate packages that offer unlimited airtime, a trend that is gradually leading the market away from per-minute charges, towards unlimited voice calls offered for local, long-distance and international calls, and occasionally for fixed-to-mobile calls as well.

The substitution of fixed-line telephony by mobile services through bundled products and services, offering fixed-line, mobile as well as broadband services.

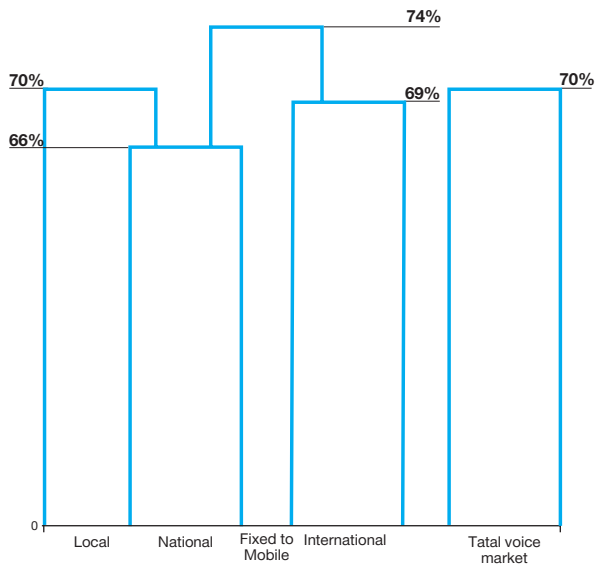
## PRODUCTS AND SERVICES FOR RESIDENTIAL CUSTOMERS

At the end of 2008 OTE had 4.1 million fixed PSTN lines and almost 1.3 million ISDN access channels. The company's market share in the various segments of the residential customers market is presented in Graph 1.

During the year, the **conn-x talk** package that bundles voice services with broadband access, was upgraded to include unlimited voice for local and domestic, long-distance calls terminating to all national fixed-line networks. OTE also offers unlimited fast Internet access at speeds of up to 24Mbps, combined with special offers for calls 24 hours-7 days a week, through the **conn-x talk 24/7** package, while **conn-x talk Evenings and Weekends** offers unlimited calls on weekday evening (20:00-08:00) and also weekends. (Graph 2)

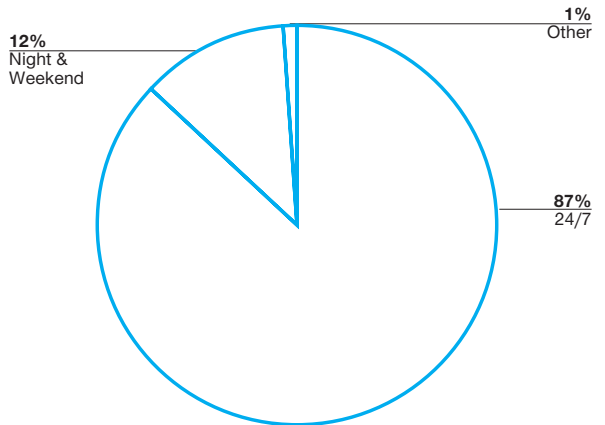
The flat rate OTE talk 24/7 and OTE talk packages include unlimited calls terminating to all national fixed-line operators, thus offering residential customers without a broadband connection the option of unlimited calls to all fixed-line destinations in Greece. OTE talk programs are similar to the conn-x talk range of products and have the following characteristics:

**OTE Market Shares per Call Category (2008)**



Graph 1

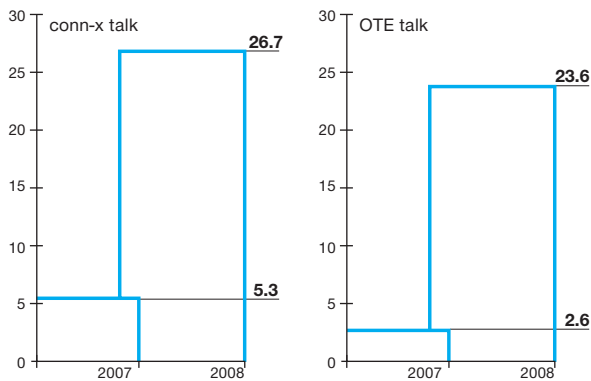
**Flat Rate conn-x talk Customer Breakdown (2008)**



Graph 2

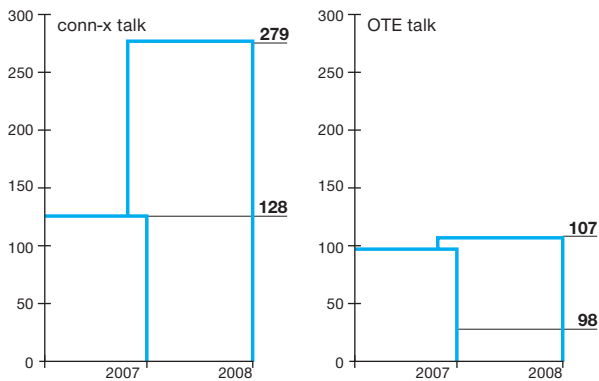
- OTE talk 24/7 offers unlimited local and long-distance calls to all fixed-line operators 24 hours a day, 7 days a week
- OTE talk Evenings and Weekends offers unlimited local and long-distance calls to all fixed-line operators on weekday evening (20:00-08:00) and weekends
- OTE talk 1.2.3 offers unlimited local and long-distance calls to 1 and up to 3 fixed-line numbers designated by the subscriber.

### Flat Rate Revenue Breakdown (€ mn)



Graph 3

### OTE ADSL & Flat Rate Customers (000)



Graph 4

Over 50% of conn-x talk gross sales were achieved at the last 5 months of the year, highlighting the success rate of OTE's flat rate voice programs. The rising number of OTE talk and conn-x talk subscribers and implied revenue contribution are illustrated in *Graphs 3 and 4*.

Regarding fixed-to-mobile calls, the tariff reductions introduced in OTE mobile programs made the calls to mobile destinations even more attractive. The range of existing programs, OTE mobile 30, OTE mobile 60, OTE mobile 120, OTE mobile 240 and the upgraded OTE mobile 480 program now fully address the needs of subscribers who prefer to use their fixed-line phones for calls to mobile numbers.

As a response to the increasing demand for converged products, OTE launched in May 2008 a new package that combines fixed-line, mobile and broadband serv-

ices. With the OTE all in 1 package, for the first time OTE's customers receive their OTE fixed-line, mobile telephony and broadband services (up to 24Mbps) charges in a single bill.

Since January 2008 OTE offers an upgraded version of the KATEXOCHIN package (a special program targeting residential customers who own a country home). The new loyalty plan offers residential customers the option to maintain a fixed-line connection during all weekends plus full operation for a total period of six months (KATEXOCHIN plus Weekends).

In fixed-line phone cards, OTE offers the pre-paid cards Telekarta (used only on phone booths), Chronokarta and ALLO. In 2008, OTE's market share in the phone cards segment (as measured by sales value) reached 71%.

OTE also operates a number of content Portals, most of which were formerly run by the recently absorbed ISP OTEnet. The most important of these are: [www.OTENET.gr](http://www.OTENET.gr) (a general info and entertainment portal, the second most popular website in Greece with an estimated 1.2 million unique visitors and 13 million page views per month), [www.Travel.gr](http://www.Travel.gr) (relates to tourist services), [www.WomanToday.gr](http://www.WomanToday.gr) (portal dedicated to women and lifestyle) and [www.2x4.gr](http://www.2x4.gr) (portal dedicated to driving hobby).

### PRODUCTS AND SERVICES FOR CORPORATE AND BUSINESS CUSTOMERS

OTE provides corporate and business customers with voice and data services, bundled products, as well as integrated telecommunications and IT infrastructure solutions, tailored to the specific needs of every customer.

In order to meet the needs of its corporate and business customers and the challenges posed by competition, OTE proceeded during 2008 with the upgrade of its existing voice packages as with the launch of new programs. Now OTE product offering comprises of:

The Business Call and Business Call Premium programs address business needs for attractively priced local, long-distance and international voice calls.

The conn-x@work plus is a bundled services package, for small and mid-sized businesses, that offers voice and data interconnection at multiple points of presence.

The OTElink-Tetra provide business customers within a private telecommunications network with advanced fixed-line and mobile telephony features, as well as voice and data transfer capability using specially designed equipment terminals.

## DISTRIBUTION NETWORK AND RESIDENTIAL CUSTOMER SERVICE

OTE owns the most extensive distribution network in Greece (OTEShops, Cosmote and Germanos) as well as its Call Centers, providing residential customers with a whole range of products and services. (Graph 5)

OTE is strongly focused on the continuous optimization of its customer care system (pre-sales and after-sales). Online shops as well as customer service centers are considered key distribution and customer service channels that maximize efficiency through their relatively low running costs. OTE's customer service centers are ISO 9001:2000 certified and based on market research, customer satisfaction from OTE's customer service quality consistently exceeds 90%. (Table 1)

### OTE's Telephone Sales and Customer Service Centers (2008)

#### Telephone sales center 134

Telephone calls	4.7 million
Average response time	21 sec
Customer satisfaction rate	93.7%

#### Online sales store [www.oteshop.gr](http://www.oteshop.gr)

Visits	1.7 million
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#### Directory enquiries 11888

Answered calls	35.7 million
Average response time	23 sec
Customer satisfaction rate	96.2%

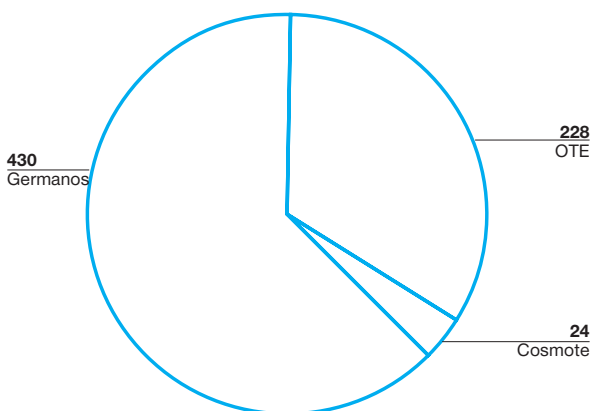
### OTE's Corporate and Business Customer Service

#### Call center 13818

Total number of calls received	126,000
Percentage of calls answered	90.5%
Average response time	132 sec

Table 1

### OTE Group Greek Retail Network (2008)



Graph 5

OTE's Call Centers, which operate in four major cities, comprise of more than 1,000 workstations and handle customer requests from all over the country. Their personnel are well-trained and have state-of-the-art equipment. OTE's specialized customer service centers include the Telephone Sales Center 134, comprising of 4 Call Centers with 200 workstations, Directory Enquiries 11888, the online sales store [www.oteshop.gr](http://www.oteshop.gr), OTELINE call center for outbound Telemarketing, the 1502 call center for the issuance of government-related certificates, the European emergency number 112, 121 for technical fault reporting, a service center for people with hearing disabilities, OTEAlert center for residential and business alerts, 129-139 operator services for national-international calls, as well as international directory enquiries 11889 and OTE tele-information 14744, 14844, 14944.

High quality after-sales support and efficient solutions offered to customers are key strategic objectives of the company. Customer requests and complaints are handled through highly sophisticated customer support systems.

### CORPORATE AND BUSINESS CUSTOMER SERVICE

Aiming to provide high quality customer support, OTE set up a new distinct unit focusing on corporate and business customer sales. The operations of this unit are geared towards offering customers one-stop shop solutions with respect to both commercial, as well as technical issues and requests. This development provides OTE with the added benefit of optimizing

the geographical distribution of relevant functions and processes.

As a means to enhance the quality of customer support, OTE launched in September 2008 its **13818** OTEbusiness Customer Service. This business is the result of the unification of various call centers previously available. Through 13818 OTEbusiness Customer Service OTE offers:

- *Single-point helpdesk for both commercial and technical issues*
- *Enhanced services through the OTEbusiness Customer Service groups*
- *Call-routing via a modern IP call-center*
- *Improved customer-request support*

## **DEVELOPMENTS IN 2008**

During the year, OTE:

- *Developed an integrated order handling system for all distribution networks, including that of Germanos S.A., which will enable the improved monitoring of sales through all channels and the adoption of a more flexible commercial policy towards each network*
- *Implemented an e-bill project for the [www.oteshop.gr](http://www.oteshop.gr) online sales and customer care units*
- *Developed an advanced Data Warehouse system. The collection and processing of information, enables the company to monitor developments, analyze trends, understand customer behavior and support strategic processes through high quality Business Intelligence information*

In 2008, OTE achieved its own commercial targets. In traditional fixed-line services, the company managed to control churn albeit the difficulties of the market and regulatory constraints with respect to pricing and product offering. The company also won back customers from pre-selection and local loop customers and introduced new bundled products (OTE all in 1).

In the pre-paid cards market, OTE retained its leading position both in terms of customers and voice traffic. With respect to information directories, the company maintained its market share, enriched its **11888** directory enquiries service and introduced new service numbers (**14744**, **14844**, **14944**).

With regards to customer care and call center services for both residential and corporate customers,

OTE introduced auto-activation services for Internet OnDSL access, relieving thereby customer service call centers from sizable workload.

During the year, OTE introduced the Call Completion service and the Audio Release and phone number texting service for the **11888** call center. The company also launched **my e-bill** service, offered through the [www.oteshop.gr](http://www.oteshop.gr) website.

With respect to corporate and business customers, OTE optimized its customer segmentation system, and is now able to identify the best service model according to the individual customer needs.

## **OUTLOOK FOR 2009**

In the residential customer segment, OTE will emphasize the development of new products, especially in converged services between fixed-line, mobile telephony and broadband Internet access. The company intends to upgrade its OTE all in 1 package, as well as enhance the existing unlimited flat rate packages with new features, such as calls to mobile and international destinations. Furthermore, OTE plans to introduce innovative programs and packages, responding to the needs of niche markets, launch customer loyalty plans (Loyalty and Redemption programs) and proceed with marketing campaigns that will include special offers for packages including equipment.

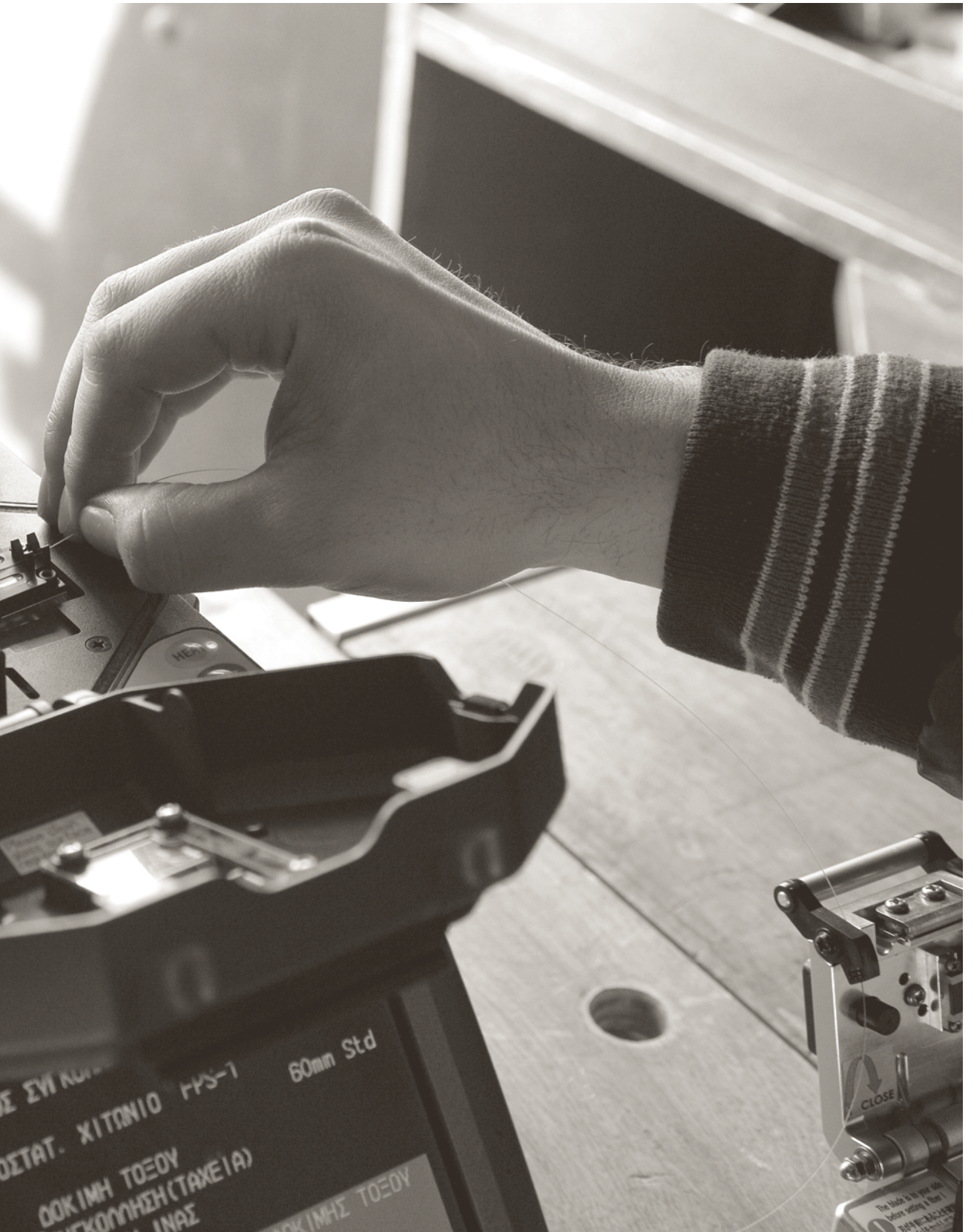
In value-added services, OTE plans to introduce and promote new services, such as the OTE MusicCall - SMS VAS and Free SMS. The distribution network and residential customer service will also be enhanced through the set up of an on-line management channel (e-Channel).

Aiming to retain its fixed-line market share in the corporate and business customer market, OTE will introduce new packages. Moreover, the company plans to expand its portfolio of products and services through the offering of bundles for voice packages and managed PBX services, the addition of VoIP services to VPN solutions and the promotion of integrated data and voice services to mid-sized enterprises.









# 362,000 new LLU lines

### MARKET TRENDS

The wholesale market has several distinct characteristics since the majority of services and products offered to alternative telecom operators are subject to regulatory requirements. OTE successfully meets these requirements and has been providing telecom operators with a vast array of products and services. In 2008, the wholesale market continued to grow rapidly, as a result of the overall market growth combined with the promotion of new broadband services by OTE.

Over the last couple of years, attention in the wholesale market has shifted over to Local Loop Unbundling (LLU), hence intensifying competition among operators that have invested in the development of the required infrastructure to offer alternative ADSL Internet services and wireless broadband access.

Today, there are 48 fixed-line and mobile telephony providers operating in the Greek telecommunications market, of which, 18 are interconnected with OTE's network and 16 offer services via LLU.

Mergers and acquisitions among telecom operators in the fixed-line market as a means to withstand fierce competition and the dynamic entry of mobile operators have gradually transformed the competitive landscape of this market. These developments, coupled with technological change and financial conditions, threaten the resilience and survival of many companies.

### INTEGRATED WHOLESALE SERVICES FOR TELECOM OPERATORS

Monitoring market trends and identifying business opportunities in new operational fields, OTE develops innovative services, in order to meet the increasing and specialized needs of other operators and contribute to the expansion of the Greek telecommunications market. In 2008, the LLU services offered by OTE

at the wholesale level contributed significantly to the rapid growth of broadband penetration. The total broadband market size reached the milestone level of 1.5 million lines, which correspond to a population penetration of over 13%.

OTE's services for other operators include the following:

- *Broadband*
- *Local Loop Unbundling*
- *Data Transfer*
- *Voice and Network Interconnection*
- *Value-added Services*

Seeking to enhance its service portfolio, in 2008 OTE:

- *Expanded and upgraded its Metro Ethernet high-speed data transmission services*
- *Launched Wide Area Ethernet (WE Line Ethernet) in order to provide Ethernet services outside big cities*
- *Offered wholesale Leased Lines in the form of Terminal-Link parts and transmission connections which create economies of scale and fully exploit the operators' infrastructure, as dictated by the Hellenic Telecommunications and Post Commission (EETT)*
- *Offered Wholesale Line Rental (WLR) services. WLR allows operators to rent an access line (PSTN and ISDN BRA) and offer voice services to customers, under their own brand name. The end-user receives a single bill*
- *Offered Leased Lines and Remote Co-location services to operators – contractors of the project "Information Society Measure 4.2" – in urban local exchanges where the number of OTE's subscribers is below 5,000*
- *Offered Co-location, LLU and related services in 267 urban local exchanges throughout the country*
- *Expanded access to directory enquiries by offering*

its “11888” service to subscribers of all mobile and fixed-line operators, along the lines of networks’ interconnectivity

- Established a single Fault Report Center for all operators, working on a 24/7 basis to handle all kinds of requests
- Expanded and upgraded the W-CRM e-filing systems for LLU, Wholesale ADSL, Number Portability, and Carrier Pre-selection requests, and developed new W-CRM systems for Interconnectivity services (W-CRMWIL) and Wholesale Line Rental (WLR)
- Activated new interactive applications and enriched the content of the [www.otewholesale.gr](http://www.otewholesale.gr) website
- Developed and applied new marketing plans to promote its products and services

### LLU SERVICES

The great demand for LLU services that began in 2007, continued in 2008. OTE tackled this strenuous task – in terms of technical and organizational workload and requirements –and proceeded with the unbundling of over 360,000 new lines within the year (up by more than 110% compared to 2007). At the end of 2008, the number of LLU lines was 672,000 compared to 310,000 in 2007\*. (Graph 1)

Most access lines correspond to Full LLU services. (Graph 2)

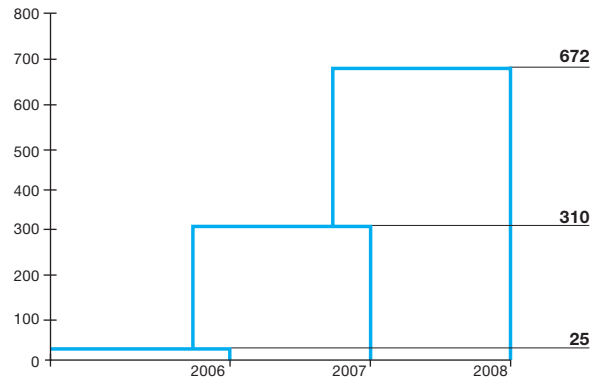
Demand for services related to LLU, such as Co-location and Transmission services, also grew significantly in 2008. The Physical Co-location services offered by OTE and the number of OTE’s local exchanges which supported this service are demonstrated in *Graphs 3 and 3a*.

Remote Co-location agreements reached 141 in 2008, and including Remote Co-location services which were offered to contractors involved in the “Information Society” project, the number of agreements reached 237 compared to 87 in 2007.

### WHOLESALE BROADBAND SERVICES

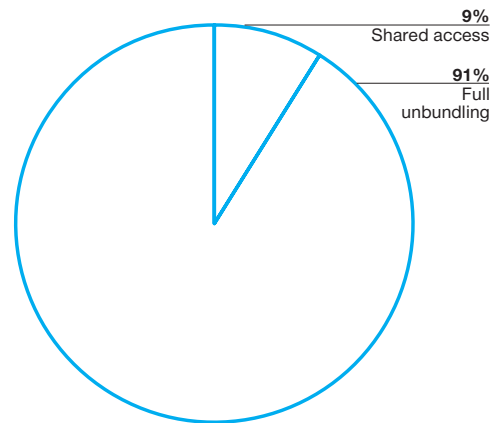
Active wholesale ADSL connections at the end of 2008 reached 94,000. This number is considerably lower,

**LLU Lines (000)**



Graph 1

**LLU Breakdown (2008)**



Graph 2

compared to 223,000 of 2007, due to the commercial policies that stimulated the migration of customers from wholesale broadband access to Local Loop Unbundling. The drop in the number of wholesale ADSL connections partly reflects strategic developments in the market, such as takeovers and insolvencies of operators providing wholesale broadband access.

### WHOLESALE LEASED LINES AND DATA SERVICES

The number of leased circuits slid by 4.9% from 14,000 in 2007 to 13,000 in 2008. Interconnection links reached 7,000 in 2008 (of which approximately 1,400 correspond to Trunk segments) slightly lower than the 2007 figure (of which, however, only 394 corresponded to Trunk segments). The strong demand for high capacity lines as well as for Backhaul SDH and Ethernet networks continued in 2008 as well. Finally,

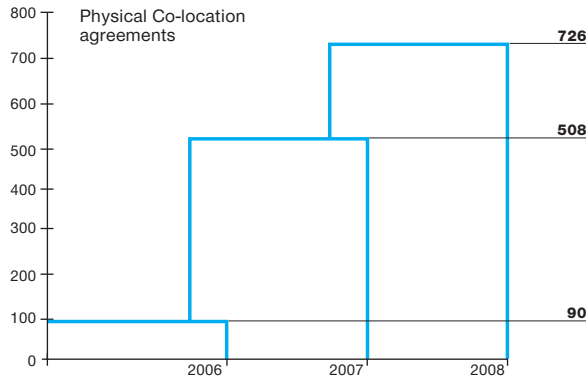
\* LLU lines reflect the total number of unbundled local loops including lines pending activation.

a key development in 2008 was OTE's compliance with the regulatory requirement to provide Wholesale Leased Lines in the form of Terminal-Link Parts and Transmission Connections.

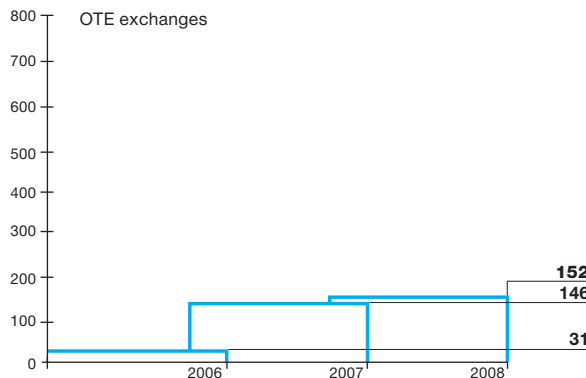
### INTERCONNECTION SERVICES

In terms of interconnection services, the traffic volume of alternative operator calls terminating at OTE's network, dropped by 10.3%, based on minutes, compared to 2007 and reached 5.2 billion minutes. The traffic volume of mobile operators terminating at OTE's network grew by almost 6.5%, exceeding 2.1 billion minutes in 2008. Origination and transit traffic minutes decreased significantly by almost 29.7%, reaching 4.5 billion minutes. In 2008, the migration of wholesale customers from Carrier Pre-Selection services (CPS) to bundled double-play services increased considerably, along with the customer base of number portability services.

#### Physical Co-location



Graph 3



Graph 3a

### HIGH GROWTH RATES

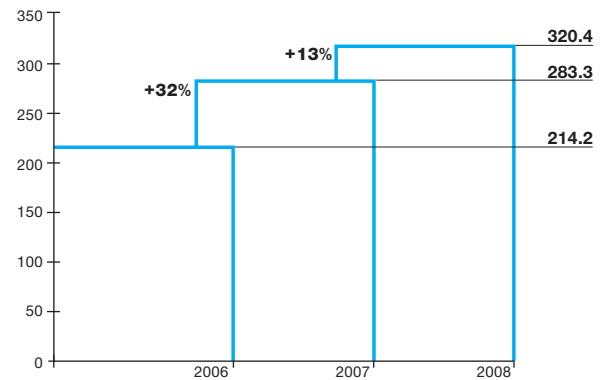
In 2008, revenues from wholesale services increased by 13.1% compared to the previous year. (Graph 4)

The breakdown of 2008 wholesale revenues is illustrated in Graph 5.

### ASSURANCE OF SERVICE AND CUSTOMER CARE QUALITY

In 2008, OTE focused on building stronger relationships with alternative operators and enhanced its customer service systems. Throughout the year, the company monitored the market of wholesale services to other operators, in order to identify market trends, record and understand the changing needs of customers, and develop individual customer profiles.

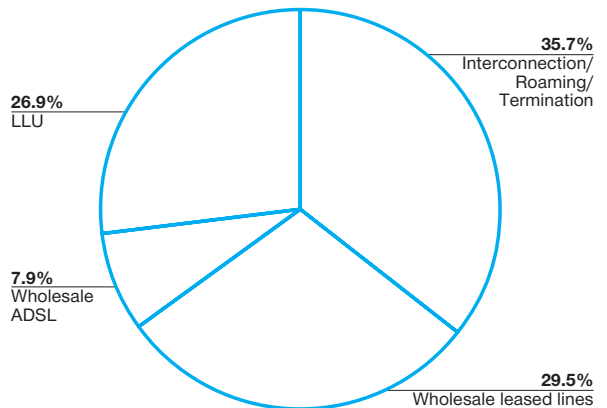
#### Wholesale Revenues (€ mn)\*



Graph 4

\* Total revenues from Interconnection/ Roaming/ Termination, Wholesale leased lines, Wholesale ADSL and LLU/Co-location

#### Wholesale Revenue Breakdown (2008)



Graph 5

The implementation and development of the Wholesale CRM (W-CRM) system enhanced OTE's efficiency with regards to the management and support of services provided to operators, and further improved all internal processes within OTE. Customer service quality improved considerably through the electronic filing, statistical analysis, reporting, monitoring and processing of requests for LLU, Co-location, wholesale ADSL, number portability, carrier pre-selection and Interconnection services.

The improved services of the Fault Report and Management Center, for all operators, allowed for quick responses and immediate handling of technical problems of customers. In 2008, the average time of response and fault management improved considerably.

The market research project "Customer Satisfaction-Fidelity Barometer", conducted in 2008, which reviews and evaluates the quality of service, communication, support, problem-solving and relations between alternative operators and OTE, confirmed the latter's continuous advancement in the aforementioned areas.

The upgrade of the [www.otewholesale.gr](http://www.otewholesale.gr) website in 2008 enhanced the company's image and reliability. The website now hosts detailed presentations, and online promotion and support center for all products and services.

Regarding the dissemination of information to operators, OTE complied with the specific regulatory guidelines, referring to the type, the time and volume of posted information on the [otewholesale.gr](http://otewholesale.gr) webpage in 2008.

## **2009 OUTLOOK**

The company's strategic objectives for 2009 include the following:

- *Provision of best-of-class services that meet the needs of fixed-line and mobile operators in an environment characterized by technology convergence*
- *High-quality customer service and direct after-sale support*

# Rapid deployment of New Generation infrastructure across the country

One of the most significant challenges currently faced by telecom operators today relates to the upgrade and transformation of their network and infrastructure. The rapid expansion of broadband services and the increased demand for bundled products call for a single broadband platform which will support technologies' convergence and allow for the provision of bundled services.

Over the last couple of years, OTE has been investing in the gradual transformation of its TDM network into a Next Generation Network (NGN). This single, all-IP infrastructure offers automated control from one, central location and can support current and new infrastructure. Furthermore, NGNs are based on TIS-PAN IMS architecture which allows for fixed-line and mobile telephony convergence.

OTE also employs Service Level Agreement tools for the quantitative assessment of its services quality.

Significant projects, relating to the transformation of OTE's network, which were carried out in 2008, include the following:

- *Development of the IPTV network infrastructure and pilot launch of IPTV and Video on Demand (VoD) services in Athens, Thessaloniki, Larisa, Patra and Iraklio*
- *Upgrade and expansion of the backbone transmission network, to accommodate the growing traffic volume*
- *Upgrade of the IP backbone network via the installation of Terabit routers at all major points of presence (Athens, Thessaloniki, Patra)*

- *Identification of all IMS requirements for the transformation of OTE's network to NGN*
- *Pilot-launch of an NGA (VDSL) program for high speed access subscription*
- *Upgrade of the DWDM backbone rings*
- *Launch of the Service Assurance system covering the xDSL, Metro Ethernet and SDH networks*
- *Installation of three pilot WiMAX systems*

In 2009, the company also plans to:

- *Commercially launch IPTV in other large cities in Greece*
- *Transfer all necessary equipment to rural areas of Greece in order to upgrade OTE's IP backbone network*
- *Select a supplier for the IMS system*
- *Define the strategic options with regards to Next Generation Access (NGA, FTTx)*
- *Complete the integration of OTE and OTENE's networks, which began in 2008*
- *Develop three new DWDM backbone rings and fully install the equipment for 116 regional rings*
- *Commercially launch the WiMAX network, offering broadband voice and data services*
- *Launch a tender for the new Intelligent Network (IN) whose implementation is scheduled for 2009. This project involves the substitution of the current IN system with a new one*

## FIXED-LINE NETWORK INFRASTRUCTURE AND QUALITY

OTE's fixed-line network consists of approximately 2,400 exchanges. The installed capacity of OTE's exchanges as at December 31, 2008 stood at 5.9 million PSTN lines, 676,000 ISDN BRA lines and 9,500 PRA lines.

In 2008, network quality indicators were as follows:

	2007	2008
Fault frequency (per 100 connections)	12	11
Unsuccessful calls rate	1.6%	1.4%
Response time for operator services	15 sec	25 sec
Response time for directory enquiries	20 sec	20 sec
New connection set-up time (days)	10.1	10.3

Voice and value-added services are supported by a network of exchanges and the IN, IVR, VMS, SMS, RBT platforms.

Fixed-line operations are also supported by the ATM (HELLASTREAM) Network, a data package transfer network based on ATM technology, with 47 points of presence throughout Greece. Customers are provided with Cell Relay circuits at 2Mbps-155Mbps and Frame Relay up to 2Mbps, through a network of 72 ATM switches. The ATM network also carries broadband traffic from ATM DSLAMs.

## IP ACCESS ACROSS THE COUNTRY

OTE focused on making broadband services available to rural areas. Following the OTE-OTENET merger, the IP Access Network currently consists of 108 points of presence across the country, corresponding to 95% of the active telephone lines. Aiming to support the ADSL network via BRAS, the network was further supported with BRAS technology. As a result, at the 15 BRAS points of presence, the number of systems that correspond to these PoPs grew from 37 to 43. Services that are offered through the IP network include: IP VPN, IP Transit, VoIP, VPNs, Central Connection to the ADSL Network (O.K.SY.A) and Dial-Up Internet access.

## IP BACKBONE

OTE's IP Backbone Network consists of 7 IP Core points of presence across the country and supports all broadband and IP services provided by the company. Network nodes are connected via nX10Gbps, nX2.5Gbps or nX1Gbps circuits. New Terabit routers were installed, in 2008, in Athens, Thessaloniki and Patra.

## IP-NGN NETWORK

The IP-NGN network currently supports the provision of VoIP services as part of the state-sponsored "SYZEFXIS" project. A total of 43 points of presence are equipped with IP-NGN infrastructure with Media Gateways, 1 Softswitch, 8 Sip Servers (one Sip Server covers residential VoIP exclusively), 1 Centralized IP PBX and 4 SBC.

## ETHERNET NETWORK

Metro Ethernet offers broadband Internet and leased-line services. As at December 31, 2008, the Metro Ethernet network had 300 points of presence across the country, compared to 209 in 2007.

Indicative products and services based on IP and Ethernet include:

- *IPVPNs*
- *IP Transit*
- *VoIPVPNs*
- *E-Line (Layer 2 VPNs)*
- *Wide Area Ethernet (Layer 2 VPNs among cities)*
- *Integrated Central ADSL Connection*
- *Dial-Up Internet access*

## ADSL

In 2008, OTE continued to reinforce its presence in the ADSL market, raising the number of installed ADSL ports from 1.2 million at the end of 2007, to over 1.4 million at the end of 2008. The service is now available countrywide, with 1,420 points of presence and more than 3,600 DSLAMs, covering areas with fewer than 500 telephone connections. The ADSL network comprises of ATM and Ethernet DSLAMs which support broadband Internet, VoIP and IPTV services.



## LOCAL LOOP

By the end of 2008, there were 647,000 local loops, compared to 274,000 in 2007, fully or partially unbundled, as well as 152 physical Co-locations in OTE's local exchanges and 209 remote Co-locations.

## IPTV

In 2008, IPTV was installed and configured in 5 large cities (Athens, Thessaloniki, Patra, Larisa and Iraklio) offering television and VoD services. These services were offered on a pilot-basis until the beginning of 2009 when they were commercially launched. IPTV servers for VoD services are located in the 5 largest cities of the country (Athens, Thessaloniki, Patra, Larisa and Iraklio).

## WIRELESS ACCESS

By the end of the year, there were 166 wireless multi-point systems narrow band systems (Point-to-MultiPoint) installed in the 1.5GHz, 2.5GHz and 3.5GHz bands. In 2008, two pilot WiMAX systems were installed – one in the Attica region and one at Mount Athos – comprising 12 and 8 access stations respectively. In 2009, current as well as new systems will be commercially launched, offering broadband data and voice services. In addition, the company has finalized its plans for 10 new WiMAX systems with 39 transmission points to be installed across the country.

## OTHER NETWORKS

### *Satellite Services*

The provision of satellite services via the Head End systems and the two Satellite Transmission Centers (in Nemea and in Thermopyles, comprising 14 satellite stations in total) increased significantly in 2008. OTE's satellites, Intelsat, Inmarsat, Hellas-Sat, Amos, Thaicom, NSS and Telstar offer services, including:

- *Permanent Radio/TV broadcast, including reception/transmission of Radio/TV signals*
- *Data services at a transmission rate of 230Mbps.*
- *Inmarsat services to parts of the Atlantic and the Indian Ocean: telephony, Internet, data, Telex, E-mail and navigation security*
- *Satellite control services (telemetry and orbital position control, etc).*

### *Radio-Maritime Services*

During 2008, the provision of radio-maritime services continued, through OTE's radio network which covers 35 geographical areas and includes 130 transmitters (MF, HF, VHF). The main service provided by the company was the Global Maritime Distress Signaling System (GMDSS). Additional services include maritime data transmission and maritime telephony services.



# ***Striving for a viable, competitive market and a fair regulatory environment***

Electronic communications in Greece are subject to national, European and international regulation.

The national regulatory framework comprises the Laws of the State, Presidential Decrees, Resolutions issued by the Minister of Transport & Communications or other competent Ministers, and regulatory Resolutions issued by independent authorities, such as the Hellenic Telecommunications and Post Commission (EETT), the Hellenic Authority for the Information and Communication Security and Privacy (ADAE), the Hellenic Data Protection Authority (APPD), the National Council for Radio and Television (ESR), etc. The European regulatory framework includes EU regulations, directives, decisions, recommendations and announcements, some of which are effective immediately, while others have to be transposed into national legislation before taking effect. The current European regulatory framework is under revision by the competent authorities and the new directives are expected to take effect in 2010. Finally, the international regulatory framework includes the international directives (e.g. Regulations, ITU Recommendations) executed by the Greek Government.

OTE fully cooperates with the regulatory authorities (e.g. the Hellenic Telecommunications and Post Commission, the Hellenic Authority for the Information and Communications Security and Privacy) and all competent Ministries, complying with all laws and regulations, so that the domestic market can grow and competition can be strengthened.

### **REGULATORY MARKET DEVELOPMENTS IN 2008**

Key developments in the telecommunications market in 2008 are mainly related to the increased broadband activity by alternative operators via Local Loop Unbundling. During the year, the Ministry of Transport & Communications set forward a proposal on the development of an open, fiber-optics, FTTH point-to-point access network which will provide 2 million households and businesses in Athens, Thessaloniki and at least another 50 cities in Greece with broadband access.

In 2008 mobile operators expanded in Mobile Broadband, offering high speeds for data reception and transmission at competitive prices. They also expanded in fixed-line services and bundled products through Local Loop Unbundling, carrier pre-selection, FMC services via Home Zone technology, etc.

In a highly demanding environment, OTE's viewpoint is that a fully competitive market, including companies keen to invest in infrastructure positive both for consumers and for the national economy. As a result, OTE deems that issues pertaining to fair competition and protection of consumer rights are of vital importance, notwithstanding regulatory certainty.

On this basis, OTE's regulatory policy aims to defend the company's strategy before regulatory bodies (national, European and international) on issues such as:

- *Protection of the company's investments against excessive regulation. The constantly shifting market dynamics and business models prompt new developments in competition between the operators and expand consumer options. In this scope, regulation is essential only in cases of importance, otherwise new investments will be hampered, innovative technologies will be abandoned and/or commercial applications will be dropped*
- *Compliance with obligations relating to OTE's status as Universal Service provider and intention to minimize associated costs*
- *Consistency in regulatory intervention*
- *Protection of consumer rights*
- *Assurance of the confidentiality of personal data and communications*

## **REGULATORY ISSUES IN 2008**

The main regulatory issues handled for the company in 2008 were:

- *The approval by EETT of the Reference Unbundling Offer (March 2008)*
- *The enactment of additional obligations on OTE*
- *The launch of wholesale leased line services in the form of Terminating – Trunk Segments*
- *The approval by EETT of the Reference Offer for Wholesale Line Rental (May 2008)*
- *Issues pertaining to the Universal Service obligation and the fixing of maximum and minimum tariffs for the regulated retail access and telephony services*
- *The implementation of regulations concerning the protection of consumer rights and communications confidentiality*

In 2008, OTE provided input in the following EETT consultations:

- *Public Consultation on the Code of Conduct concerning Electronic Communication services (EETT)*
- *Public Consultation on Costing Methodologies/ Principles and Accounting Separation (for implementation of price-control and costing obligations imposed on OTE for certain market segments) and respective reporting to the European Commission (EETT)*
- *Public Consultation on ensuring network and IT security in Europe (EU)*
- *Public Consultation on Regulations concerning Electronic Communications (Ministry of Transport & Communications)*
- *Public Consultation on a national policy in Electronic Communications for years 2007-2013 (Ministry of Transport & Communications)*
- *E-business forum "Open Dialogue for FTTx Fiber-Optic Networks in Greece"*

On a pan-European level, in 2008 OTE monitored all regulatory developments and provided input in respective consultations regarding the development of Next Generation Networks, termination rates and the definition of geographical markets.

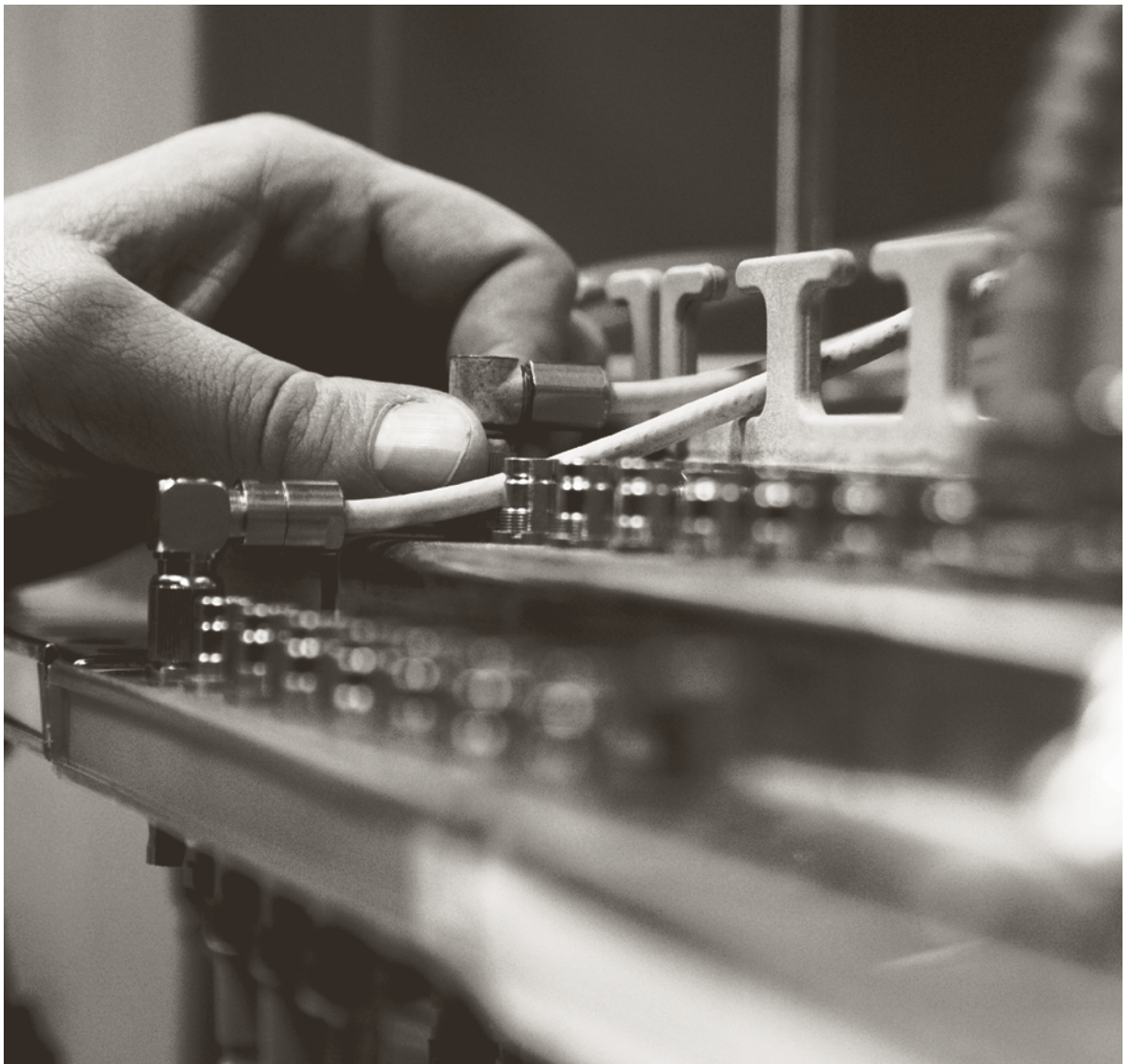
In 2008 OTE submitted tariff plans for approval to EETT, that were either approved after considerable delays or still remain under scrutiny. In addition, OTE has tried hard to obtain information on the model applied by EETT for margin squeeze control; this model should comply with international standards and relevant EU directives in order to ensure transparency and fairness. OTE has yet to receive a response by the regulatory authority.

Throughout 2008, EETT continued to impose fines on OTE on various matters. Having already imposed fines worth €6.6 mn in 2006 and €30.4 mn in 2007, the national regulatory authority imposed an additional €23.2 mn during 2008 and also €13 mn in the period of January – May 2009. OTE is contesting these fines at relevant courts.

## 2009: CHALLENGES

The key regulatory issues on OTE's agenda for 2009 include the protection of the company's investments in new technologies (such as Next Generation Access Networks) against excessive regulation, and the review of the European Commission's proposal on the amendment of the European Framework by means of introducing "functional separation" as a regulatory remedy. OTE monitors the initiatives launched the Greek State with respect to the planned Fiber To The Home (FTTH) project, which is part of the Greek State's strategy to develop broadband infrastructure. OTE will also try to have its tariff plans

approved by EETT on time and with absolute transparency, so that fairness along the lines of European directives is ensured. Finally, in 2009, OTE will attempt to lift regulatory obligations in markets where the desired level of competition appears to have been reached.



# ***Implementing advanced systems for the management and development of human resources***

### **DEVELOPMENT OF HUMAN RESOURCES**

The demanding and highly competitive environment in which OTE operates, requires the adoption and implementation of a comprehensive human resources development program. Employees will thereby acquire the necessary skills that will enhance the company's competitiveness and dynamic performance.

On this basis, OTE implements an integrated Human Resources development program offering employees the opportunity to participate in training seminars, according to their job description and function within the company. Initially, the identification of job tasks and operations per business function, based on the new job descriptions and their classification into job families, will set the foundations for the development of Human Resources Management Systems, which involve:

- *Professional development and career advancement opportunities*
- *Compensation, benefits and incentives for employees*
- *Training, specialization and optimal use of business skills*

OTE's key objective remains the implementation of an advanced, integrated Human Resources Management System that will replace the former system and effectively assist the Management Team with its task.

### **PERSONNEL TRAINING**

OTE's foremost objective is to provide its employees with access to new training opportunities that will ensure successful career progression and personal development for all employees. The realization of this goal and the organization of seminars and training programs have been assigned to OTEAcademy, an OTE Group company, responsible for the organization of professional development programs (further information on page 119).

In 2008, almost 6,200 OTE Group employees attended training seminars in the areas of:

- *Technology and Telecommunications*
- *IT*
- *Management*
- *Customer Service*
- *Sales*
- *Finance*

- *Human Resources*
- *Engineering*

OTE's Human Resources Department works with OTEAcademy, throughout the training cycle the company in order to align corporate strategy with training and professional development policies. This systematic training and educational cycle includes:

- *Identification of training needs*
- *Design of training courses*
- *Implementation of training courses*
- *Certification of professional skills*
- *Evaluation of training courses*

Overall, OTEAcademy's seminars respond to the training needs, as required by the rapid developments in the telecommunications market and reflect OTE's momentum for expertise and excellence in business practices. The majority of training courses is implemented on site (in the form of workshops) and encourages active participation by attendees. Lectures on theory are supported by case studies and team-building exercises.

In order to meet the professional development needs of its personnel, beyond OTEAcademy's annual training program, OTE leverages on the know-how of its staff members to offer on-the-job training, and participates in training sessions, conferences and meetings organized by other institutions at home and abroad.

## **EVALUATION SYSTEM**

Since 2007, the company implements a new personnel evaluation system. The system aims to evaluate employee skills based on individual performance as well as their efficiency in completing tasks and realizing targets.

The new system is focused on motivating, rewarding and promoting employee professional development and ensuring transparency and objectivity throughout the evaluation process. OTE's evaluation system is implemented alongside the company's target-setting system.

In 2008, the target-setting process was implemented through a new advanced IT system. This target-setting process involves:

- *Determination of annual targets*

- *Electronic modification option for set targets until a certain date*
- *Evaluation of the professional skills of managers*

This new system serves as a modern Human Resources management tool that ensures transparency throughout the target-setting process reduces required time of control and generates reports for the progress and performance of the company's organizational units.

Moreover, the new evaluation system endorses the applicable job rotation policy of the company, preparing employees for a change either in tasks or position.

## **COMPENSATION POLICY**

OTE's compensation policy was implemented for the first time in 2007, alongside the target-setting, evaluation and personnel-rewarding system which is defined by a regulated process based on fair distribution.

In cases when performance and task realization exceed predetermined targets, the Management Team may grant rewards in the form of bonuses to employees. In special cases, notably for acts of distinguished moral value, the company may reward its employees by other means (commendation, extraordinary bonuses, etc.).

All OTE employees, including those seconded from subsidiaries, fall under the same performance evaluation and reward systems and under the same regulations relating to working hours, job transfers and promotions, irrespective of the years of employment within the company.

Moreover, in 2008, the OTE-OTENET merger was concluded. All 373 OTENET employees are now included in OTE's organizational structure and are subject to the performance evaluation and reward system that applies to all OTE employees.

## **COLLECTIVE AGREEMENTS**

The Collective Agreements signed in 2008, between the company and the OTE's Labour Unions relate to the settlement of financial and regulatory issues, such as major payroll issues, benefits and allowance issues, the number of days of annual leave, working hours

for special categories of employees, and regulations on the transfer and absorption of OTENET's staff members.

In 2008, a retirement plan based on incentives was implemented, for all employees who are eligible for retirement and plan to voluntarily retire by December 29, 2009.

## 2008 OVERVIEW

In 2008, the number of OTE employees amounted to approximately 12,000. The average age of the company's employees remained steady at 45 years. The breakdown of OTE's personnel per function and age is illustrated in *Graphs 1 and 2*.

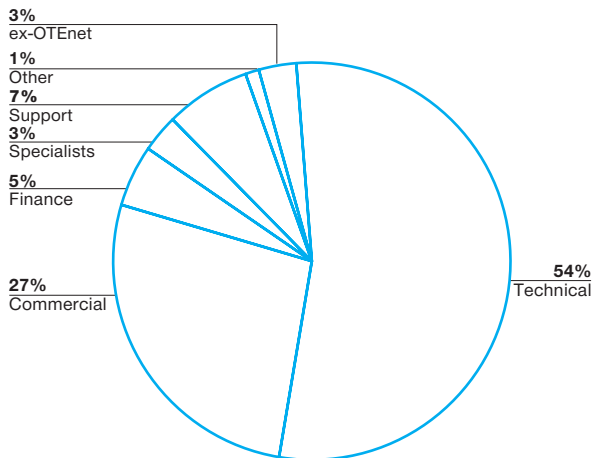
Last year, the codification of the company's Bylaws was completed. In addition, the company monitored and ensured its compliance with the applicable regulatory framework in relation to its merger with OTENET and OTENET employees' integration with OTE's workforce. Furthermore, OTE implemented an early retirement program for 230 employees and signed a Collective Agreement with the Unions which settled payroll and regulatory issues. Finally, OTE implemented a procedure that allows the company to second personnel that works for its subsidiaries.

With regards to Quality and Organization, OTE:

- *Completed the certification process of its "Environmental Management Systems" (ISO 14001) and "Health and Security at Work" (ELOT 1801) systems, across all segments, and the Quality Management System (ISO 9001) expanded to 12 new shops of the company, now reaching 130 on a country scale*
- *Integrated management systems for corporate functions (ISO 9001, ISO 14001, ELOT 1801) were designed and implemented*

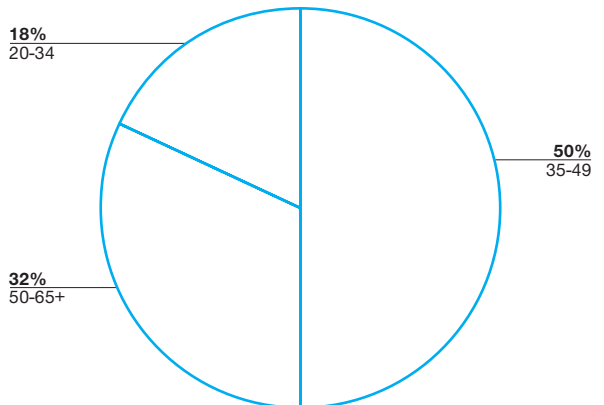
Finally, a project on the "Provision of Services for the Development of OTE's Business Processes Framework, Ownership Model, and Methodological Framework for the Design and Management of Business Processes" was also completed in 2008. The "Process Ownership/Business Process Methodology" was applied to OTE's organizational units through the appointment of a Process Manager and setting a Process Manager Panel.

**OTE Employees per Function (2008)**



*Graph 1*

**OTE Employees Age Mix (2008)**



*Graph 2*

## 2009 OUTLOOK

In 2009, the company will focus on integrating OTENET's employees in OTE's Internal Operations Regulation and payroll. OTE will also embark on projects pertaining to the optimal utilization and development of its human resources function and its collaboration with Deutsche Telekom. Other strategic objectives of the company involve the implementation and ISO certification of Integrated Management Systems across the board and the design, development and ELOT EN ISO 9001:2000 certification of the Licensing and Frequency Spectrum Management function.



Applicable procedures will be revised and updated, and all new procedures will be mapped in accordance with OTE's Business Functions Chart and the methodology applied in the "ODEP ARIS System". Finally, the company will conduct a special internal research to receive OTE personnel's feedback on the work environment, and also conduct benchmarking researches.



# Building ties

For the past four years, Corporate Responsibility has been an integral part of OTE's corporate strategy and business operations. Through the "Building Ties" Corporate Responsibility Program, OTE enhances its practices with regards to its employees, the environment society and the marketplace, in line with international standards.

OTE is one of the first Greek companies to implement "G3" principles, related to the reporting of Corporate Responsibility activities, successfully and the company's 2007 Corporate Responsibility Report received a level "B" accreditation by the Global Reporting Initiative (GRI).

In 2008, OTE's systematic efforts to promote transparency in its operations, and the Management's commitment to responsible corporate practices, served as guarantees for OTE's inclusion in the FTSE4Good index series.

### BUILDING TIES

In 2008, as part of the "Building Ties" program, OTE implemented numerous projects with regards to the marketplace, the employees, the environment and society:

### BUILDING TIES WITH THE MARKETPLACE

OTE focuses on the optimal management of its infrastructure and technological competence to provide best-of-class services and products that respond to customer needs, in the new environment of services' convergence. The company also contributes to broadband promotion through investments that bridge the digital gap between Greece and average European levels. Within this context, in 2008:

- *For a fourth year in a row, OTE offered free broadband connections to undergraduate and postgraduate students with distinctions for their academic performance*
- *OTE provided specialized products and services such as: telework, telemedicine, teleconferencing, teleassistance etc.*

- *OTE availed to people with physical disabilities a range of products and services (customized telephone equipment, customer service for people with hearing disabilities, card phones for people with physical disabilities etc.)*

### BUILDING TIES WITH EMPLOYEES

OTE has adopted policies and practices that contribute to the professional development of employees (training and reward programs), ensure equal opportunities at work and promote cooperation amongst its workforce. Within this context, in 2008:

- *More than 152,000 hours of professional training were carried out (average 25 hours per employee)*
- *The company implemented an employee evaluation system, aiming to identify personnel skills and review performance*
- *Additional benefits were offered to employees (e.g. additional insurance coverage, Youth Account, special leaves of absence, personal loan, salary advancements, Mutual Aid Fund etc.)*
- *OTE's Intranet (U-Link) was restructured and enhanced, to improve the dissemination of internal information, encourage collaboration across OTE's corporate divisions, and simplify daily processes*
- *The company optimized the operation of OTE's 54 Employee Culture Centers which are organizing cultural events for OTE Group's 20,000 active members*

### BUILDING TIES WITH THE ENVIRONMENT

OTE has adopted environmentally friendly policies that forge a sense of environmental corporate responsibility. The company has taken quantitatively and qualitatively measurable actions and initiatives, along the lines of international regulations and practices.

The alleviation of the environmental load imposed by the daily operations of a company such as OTE is a foremost priority; this is achieved through the reduction of energy consumption, the recycling of

used materials, the use of recyclable materials and the support expressed towards environmental NGOs (Non-Governmental Organizations). In 2008 OTE:

- *Recorded the “Ecological Footprint” of OTE’s headquarters*
- *Placed recycling bins and recycled, for the first time, 318kg of electronic equipment*
- *Collected 10,001.50kg of batteries for recycling (up by 6,359.7kg compared to 200)*
- *Supported actions/initiatives of environmental NGOs (e.g. “Callisto”, Hellenic Society for the Protection of the Environment and the Cultural Heritage, “Philodassiki” etc.)*

### **BUILDING TIES WITH SOCIETY**

OTE reinforces its role as “social partner” throughout its business operations. As part of its social commitment, the company is strongly geared towards the support of people with disabilities, the preservation of Greece’s cultural heritage and actively promotes voluntary work. In 2008, OTE:

- *Following a six-year tradition, donated the proceeds from its Christmas campaign (which amounted to €250.000) to charity organizations*
- *Supported NGOs and charity organizations (e.g. “The Child’s Smile”, “Together for Children” Union, MDA HELLAS, “Food Bank”, the Association for the Psychosocial Health of Children and Adolescents etc.)*
- *Raised almost 2,000 units of blood through its Voluntary Blood Donation program*
- *Maintained its longstanding relationships with institutions and bodies that are focused on promoting Greece’s cultural heritage in large cities and rural areas (e.g. Benaki Museum, “Simon Karras”, and Thessaloniki Photography Museum etc.)*

A full account of OTE’s corporate responsibility activity is available in the “2008 Annual Corporate Responsibility Report”.

# ***Ensuring transparency, efficiency and the protection of shareholders' rights***

OTE places special emphasis on the implementation of corporate governance principles, by means of which, the following are achieved:

- ***Equal treatment of shareholders***

Shareholders' rights, such as the right to participate and vote in General Assemblies of Shareholders and access to valid and timely information, are fully protected.

- ***Prevention of conflicts of interest***

The operation of the independent Audit Committee and the Compensation and Human Resources Committee, as well as the inspection of the Board of Directors' operation and structure (implementation of an incompatibility control procedure for independent, non-executive members of the Board of Directors) ensure the efficiency of the Board of Directors, as the company's top management body.

- ***Prevention of market manipulation and abuse of inside information***

The company has complied with the legal and regulatory framework concerning disclosure of transactions and inside information, and applies internal control procedures throughout its operations.

- ***Dissemination of information and transparency***

The company allows investors and shareholders to

access information regarding the company and its performance and encourages both face-to-face and indirect communication between executive members and shareholders, by setting up meetings with investors, public announcements of financial results and other information, as well as of other reports and bulletins issued by the company.

## **PRINCIPLES AND FRAMEWORK OF CORPORATE GOVERNANCE**

Corporate governance refers to a number of principles adopted by a company, aiming to uphold its performance and the interests of its shareholders and all stakeholders.

OTE implements best corporate governance practices across its operations, based on international and European standards (and benchmarking exercises). By reinforcing its procedures and organizational structure, the company manages not only to comply with the regulatory framework but also develop a special corporate culture, founded on business ethics and committed to protect the rights of its shareholders and the interests of all stakeholders.

As a large capitalization company, listed on the Athens, New York and London Stock Exchanges, OTE complies with applicable domestic and international corporate governance legislation, incorporating regulations and compliance practices within its operations. Key Acts and Resolutions which touch on corporate governance issues, in Greece and abroad, are:

- *Act 2190/1920 on Corporate Law, as amended by Act 3604/2007*
- *Act 3016/2002 on Corporate Governance, as amended by Act 3091/2002 and Act 3340/2005*
- *Resolution 5/204/2005 of the Hellenic Capital Market Commission, as amended by Resolution 7/372/2006 of the Hellenic Capital Market Commission*
- *Act 3556/2007 on Transparency*
- *US legislation on Corporate Governance, including the 2002 Sarbanes-Oxley Act, and the regulations issued by the US Securities and Exchange Commission*

All relevant provisions and practices are incorporated in the company's Articles of Incorporation, Bylaws, Internal Operations Regulation, Code of Ethics and Business Conduct, Personnel Regulation, and in all other company regulations overriding its business functions.

#### **SHAREHOLDERS' AGREEMENT BETWEEN THE GREEK STATE AND DEUTSCHE TELEKOM AG**

The Share Purchase Agreement and the Shareholders' Agreement were signed between the Greek State and Deutsche Telekom AG on May 14, 2008, and were ratified by the Greek Government by virtue of Act 3676/2008 (Government Gazette Bulletin A 139/11.7.2008) setting terms and limitations on the transfer of shares and the exercise of voting rights that ensue from the shares held by the contracting parties.

By resolutions of the General Assemblies of Shareholders of February 6, 2009 and April 7, 2009, OTE's Articles of Incorporation were amended, pursuant to a motion put forward by the shareholders, in accordance with the provisions of the Shareholders' Agreement. Major changes concern the composition and procedures of the Board of Directors, the responsibilities of the Chairman and the Managing Director, and the establishment of a four-member Executive Committee,

in case the Chairman and Managing Director is not the same person. Moreover, along the lines of the said amendment, a range of issues are specified on which the Board of Directors shall have to resolve by special quorum and majority. These issues are described as "Special Issues" and concern the following:

- *Approval of financial statements*
- *Any corporate restructuring of OTE and its affiliates, as well as their dissolution and/or liquidation*
- *Change in scope of OTE and its affiliates, whose current subject is telecommunications related operations (apart from other subjects specified in their Articles of Incorporation)*
- *Special dividends or share buy-backs*
- *Issue of loans, take-up of loans from external borrowers and any intra-company transaction*
- *Important acquisitions or disposals by OTE and its affiliates, whose value exceeds the amount specified in the Shareholders' Agreement*
- *Any transaction with affiliates of Deutsche Telekom AG, whose value exceeds the amount specified in the Shareholders' Agreement, without prejudice to article 23a of New Act 2190/1920*
- *Issues that pertain to Act 3631/2008*
- *Issues that pertain to article 29, par. 3 of New Act 2190/1920*
- *Voting rights in the General Assemblies of Shareholders of OTE's affiliates ("Members of OTE Group") on specific issues relating to the operations of these affiliates*
- *Change in the company's registered seat and primary listing whereon the company's shares are traded*
- *Change in the responsibilities of the Managing Director and/or the Executive Committee*
- *Change in the trade name or trademark of OTE and its affiliates*

The aforementioned conditions list briefly the changes applied to the OTE's Articles of Incorporation, pursuant to the execution of the Shareholders' Agreement signed between the Greek State and Deutsche Telekom AG. For more information on the complete text of the Shareholders' Agreement, please visit: <http://www.ote.gr/portal/page/portal/InvestorRelation>

**CORPORATE GOVERNANCE SYSTEM**

OTE applies corporate governance principles and practices on the basis of three key priorities which include the definition of the role of the Board of Directors and executive members, the protection of shareholders’ rights, and the enhancement of transparency and information disclosure. (Figure 1)

The following illustrates the structure of OTE’s Corporate Governance System. (Figure 2)

**OTE’s Key Priorities**

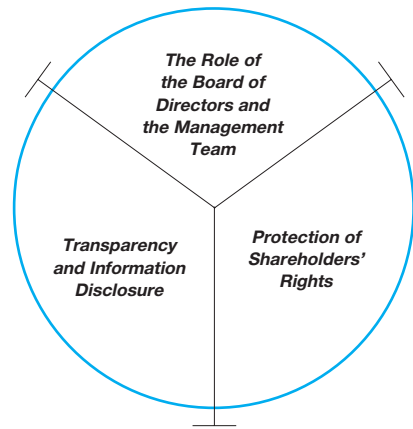


Figure 1

**OTE’s Corporate Governance System**

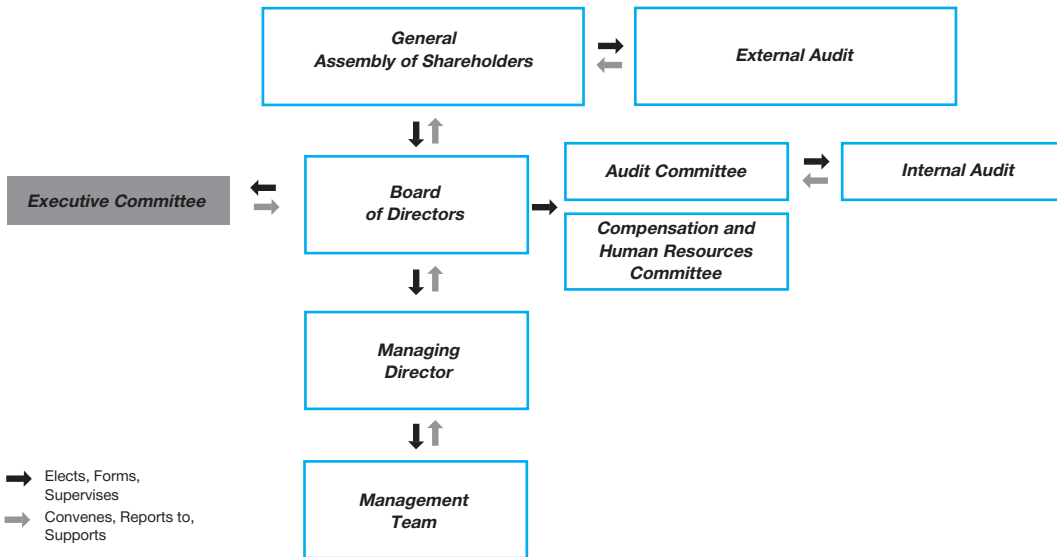


Figure 2

## **BOARD OF DIRECTORS, MANAGEMENT TEAM AND CONTROL**

### **1. The Board of Directors**

The Board of Directors (BoD) is the top administrative body of the company. Its aim is to safeguard the general interests of the company and ensure its operational efficiency. As part of its responsibilities, OTE's Board of Directors:

- *Convenes Ordinary or Extraordinary General Assemblies of Shareholders and proposes on their agenda*
- *Prepares and approves the company's annual financial reports and submits them to the General Assembly of Shareholders*
- *Approves the company's strategy and decides upon the establishment of subsidiaries or upon the company's participation in the share capital of other companies (domestic or foreign)*
- *Decides upon share capital increases through the issue of new shares and convertible bonds, following the authorization granted by the General Assembly of Shareholders*
- *Decides upon the issue of convertible or exchangeable bonds*

The Chairman of the BoD sets the agenda, presides over its meetings and administers its operations. The BoD may choose to transfer its authority and competence to its members, to other executives, to third parties or to Committees. The BoD consists of nine (9) to eleven (11) members; the total number of members is determined by the General Assembly of Shareholders. Since June 2004, the BoD consists of eleven members. In the Articles of Incorporation currently in force, as approved by the General Assembly of Shareholders of April 7, 2009, it is provided that the members of the BoD may or may not be shareholders of the company. The members of the BoD are divided into executive and non-executive, of which at least two (2) are independent. The members of the BoD are elected by the General Assembly of Shareholders. The General Assembly of Shareholders also nominates the two independent members. The members of the BoD may be re-elected ad infinitum, and may be recalled at any time by the General Assembly of Shareholders. With regard to the 2008 financial year, up until June 26, 2008, the BoD consisted of one (1) executive member and ten (10) non-executive members, of which four

(4) were independent. Since June 26, 2008, it consists of one (1) executive member and ten (10) non-executive members, of which five (5) are independent. Pursuant to the Shareholders' Agreement signed between the Greek State and Deutsche Telekom AG, the BoD includes members nominated by Deutsche Telekom AG.

Pursuant to the provisions of the Articles of Incorporation, as amended by the General Assembly of Shareholders of February 6, 2009, the members of the BoD were elected by the General Assembly of Shareholders, served for a three (3) year term and one-third of them were renewed each year. According to the Articles of Incorporation currently in force, the members of the BoD are elected by the General Assembly of Shareholders and serve for a three (3) year term. This term commences on the date the members are elected by the General Assembly of Shareholders and terminates at the completion of the Ordinary General Assembly of Shareholders of the year in which the three (3) year term has already been completed.

The BoD convenes whenever necessary or pursuant to a request submitted to its Chairman by at least two (2) members. The BoD is in quorum and convenes validly when half-plus-one of its members are present; nevertheless, the number of members present may not be less than three (3). Resolutions are reached by simple majority, unless otherwise provided by Act 2190/1920 as currently in force, or by the company's Articles of Incorporation. In 2008, the BoD met 17 times.

The terms and conditions under which the members of the BoD receive remuneration, compensation and benefits in exchange for their services are proposed by the BoD and approved by the General Assembly of Shareholders. In case the members of the BoD are employed with the company, they receive the compensation provided under their employment contract and are not eligible to the remuneration, compensation and benefits paid to the other members of the BoD. In 2008, the BoD consisted of the following members: (*Table 1*)

NAME	CAPACITY	COMMENCEMENT OF OFFICE (most recent)	TERMINATION OF OFFICE
Panagis Vourloumis	Chairman and Managing Director / Executive Member	21/6/2007	21/6/2010
Georgios Bitros	Vice-Chairman / Non-executive member	22/6/2006 (was appointed Vice-Chairman on 26/6/2008)	6/2/2009 Due to resignation
Hamid Akhavan-Malayeri	Non-executive member	26/6/2008	26/6/2011
Karl-Gerhard Eick	Non-executive member	26/6/2008	26/6/2011
Ilias Gounaris	Independent non-executive member (was non-executive member until 26-6-2008)	21/6/2007	6/2/2009 Due to resignation
Charalambos Dimitriou	Non-executive member	22/6/2006	22/6/2009
Leonidas Evangelidis	Independent non-executive member	26/6/2008	26/6/2011
Leonidas Korres	Independent non-executive member	26/6/2008	6/2/2009* Due to resignation
Xeni Skorini	Independent non-executive member	22/6/2006	22/6/2009
Panagiotis Tabourlos	Independent non-executive member	21/6/2007	21/6/2010
Georgios Tzovlas	Non-executive member (was independent non-executive member until 26-6-2008)	21/6/2007	6/2/2009 Due to resignation
Iakovos Georganas	Vice-Chairman / Non-executive member	16/6/2005	26/6/2008
Theodoros Veniamis	Non-executive member	16/6/2005	26/6/2008
Georgios Gerapetritis	Independent non-executive member	16/6/2005	26/6/2008
Nikolaos Stefanou	Non-executive member	21/6/2007	26/6/2008 Due to resignation

Table 1

\* As regards Mr. Leonidas Korres, it should be noted that he was elected by the Board of Directors temporarily, to replace the resigned Mr. N. Stefanou for the remainder of the latter's office, namely until the date of the 2010 Ordinary General Assembly of Shareholders.

Since February 6, 2009, pursuant to the resignations of Mr. I. Gounaris, Mr. G. Bitros, Mr. L. Korres and Mr. G. Tzovlas, the election of an equal number of new members and a new inaugural meeting, OTE's Board of Directors consists of the following members: (Table 2)

## 2. Committees of the Board of Directors

### A. Audit Committee

In April 1999, OTE's management established an Audit Committee. According to its Regulation, the Audit

Committee consists of three independent non-executive members of the Board of Directors, of which, at least one is a financial expert. One of the members is appointed as Chairman. The role of the Committee is to supervise the company's Internal Auditors and to assist the Board of Directors in the latter's supervisory responsibilities by monitoring the financial information published by the company, evaluating and controlling the internal audit systems, and assessing and coordinating the auditing process and control procedures, in accordance with applicable laws.



NAME	CAPACITY	COMMENCEMENT OF OFFICE (most recent)	TERMINATION OF OFFICE
Panagis Vourloumis	Chairman and Managing Director / Executive Member	21/6/2007	21/6/2010
Charalambos Dimitriou	Vice-Chairman / Non-executive member	22/6/2006 (was appointed Vice-Chairman on 6/2/2009)	22/6/2009
Hamid Akhavan-Malayeri	Non-executive member	26/6/2008	26/6/2011
Kevin Copp	Non-executive member	6/2/2009	21/6/2010*
Karl-Gerhard Eick	Non-executive member	26/6/2008	26-3-2009 Due to resignation
Martin Walter	Non-executive member	6/2/2009	22/6/2009*
Leonidas Evangelidis	Independent non-executive member	26/6/2008	26/6/2011
Konstantinos Michalos	Independent non-executive member	6/2/2009	21/6/2010*
Ioannis Benopoulos	Independent non-executive member	6/2/2009	21/6/2010*
Guido Kerkhoff	Non-executive member	26/3/2009	26/6/2011**
Xeni Skorini	Independent non-executive member	22/6/2006	22/6/2009
Panagiotis Tabourlos	Independent non-executive member	21/6/2007	21/6/2010

Table 2

\* As regards Mr. K. Copp, Mr. M. Walter, Mr. K. Michalos and Mr. I. Benopoulos, it should be noted that, as announced in the General Assembly of Shareholders of 7 April 2009, they were elected by the Board of Directors to replace the resigned Mr. G. Tzovlas, Mr. G. Bitros, Mr. I. Gounaris and Mr. L. Korres respectively, for the remainder of the latters' office, namely until the date of the 2010 Ordinary General Assembly of Shareholders for Mr. K. Copp, Mr. K. Mihalos and Mr. I. Benopoulos, and until the date of the 2009 Ordinary General Assembly of Shareholders for Mr. M. Walter

\*\* Pursuant to the resignation of Dr. Karl Gerhard Eick on 26 March 2009, the company's Board of Directors elected Mr. Guido Kerkhoff to replace the resigned member for the remainder of the latters' office.

The aim of the Audit Committee is to support the company's Board of Directors in the exercise of the latter's supervisory authority and the fulfillment of the latter's obligations towards shareholders, the investment community and third parties, especially with regards to the financial reporting process.

In 2008, the Audit Committee dealt with all issues provided in its Regulation including, among others:

- *The approval and monitoring of the company's Internal Audit activities*
- *The recruitment of employees for Internal Audit Services*
- *The expression of opinion on the appointment of Chartered Auditors*
- *The assurance of the Chartered Auditors' independence, in relation to the services provided by the latter to the OTE group of companies*

- *The assessment of the accuracy and consistency of Financial Statements*
- *The monitoring of the Management control results, in relation to compliance with SOX 404*
- *The review of the annual 20-F Form which is filed with the US Securities and Exchange Commission, and the 2007 consolidated Financial Statements under US GAAP*
- *The handling of complaints and accusations related to accounting or internal audit matters*

The Audit Committee holds four ordinary meetings every year (following the preparation of the quarterly financial statements and prior to their publication). Whenever necessary, the committee may also hold extraordinary meetings. The Audit Committee meets in quorum and convenes lawfully when its Chairman plus one member are present. In the event of such quorum,

the third member may be represented by the Chairman of the Audit Committee by the member that is present. Resolutions of the Audit Committee are passed by an absolute majority of the entire composition.

From June 2006 until June 26, 2008, the Audit Committee consisted of the following members: Mr. Panagiotis Tabourlos (Chairman – Expert on Financial Matters), Ms. Xenia Skorini and Mr. Georgios Tzovlas. From June 26, 2008 until February 6, 2009, pursuant to a new inaugural meeting, the Audit Committee consisted of the following members: Mr. Panagiotis Tabourlos (Chairman – Expert on Financial Matters), Ms. Xenia Skorini and Mr. Leonidas Korres. Since February 20, 2009, following a new inaugural meeting, the Audit Committee consisted of the following members: Mr. Panagiotis Tabourlos (Chairman – Expert on Financial Matters), Mr. L. Evangelidis and Ms. Xenia Skorini.

### **B. Compensation and Human Resources Committee**

OTE's BoD established the Compensation and Human Resources Committee in 2004. This Committee is appointed by the company's BoD and consists of a minimum of three members, at least two of which are non-executive. The Chairman of the Committee is also appointed by the BoD. The Committee's main duties, as set out in its Regulation, are the following:

- *Setting the principles of the company's human resources policy, that will guide the decisions and actions of the Management*
- *Defining the company's compensation and remuneration policy*
- *Approving the schemes and plans concerning compensation, benefits, stock options and bonuses*
- *Proposing to the BoD the compensation and benefits of the Managing Director*
- *Studying and processing issues related to the company's human resources*
- *Setting the principles of Corporate Social Responsibility policies*

The Compensation and Human Resources Committee submits proposals to the BoD on matters related to the responsibilities of the Committee; the BoD either approves these proposals, or refers them to the General Assembly of Shareholders, whenever matters ought to be resolved by the General Assembly of Shareholders. Along these lines, in 2008, the Compensation and Human Resources Committee handled the following:

- *Determined the bonus that should be paid to the Chairman and Managing Director for 2007, and his compensation for 2008*
- *Agreed on the stock option plan offered to executive officers/directors of OTE and its affiliates, in accordance with article 42e of Act 2190/1920.*

The Committee meets at least twice a year and reports directly to the BoD. From June 2005 until June 26, 2008, the Compensation and Human Resources Committee consisted of the following members: Mr. Iakovos Georganas (Chairman), Mr. Georgios Gerapetritis and Mr. Ilias Gounaris. From June 26, 2008 until February 6, 2009, pursuant to a new inaugural meeting, the Compensation and Human Resources Committee consisted of the following members: Mr. Charalambos Dimitriou (Chairman), Mr. Hamid Akhavan-Malayeri and Mr. Ilias Gounaris. Since February 20, 2009, pursuant to a new inaugural meeting, the Compensation and Human Resources Committee consisted of the following members: Mr. Charalambos Dimitriou (Chairman), Mr. Hamid Akhavan-Malayeri and Mr. Ioannis Benopoulos.

### **3. Internal Audit**

The Internal Audit unit assists the company's Management in decision-making related to the optimization of the various auditing mechanisms. These auditing mechanisms aim to ensure the efficiency of operations and activities carried out according to the company's business plans. Specifically, as part of its responsibilities the Internal Audit unit:

- *Examines and evaluates the company's auditing systems and procedures*
- *Audits systems and procedures, carries out inspections (including those for fraud) and investigates compliance issues*
- *Identifies risks, proposes solutions and makes relevant recommendations to the Management*
- *Monitors the consistent application and progress of Internal Audit operations across the OTE Group of companies*
- *Examines and evaluates the suitability, performance and efficiency of security measures in OTE's ICT systems*

Correct and efficient operation of the Internal Audit unit is ensured by the fact that, it is an independent business unit, reporting directly to the BoD, is super-

vised by the Audit Committee and operates under a strict code of conduct.

#### 4. External Audit

The company's regular audit is carried out by certified auditors. To this end every year, the General Assembly of Shareholders approves the appointment of an auditing firm or a consortium of auditors for audit of the company's financial statements and business operations over a specific period.

In June 2008, OTE's Ordinary General Assembly of Shareholders assigned the regular audit of the 2008 financial statements to the firm "ERNST & YOUNG (HELLAS) Certified Auditors–Accountants S.A.". The fee for the audit of the stand-alone and consolidated financial statements was set at €470,000.

#### 5. Code of Ethics and Business Conduct

The Code of Ethics and Business Conduct comprises of a set of rules and practices which contribute to the smooth operation of the company and the proper business conduct of its employees. The Code is in compliance with current laws and mainly determines the relations that the company should have with employees, suppliers, shareholders, competitors and other third parties.

#### 6. Internal Operations Regulation

OTE's Internal Operations Regulation cover issues relating to the company's decision-making bodies (and their responsibilities), the company's organizational structure, the recruitment and evaluation of executives, the internal committees and regulatory frameworks, as well as to the provisions for transactions between liable persons or between affiliated companies.

#### 7. The Management Team

##### A. Managing Director

The Managing Director is the company's chief executive officer, supervising all corporate departments and divisions. The Managing Director defines the agenda of the BoD and submits proposals in line with of the company's objectives. The Managing Director is elected by the BoD during its inaugural meeting. The Managing Director, mainly:

- *Participates, represents and binds the company in all General Assemblies of Shareholders of the affiliated companies*

- *Decides upon and executes agreements the value of which does not exceed the level determined by the BoD*
- *Decides upon the company's internal structure, personnel development issues and implementation of the company's object*
- *Represents and binds the company in issues related to the negotiation and conclusion of operational collective labor agreements*
- *Represents the company before any authority*

##### B. Members of the Management Team

In 2008, the Management Team consisted of the following members: (Table 3)

Aiming to ensure the effective management and operation of the company, the company's Articles of Incorporation prohibit the members of the Board of Directors and their relatives (up to 2nd degree), executive directors and their relatives (up to the 2nd degree) and the company's personnel, in general, from:

- *Engaging, occasionally or consistently, for their own benefit or for the benefit of others, in commercial activities that are similar to those of the company, without the prior consent of the General Assembly of Shareholders*
- *Serving as members of the Board of Directors, executive officers, employees, or agents of other companies with objectives that are similar to those pursued by OTE*
- *Participating in unlimited/general partnerships or holding a substantial interest in the share capital of other companies whose activities are similar to those of OTE*

##### 8. Stock-Option Plan for Executives

Since 2007, the company has adopted a stock-option plan, based on performance criteria, for its executive officers/directors, as well as for the executive officers/directors of its affiliated companies, in accordance with article 42e of Act 2190/1920.

## SHAREHOLDERS

### 1. Shareholders' Rights

#### A. Rights of Minority Interest Holders

According to the company's Articles of Incorporation and Act 2190/1920, as amended by Act 3604/2007, minority shareholders have the right per case to:

<b>NAME</b>	<b>CAPACITY</b>
Panagis Vourloumis	Chairman and Managing Director
Iordanis Aivazis	Chief Operating Officer
Ilias Drakopoulos	Chief Commercial Officer for Corporate and Business Customers
Maria Efthimerou	Chief Technology Officer
Konstantinos Kappos	Chief Information Technology Officer
Andreas Karageorgos	Chief Regional Officer
Christos Katsaounis	Chief Officer of National Wholesale Services
Kosmas Liaros	Chief Internal Audit Officer
Paraskevas Passias	General Counsel
Konstantinos Ploumbis	Chief Regulatory Officer
Panos Sarantopoulos	Chief Commercial Officer for Residential Customers
Christini Spanoudaki	Chief Financial Officer
Nikolaos Tsatsanis	Chief Human Resources Officer

Table 3

- *Request the Board of Directors to convene an Extraordinary General Assembly of Shareholders, setting precisely the items on the agenda*
- *Request for additional items to be included on the agenda of an already convened General Assembly of Shareholders, provided that this request is expressed within the time restrictions set by the Law*
- *Request the Chairman of the General Assembly of Shareholders to defer a resolution (only once) and set a new date for the Assembly's adjournment*
- *Request information on the company's financial structure and affairs. If such request is submitted within the time restrictions set by the Law, the company's Board of Directors is obliged to provide all relevant information (save for certain data exempted by law)*
- *Request the adoption of a certain resolution by roll-call vote*
- *Request the investigation of the company by a competent judicial authority, in case of non-compliance*

*with the resolutions of the General Assembly of Shareholders or violation of the company's Articles of Incorporation and applicable laws*

- *Request for judicial investigation, in case business operations are conducted in an unethical and/or imprudent manner*

## **B. Allocation of Profits**

According to the company's Articles of Incorporation, allocation of profits is preceded by the withholding of the amount necessary for ordinary capital reverse. Such deduction is no longer mandatory when the capital reverse is equal to at least 1/3 of the company's paid in capital. Dividends declared may not be less than 6% of the company's share capital or 35% of net profits. The Articles of Incorporation allow for the General Assembly of Shareholders to decide upon the allocation of the remaining profits at its own discretion.

## **C. Payment of Dividend**

Shareholders are entitled to a stake in the company's net profits, after the General Assembly of Shareholders approves the annual financial statements. Dividends are paid to shareholders in accordance with the Athens Stock Exchange Regulation, as in force from time to time.

## **2. General Meeting of Shareholders**

In accordance with Company's Act 2190/1920, as currently in force, and OTE's Articles of Incorporation, the General Assembly of Shareholders is the company's highest body, entitled to resolve upon all matters of the company, unless otherwise specified in the Articles of Incorporation. The General Assembly of Shareholders is convoked by the Board of Directors at least once a year, and in any case within six months of the end of the previous fiscal year, whereby the annual financial statements are approved, and certified accountants and members of the Board of Directors are absolved from any potential indemnity. The Board of Directors may also convene extraordinary General Assemblies of Shareholders whenever necessary. The invitation to the General Assembly of Shareholders is published according to the law in the Government Gazette, as well as in one political, financial and local newspaper. In the event of adjourned meetings, no further announcement is required, provided that the date and venue of adjournment are stated in the

initial invitation. Shareholders wishing to participate in the General Assembly of Shareholders must reserve, at the company's counters, at least five days prior to the General Assembly of Shareholders, in part or in full their shares through their custodian and submit evidence of such reservation. Shareholders may attend the General Assembly of Shareholders either in person or through a proxy; one share provides the right to one vote.

The General Assembly of Shareholders is in quorum and convenes validly on the issues of the agenda when one-fifth (1/5) of its paid-in capital is present or represented, except for issues specified explicitly in the Articles of Incorporation, when two-thirds (2/3) of the company's paid-in capital should be present or represented. In absence of quorum, the General Assembly of Shareholders is adjourned within 20 days. On issues that may be resolved by simple quorum, the adjourned General Assembly of Shareholders convenes validly, irrespective of the present or represented capital. For issues that require a special quorum, at least half (1/2) of the company's share capital must be present or represented, otherwise the General Assembly of Shareholders is adjourned again, in which case one-fifth (1/5) of the company's share capital must be present or represented. Resolutions on issues that call for simple quorum are passed by absolute majority. Resolutions on issues that call for special quorum are passed by a majority of two-thirds (2/3) of those present or represented.

## **INFORMATION DISSEMINATION AND TRANSPARENCY**

### **1. Established Procedures Ensuring Transparency**

Placing particular emphasis on transparency, OTE has established a regulated-information disclosure process, on the grounds of Act 3556/2007, Decision 1/434/3.7.2007 and Circular No.33 of the Hellenic Capital Market Commission concerning information disclosure and transparency requirements for companies which are publicly traded on organized markets (stock exchanges). The aim of this disclosure process is to inform, the investment community and all interested parties of any significant changes in the company's participations (acquisitions or disposals) in a timely and accurate manner, under Act 3556/2007, and to ensure OTE's compliance with applicable laws.

In compliance with Inside Information Act 3340/2005 ("Protection of the Hellenic Capital Market from Actions of Inside Information Abuse, as well as Market Manipulation"), as well as with Corporate Governance Act 3016/2002, OTE has adopted the following:

- *Transactions disclosure procedure for all individuals that are considered liable under applicable law*
- *Procedure that deters the improper use of inside information*
- *Procedure that monitors any financial activity carried out by OTE's managers/directors relating to the company and its main suppliers/contractors*

Apart from established procedures that ensure transparency, OTE has adopted a number of other practices that enhance the dissemination of information to all interested parties, such as:

- *Uploading and posting of company-related information on the OTE website, so that all interested parties can have equal, fast and efficient access to that information*
- *Publication of corporate documents (Annual Report, 20-F, Corporate Social Responsibility Report), thereby enhancing the continuous flow of information on issues that relate to the company's strategy, targets, operation and performance*
- *Establishment of a two-way communication channel between company representatives and the investment community, through the organization of conferences, corporate presentations, investor days, road-shows (in Greece and abroad) and conference calls, on a regular basis (e.g. after the announcement of quarterly results) and whenever deemed necessary*

### **2. Investor Relations**

All activities related to OTE's listing on the Athens Stock Exchange (ATHEX), the London Stock Exchange (LSE) and the New York Stock Exchange (NYSE) are the responsibility of OTE's Investor Relations Department. These activities include:

- *Covering the needs of shareholders, individual and institutional, in Greece and abroad. Providing information related to the exercise of their rights and the payment of dividends*
- *The release of the company's financial results and the timely, and fair distribution of information related to the company's financial performance to all*

*shareholders, through presentations, road shows, conferences and meetings*

- *The design and implementation of financial communication strategy related to all media (Investor Relations website, corporate presentations, etc.)*
- *The preparation of the company's Annual Report, as well as the 20-F Report for the US Securities and Exchange Commission*
- *Handling the relations with Stock Exchanges and Capital Market Commissions in the countries where OTE is listed (ATHEX, NYSE, LSE)*
- *Ensuring the company's compliance with the regulatory framework of the capital markets in which OTE is listed (ASE, NYSE, LSE)*
- *Supporting the company's credit rating process*
- *The organization and hosting of the company's Shareholders Assemblies*

The Investor Relations Department is headed by Mr. Dimitris Tzelepis. His contact details are as follows:

*Tel: +30 210 6111574*

*Fax: +30 210 6111030*

*E-mail: dtzelepis@ote.gr*

*Address: 99 Kifissias Ave., Marousi, Athens*

*Call Center: +30 210 611 1000*

*Investor Relations Webpage:*

*[www.ote.gr/portal/page/portal/InvestorRelation](http://www.ote.gr/portal/page/portal/InvestorRelation)*











# ***Providing the most comprehensive network for international telephony services in SE Europe***

OTEGLOBE offers integrated international wholesale telephony services in Greece and abroad, and caters for the increased demand for broadband services in the region. The company focuses on the design, development, and management of international telephony, data and capacity networks, on the commercial exploitation of international services offered to other operators and the provision of fully-manageable integrated services (international IP VPN) to large corporate clients through partnerships.

OTEGLOBE, which launched its commercial operations in October 2000, offers a wide range of integrated interconnection, data, capacity and voice services, via its four privately-owned networks: the Transbalkan Network (TBN) which connects Greece with Western Europe through the Balkans, the GWEN network, that provides interconnection through Italy, the Multiple Service International Platform MPLS/IP (MSP), and the international telephony network which was recently upgraded with Softswitch technology. Moreover, the company holds rights to various regional and transatlantic submarine cable systems, as well as on international fiber-optic networks to all neighboring countries and more than 150 bilateral interconnections.

The largest volume of broadband and inbound/outbound voice traffic between Southeast Europe and the rest of the world is carried through OTEGLOBE's networks.

## **MARKET TRENDS**

OTEGLOBE operates in a market where increasing demand for broadband service calls for substantial investments in infrastructure. Fierce competition leads to a considerable year-on-year decrease in voice, data and capacity prices.

International wholesale voice services (fixed and mobile) continue to pool most of the sales volume. Data services (mostly the international Internet Feed service) are starting to constitute a large part of the company's operations. The broadband market is expected to grow further in the near future, due to increased demand for high capacity connections with Internet exchanges, and new bundled products offers, that combine voice and data services through one physical interconnection, are also expected to emerge.

In such a competitive environment, OTEGLOBE enjoys the advantage of having two independent networks in SE Europe. This path diversity guarantees the non-

stop operation of OTEGLOBE's networks, since, aside from operating independently, TBN and GWEN may also function as mutual back up. By virtue of the multiwavelength capacity that both TBN and GWEN provide, OTEGLOBE owns the most comprehensive network infrastructure in the region. The operation of two networks allows OTEGLOBE to offer maximum network availability at an optimal price. Moreover, the company offers end-to-end services, and thanks to its vertical integration, OTEGLOBE has the necessary flexibility to respond to its customers' particular needs in a timely manner. The company's competitive advantages are further enhanced by focusing its investment efforts on its cost base optimization.

## COMMERCIAL ACTIVITIES

OTEGLOBE offers a broad portfolio of innovative, world-class telecommunication services, based on its networks and strategic alliances with operators worldwide. OTEGLOBE offers four types of services:

- *International Transmission Solutions*

**SDH Transmission Services and 10Gbps bandwidth:** Based on OTEGLOBE's GWEN and TBN fiber optic network infrastructure, DWDM/SDH transmission services provide full international digital circuits with controlled capacity-usage from certain points in Greece to key telecommunication centers in Europe, such as London, Frankfurt, Paris, Amsterdam, Brussels, Milan, Sofia, etc.

**Clear Channel Service:** Clear Channel Service correspond to business customers' needs for interconnection services with guaranteed undeviating bandwidth.

**Ethernet Transport Service:** This service is provided via NG SDH/DWDM technology or MPLS/MSP platform at speeds of 10Mbps to 1Gbps, over Fast Ethernet or Gigabit Ethernet interconnections.

**Internet Transit Service:** OTEGLOBE's Internet Transit service is an optimal solution for Carriers which seek Internet connections with sound efficiency and minimum possible delays.

- *International Telephony Solutions*

**Next Generation Voice Services (Carrier Grade VoIP):** With the new Softswitch technology, All-IP (SIP&H.323) interconnection will be offered along with traditional interconnection channels (TDM, C7).

Opting for VoIP interconnection, OTEGLOBE provides faster, flexible and low-cost access, through a variety of telephony packages, offering international termination with different class of services, according to each customer's needs.

**Premium/Standard HUBBING Service:** Customers may choose this service either as a supplement (for certain countries) or as one-stop shopping service. Premium/Standard Hubbing offers high-quality, low-cost routing of telephony traffic to all destinations without prior investments in international privately-owned infrastructure, or bilateral agreements.

**Premium Outbound/Inbound Voice Termination Service:** This service provides access to all fixed and mobile destinations in Greece, fully corresponding to customers' demands for premium quality and guaranteed CLI availability.

- *Solutions for Corporate Customers*

**MPLS VPN:** MPLS VPN service offers absolute flexibility by combining three Classes of Service of different quality features and cost, any-to-any interconnection between websites and numerous connection speeds, hence allowing for customized solutions.

**Ethernet VPN:** OTEGLOBE's Ethernet VPN service is a safe, flexible, reliable high-quality solution, ideal not only for multinational corporations with "high-speed" needs, but also for telecom operators. It is available in 3 Classes of Service and in transmission rates that range between 1Mbps and 1Gbps through Fast Ethernet or Gigabit Ethernet interconnections.

**Frame Relay:** This legacy service is a flexible high-performance data transmission service, ideal for supporting applications that are rich in data bursts.

**Managed CPE:** This is an optional value added service, which integrates the management of the user-end equipment with the offered service. Through Managed CPE, the company is able to install, manage and supervise the end-user equipment, and to solves possible defaults (remotely or on site). Depending on the service and the customer's needs, OTEGLOBE proposes the most suitable router.

- *International Solutions for Mobile Operators*

**GRX:** OTEGLOBE's GRX service is an integrated, cost-effective and reliable roaming solution that interconnects the Carriers' GPRS and 3G networks. This

service is based on the company's MSP platform, as well as on the agreements signed between OTEGLOBE and other key GRX providers.

**MMS Hubbing:** MMS Hubbing is a central, efficient and easy-to-implement MMS roaming service that offers international MMS connectivity to GSM/UMTS mobile operators. Interconnection with a great number of GSM/UMTS providers is achieved through the existing GRX infrastructure.

**Signaling & Roaming:** OTEGLOBE's Signaling and Roaming service provides mobile operators with the necessary infrastructure in order to cover their international roaming needs.

### **INTERNATIONAL TELEPHONY NETWORKS: KEY DEVELOPMENTS IN 2008**

#### **The Transbalkan Network (TBN): Fully protected in 2008**

OTEGLOBE's Transbalkan Network (TBN), which commenced operation in November 2007, covers the increased demand for broadband services in Greece and in the Balkans. Since December 2008, the network is fully protected. TBN is an exclusively terrestrial network based on an 8,000 km international fiber-optic infrastructure connecting Greece with Western Europe through the Balkans, by means of 4 international rings. TBN offers an alternative route compared to GWEN, which also connects Greece with Western Europe, yet through Italy. These two distinct super-high speed routes, owned by OTEGLOBE, complement each other and guarantee an unobstructed flow of services. Through the Transbalkan Network, OTEGLOBE provides connectivity with the IP MPLS (MSP) platform and the GWEN network, high reliability, competitive prices (since the infrastructure is privately-owned) and customer care services on a 24/7 basis.

#### **Introduction of NGN Softswitch Technology to OTEGLOBE's International Telephony Network**

In 2008, OTEGLOBE introduced Softswitch technology to its international network, offering telephony services that combine the benefits of IP with the quality of TDM network. Through Soft switch technology, (embraced by major telecom operators worldwide), OTEGLOBE expands its IP/MPLS network functionality, upgrades its international telephony network

considerably and can support the transition of its customer base to All IP Next Generation Networks. All IP interconnection, offers Class of voice Service, while access to each of OTEGLOBE's telecommunications services (telephony, Internet Transit, MPLS VPN, etc.) is now provided via one physical interconnection.

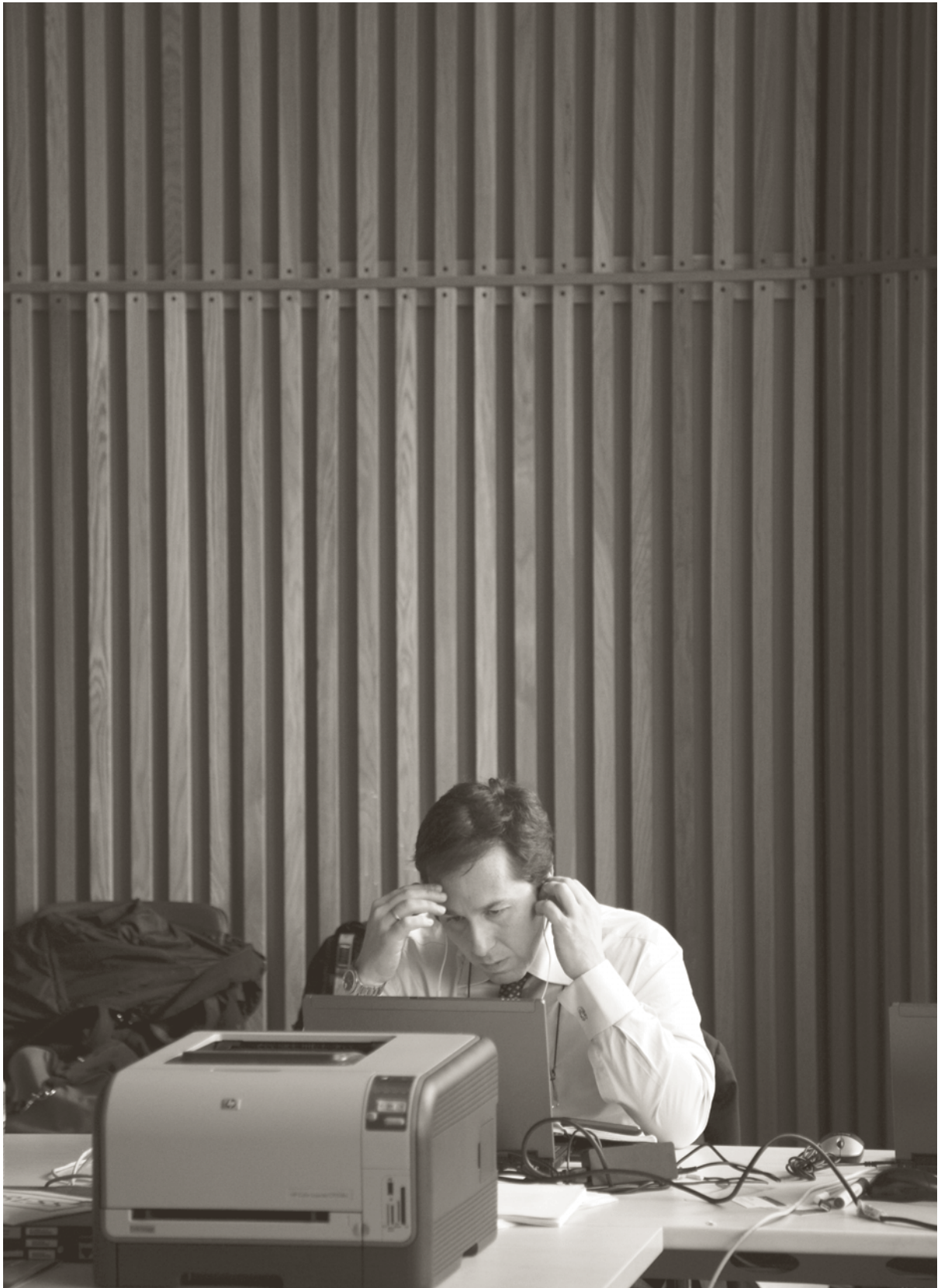
#### **Considerable Capacity Upgrade of the IP Core Network (by Means of Terabit Routers).**

In 2008, OTEGLOBE upgraded the capacity of its IP Core Network, in order to efficiently support the increased demand for international Internet, which followed the rapid expansion of broadband in Greece and its neighboring countries.

The company's targets for 2009 involve a stronger presence in SE Europe, as well as in emerging markets such as the Middle East, the increase of the capacity of its current telecommunications infrastructure and their geographical expansion. OTEGLOBE will also expand its international partnerships, in order to generate new revenue sources in markets where the company does not have its own network infrastructure.

### **2008: FINANCIAL HIGHLIGHTS**

Despite intense competition in the markets in which it operates, the company has successfully met its 2008 targets and maintained a leading position in SE Europe, while further improving its financial performance. In 2008, revenues were up 8% compared to 2007, amounting to €178 mn. Revenues from data services grew by 13%, while international telephony revenues increased by 37%. Operating income before depreciation and amortization reached €20 mn, up 45% compared to 2007. This solid financial performance was mainly due to the constant upgrade of its international cable infrastructure and IT systems, the completion of the TBN protection project and the optimization of the company's commercial operations.









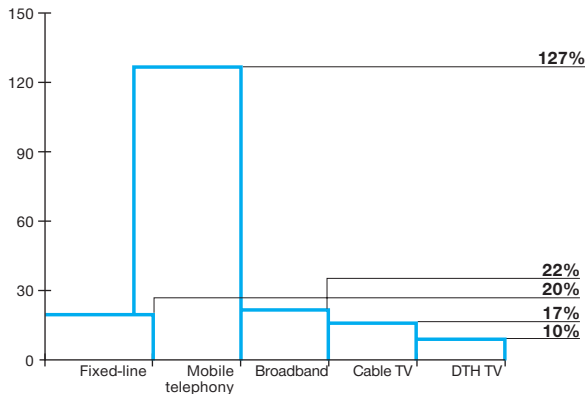
# More than 290,000 new broadband connections

RomTelecom is the incumbent fixed-line operator in Romania, offering traditional fixed-line services, Internet, digital satellite TV, as well as voice/data bundles. The company is a member of OTE Group since 1998.

## MARKET TRENDS

As presented in *Graph 1*, RomTelecom operates in a market with exceptionally low fixed-line penetration, high fixed-to-mobile substitution rate and strong competition from cable TV companies, which offer broadband and traditional voice services at very low prices. The current market conditions have led to increased price sensitivity among consumers, and therefore, intensive price competition among operators. (*Graph 1*)

**Population Penetration Romania (2008)**



*Graph 1*

In 2008, RomTelecom met the needs of its price-sensitive customers for low-cost broadband access by offering new products that combine mobile and data services.

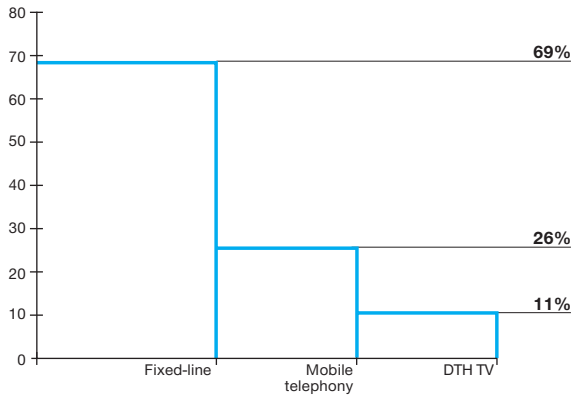
Broadband connections in Romania grew by 30%, which corresponds to almost 550,000 new customers. RomTelecom managed to capture more than 50% of this market growth.

Despite fierce competition and aggressive tariff policies by other operators, RomTelecom managed to control the fixed-line customer churn. This was achieved through the upgrade of its services portfolio, the adoption of new tariff policies, its response to customers' needs, and the optimization of its customer service through specialized call centers. As a result of these initiatives, RomTelecom increased its share in the ADSL and DTH TV markets. (*Graph 2*)

## COMMERCIAL ACTIVITIES

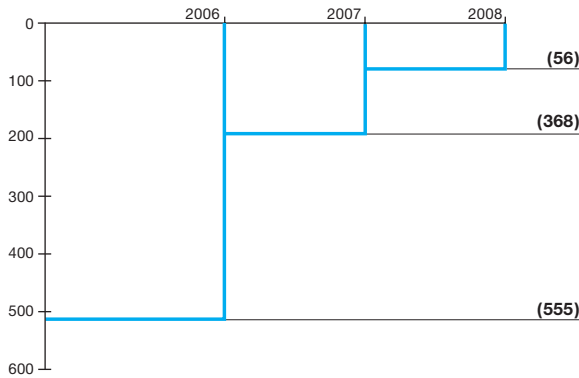
In 2007, RomTelecom's Commercial Division was split in two separate units (Residential Customers Division and Business Customers Division) as part of the company's strategy to address successfully the specialized needs of each customer group. The Business Customers Division focused on the improvement of its distribution channels for small and mid-sized businesses (global business market), and on the introduction of innovative ICT products and services. The Residential Customers Division focused on the launch of bundled and triple-play products.

**RomTelecom Market Shares (subscribers)**



Graph 2

**Net Line Loss (000)**



Graph 3

Placing special emphasis on customer needs, RomTelecom managed to reduce its fixed-line churn rate significantly, from 11% in 2007 to just 2% in 2008 as depicted in *Graph 3*. At the same time, the number of ADSL subscribers grew by 81%, while satellite TV subscribers increased by 65% reaching 643,000 as presented in *Graphs 4* and *4a*. Both ADSL and DTH TV subscribers account for approximately 22% of the company’s total PSTN and ISDN customer base. (*Graph 4, 4a*)

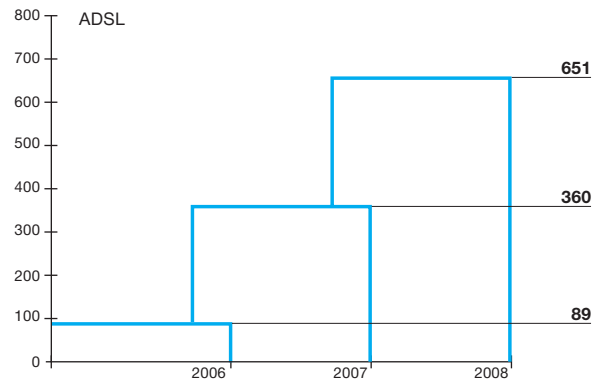
**VOICE SERVICES**

The Business Customers Division launched new services and promoted enhanced double and triple-play bundles that combine mobile telephony, fixed-line and

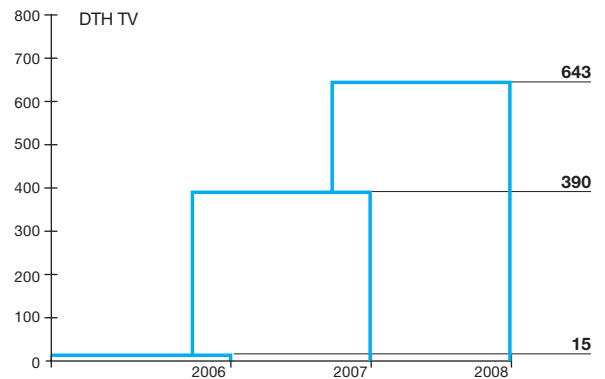
TV services. In October, the company launched new voice packages with attractive on and off-net tariffs, reduced fixed-to-mobile rates and unlimited international calls. RomTelecom’s market share in the business solutions segment increased by 15,000 new fixed-line connections.

The Residential Customers Division focused on the revamp of company’s traditional voice services portfolio and the development of new VoIP services. Existing fixed-line products were re-branded as **Voce**, and three new voice products were launched: **Voce International**, **Voce Mobil** and **Voce Total**, offering local rates for international calls and lower rates for fixed-to-mobile calls. RomTelecom and Cosmote jointly introduced the **Fixed-Mobile Unlimited Package** providing fixed-line customers with unlimited call time for 4 Cosmote contract subscriber numbers. Finally, the residential VoIP service provides lower rates for national and interna-

**Broadband & DTH TV Subscribers (000)**



Graph 4



Graph 4a



tional calls over the Internet, as well as the option for a second telephone number on the existing telephone line.

### BROADBAND SERVICES

In 2008, new products combining computer terminals and software (PC/Laptop and Antivirus) were offered to business customers. At the same time, while bandwidth doubled, tariffs remained unchanged. RomTelecom also managed to capture the second best share in the Virtual Private Network (VPN) market, as a result of its fresh marketing campaigns, increased bandwidth for existing fixed-IP customers, its new tariffs for fixed-IP services and its re-engineered Metro Ethernet products.

In the residential customers market, RomTelecom focused on upholding customer satisfaction. Almost 320,000 customers migrated to higher access speeds. The company ran 5 marketing campaigns for its broadband services, promoting its double and triple-play products. Regarding RomTelecom's ADSL service ClickNet, the company launched a broadband services package with speeds of up to 20,480Kbps and combined this offering with a range of hardware options.

Revenues from data services (ADSL, VPN and other broadband services) continued to grow steadily. At the end of 2008, ADSL subscribers amounted to approximately 650,000.

In August 2008, RomTelecom acquired a CDMA (410MHz) licence, which will allow for the provision of voice and broadband services in remote areas where copper network coverage is not available.

### PAY-TV SERVICES

RomTelecom's countered fierce competition from cable TV providers through the launch of satellite TV services, in 2006, under the brand name **Dolce**. In 2008, Dolce subscribers increased by 65%, reaching 643,000. This increase was a result of content enrichment, the addition of channels with broad public appeal, a successful tariff policy and promotional campaigns that allowed the company to expand its customer base. In November, the company introduced the new SMATV (Satellite Master Antenna Television) solution, which allows the TV signal to be distributed to multiple

households via a single antenna. The company plans to launch additional IPTV services in 2009.

### DISTRIBUTION NETWORK

RomTelecom's distribution network comprises of 82 RomTelecom shops, 250 Germanos stores, as well as call centers. Apart from the retail stores, the distribution channels to business customers comprise of direct-sales companies, authorized dealers, call centers for SOHO (Small Office, Home Office) customers and a network of dealers for small and mid-sized companies. In September 2008, RomTelecom set up a new call center for small and mid-sized companies.

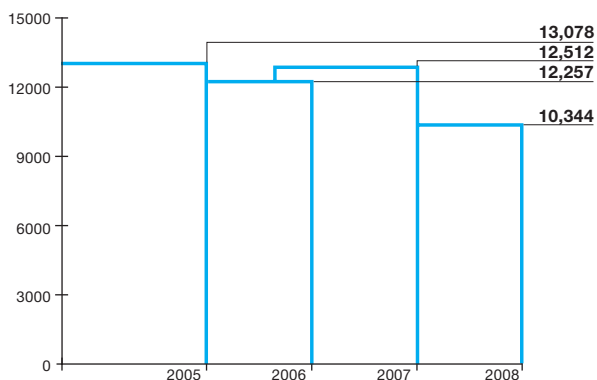
### HUMAN RESOURCES

The efficient management of the company's human resources is a top priority for RomTelecom. In 2008, the headcount was reduced, with more than 2,000 employees leaving the company. (Graph 5)

### NETWORK INFRASTRUCTURE

RomTelecom's fixed-line services are supported by a 3-tier network, which consists of two international gateways, ten fully connected transit switches and 97 local switches. Intelligent and value-added services are supported by IN and messaging platforms. The IP/MPLS network is built on two hierarchical levels: edge and core. Connections between IP/MPLS edge and core network elements are based on DWDM wavelengths and EoSDH regional rings, served by 242 nodes. Metropolitan Ethernet networks operate in Bucharest and in all major towns, based on Gi-

**RomTelecom Employees**



Graph 5

gabit Ethernet technology. The IP/MPLS network is connected to six upstream networks for Internet access (total capacity of 15.6Gbps) and has major national peering links with providers (total capacity of 18.5Gbps).

Fixed-line and IP/MPLS networks are supported by a solid transmission network, based on optical fiber, DWDM and SDH technologies. The fiber-optic network spans over 31,900 km. Besides supporting all service networks, the transmission network is also used to provide long-distance leased lines.

The upgrade of the IP/MPLS network was completed in February 2008. As a result of the recent developments in the telecommunications market, RomTelecom discontinued its original NGN roll out plan, strengthened its current IP network and shortened the loop for next generation services. In May 2008, the company completed the implementation of a new Cisco IP-NGN network. With the implementation of this network, RomTelecom is proactively preparing for increased broadband demand and growing business customers' requirements for new, high security services, such as Virtual Private Networks (VPNs).

VoIP solutions for international calls are supported by 1 Media Gateway Controller, 3 Media Gateways and Signaling Link Terminators. For national VoIP, there are 2 different platforms: One for residential customers, which supports VoIP-over-ADSL broadband services, and one for business customers, which supports VoVPN/IBPX services.

In 2008, an accelerated ADSL implementation provided more than 1 million ADSL ports. The Fiber-To-The-Home (VDSL and GPon) solution was tested in a couple of cities and the IP network was upgraded to sustain data traffic. DWDM core network was improved to facilitate retail traffic and high capacity wholesale data traffic. In wireless technology, a 410MHZ licence was acquired and CDMA technology will be deployed in remote areas. Pilot projects were launched to identify the best IPTV solution. Finally, the transponder was adjusted to permit satellite TV access (SMATV) to subscribers of multiple households with no line of sight.

## REGULATORY DEVELOPMENTS

In September 2008, RomTelecom acquired a CDMA mobile communications licence in the 410-415/420-425MHz frequency bands. The licence was granted for 10 years and allows the company to build and operate a mobile network for voice and data services.

During the course of the year, in compliance with its regulatory obligations, the company completed all necessary procedures for the provision of number portability (the service that enables users to keep their telephone number when shifting to another provider).

In 2008, the Romanian Regulator (ANC) reviewed the interconnections regime. The set of obligations imposed by previous regulations on RomTelecom, was maintained and the maximum tariffs for an average interconnection were not changed. ANC's top priorities include:

- *Ensuring transparency and equal treatment of operators*
- *Accounting separation*
- *Access to specific data relating to the company's network and infrastructure*
- *Cost-oriented approach for company's tariffs*

## 2009 OUTLOOK

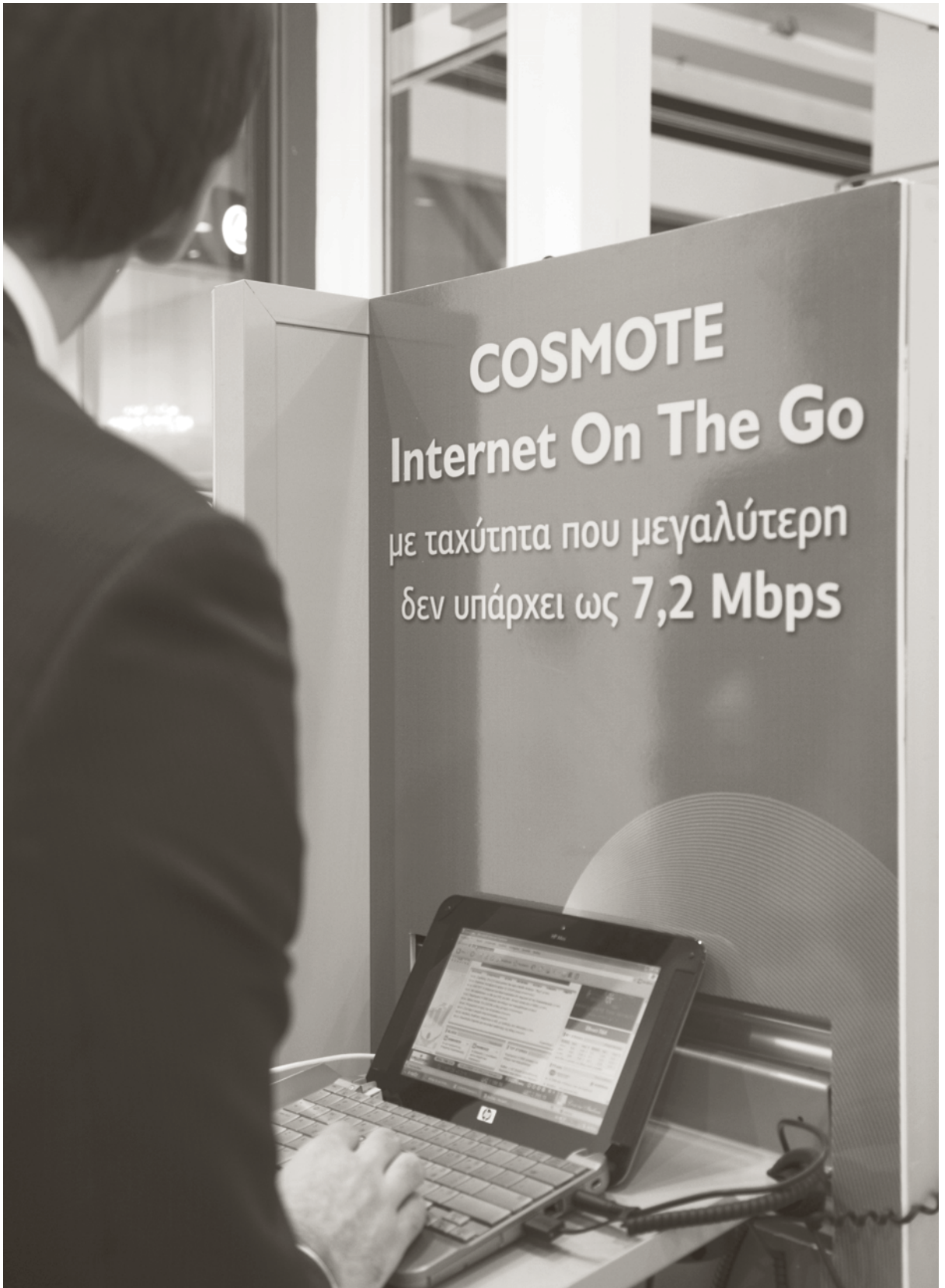
During 2009 competition is expected to intensify, as customers have become more price-sensitive and opt for packages with unlimited calls, as well as double and triple-play bundles. RomTelecom's key objective is to retain its customer base in fixed-line through attractive pricing. The offering of fixed/mobile converged products is expected to assist in customer retention. In relation to broadband services, the key challenge for RomTelecom is to improve the Average Revenue per User (ARPU) and maintain subscriber growth. The company plans to provide a full-IP, triple-play bundle, expand rural coverage to cater for new market segments' needs, and introduce VDSL2+ and CDMA technology, in order to increase its competitive advantage with regards to new services. RomTelecom's strategy for 2009 also involves the development of multiple platforms and technical solutions for TV services.

Cost reduction remains a top priority on the company's agenda. As part of this strategy, RomTelecom plans to rationalize its distribution network by intro-

ducing online orders and maximizing service delivery automation, as a means to reduce commissions and call centre/ helpdesk associated costs.

In 2008, RomTelecom's revenues declined by 0.2% compared to 2007 and stood at €869.8 mn, mainly due to customer churn. Operating income before depreciation and amortization, excluding the impact of employee exit schemes, reached €291.6 mn.

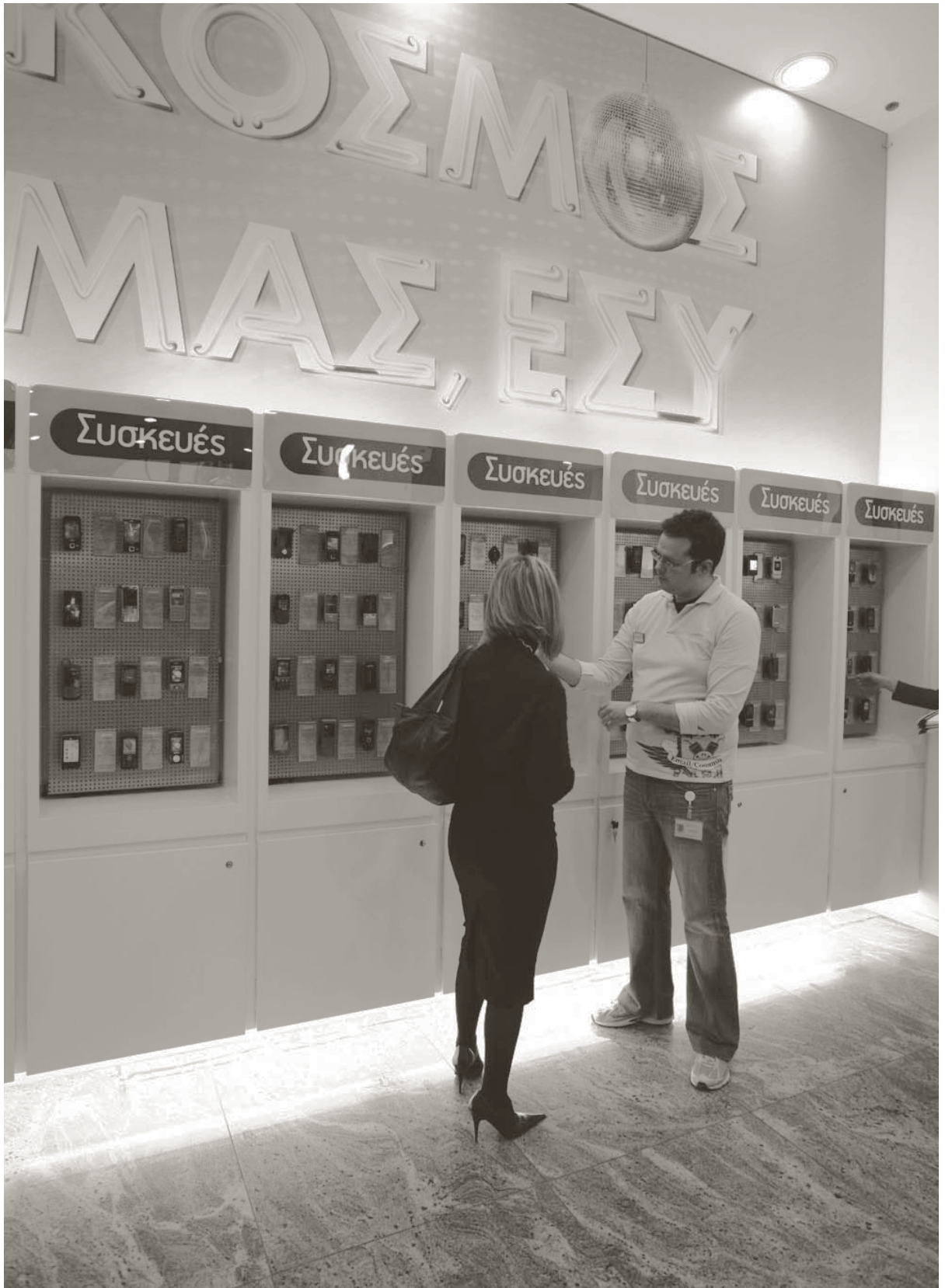












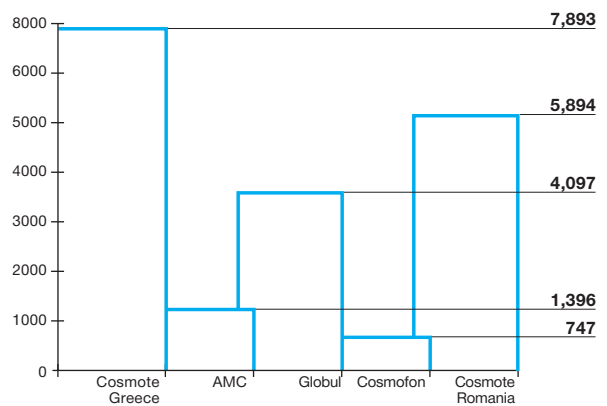
# 4.5 million new subscribers in a year

Cosmote, the mobile arm of OTE Group, maintained its position in 2008 as the leading provider of mobile communications services in Greece and Albania, while its operations in Bulgaria and Romania continued expanding at a rapid pace. During a year, when most of Cosmote's competitors, as well as all other telecom operators in Europe saw their results deteriorating, Cosmote improved its performance in all countries and markets of operation, sustaining its extraordinary course with respect to both growth and financial performance.

Cosmote's impressive performance in both the maturing Greek market, as well as in the developing mobile markets of SE Europe, is a result, to a large extent, of the contribution of Germanos S.A. (Germanos) distribution chain. As a result of the increased net additions brought in by Germanos, Cosmote exceeded its set target of 18 million subscribers for 2008, by almost 2 million, reaching a total of 20 million subscribers. The company's total customer base, across all markets, increased by 28.8% compared to 2007, and as a result, Cosmote's customer base accounts for one out of three inhabitants in its geographical footprint.

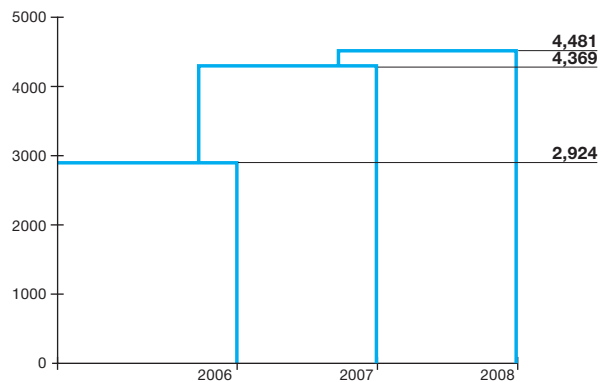
Compared to 2007, Cosmote's subscriber base increased by 25.9% in Greece, 16.8% in Albania and 5.8% in Bulgaria. In Romania, where commercial launch took place in December 2005, the subscriber base rose by 63%. (Graphs 1 and 2)

Group Customer Base 2008 (000)



Graph 1

Group New Net Additions (000)



Graph 2

# ***Increasing market share in a tough competitive environment***

Leading the Greek mobile telephony market since 2001, Cosmote saw its market share grow by 3% in 2008, reaching an impressive 41.9%, which corresponds to 7.89 million subscribers. This market share increase (the highest over the last five years) demonstrates the strong position the company has captured in the Greek market, especially after the acquisition of the Germanos distribution network. Alike recent years, the expansion of Cosmote's customer base was reflected in its strong financial performance.

Cosmote is continuously investing in the improvement of its product offering, through the upgrade of its telecommunications network, the enhancement of its customer care, the expansion of the distribution network, the strengthening of its corporate image and the launch of new services. As a result, Cosmote has earned the preference of Greek consumers.

Despite the high mobile telephony penetration rate in Greece, which was estimated at approximately 170% for 2008 (based on data published by mobile operators), latest trends indicate that there is further room for growth in voice traffic and usage. The data services market also provides further room for growth. In 2008, Cosmote responded to the increased demand for high-speed Internet access through mobile telephony networks, by expanding its HSPA-technology products and services over the 3G network across the country.

Cosmote capitalized on its significant competitive advantage in 3G and HSPA coverage by offering access reaching 7.2Mbps, also capturing the largest share in this market segment.

## **NETWORK INFRASTRUCTURE**

Cosmote's services are supported by a GSM/GPRS (2nd generation) and a UMTS (3rd generation) network. The GSM/GPRS network provides voice, text messaging and data transfer services across the country through GPRS technology. In addition, the 3G UMTS network provides video telephony and data transfer services, such as multimedia messaging (MMS), WAP navigation, internet access, e-mail access and corporate client Intranet access at speeds that reach 7.2Mbps.

At the end of 2008, Cosmote's GSM/GPRS network covered 99.8% of Greece's population, 97% of the country's land area and approximately 98% of its territorial waters. The 3G network covers most major cities and 88% of the Greek population. In 2008, Cosmote had a 99% call completion rate, while call recover rates level exceeds 99%. These specific operation statistics exemplify the overall quality of the company's network. In 2008, Cosmote's network served almost 14 billion minutes of voice traffic and approximately 4 billion text messages (SMS).

In 2008, Cosmote continued to upgrade its network, aiming to provide wireless HSPA broadband services across a larger part of the country. Especially for its business customers, Cosmote has developed a Fixed Wireless Access (LMDS) network in the greater areas of Athens and Thessaloniki.

In 2009, Cosmote intends to increase its network capacity in order to meet the demand for advanced value-added services. With regards to the company's 3G (UMTS) network, Cosmote plans to expand the network's capacity and broadband bandwidth capability. The scheduled expansion of 2G and 3G networks in Greece, as well as in all other countries in which Cosmote operates, is expected to cover the needs of a growing subscriber base in the forthcoming year. Finally, in 2009, Cosmote plans to further upgrade and expand its Fixed Wireless Access (LMDS) network, mainly in the Attica region.

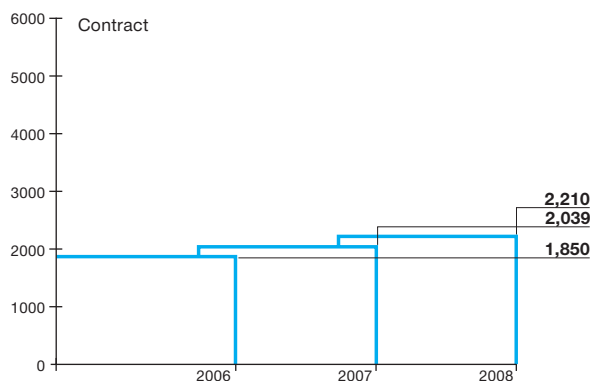
## COMMERCIAL ACTIVITIES

The company's leading market position is not only a result of its mobile telephony network superiority (due to continuous investment in infrastructure), but also of the dynamic promotion of new, innovative products that respond to specialized customer needs, through a wide sales network. The acquisition of Germanos' chain of retail stores played a significant role in the expansion of Cosmote's customer base. (Graphs 1 and 1a)

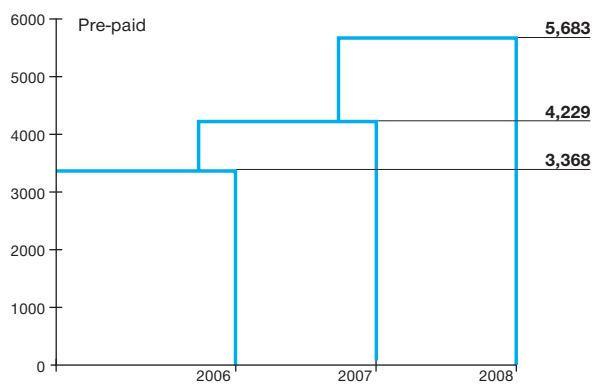
In 2008, Cosmote retained its commercial leadership by offering a series of innovative products and services that appealed to consumers. During the year, Cosmote:

- Expanded its customer base by almost 26% compared to 2007, adding 1.6 million new subscribers
- Increased its market share in contract services, exceeding 2.2 million subscribers in total
- Launched innovative products and services, such as the **MULTI**, **Internet on the GO**, **Cosmote@Home** and **Cosmote@Office** programs, as well as the new **CIAO** pre-paid telephony product, specially designed to meet the needs of foreign customers and tourists
- Launched the **My View** portal that offers top-quality services to pre-paid customers, thus significantly expanding the number of users

### Customer Base (000) Greece



Graph 1



Graph 1a

- Added HSPA capacity to its network throughout the country, thus allowing Internet access from the 3G network at speeds of up to 7.2Mbps

## PRODUCTS AND SERVICES

Responding to the growing needs of the market, Cosmote introduced new innovative communication packages (the **MULTI**, **Talk** and **Text COSMOTE 500**, and **Call Them All 600** programs) and upgraded its 3G infrastructure, in order to provide advanced broadband services (Broadband HSDPA).

Cosmote's corporate image was significantly enhanced in 2008, through a new communications strategy which displayed an innovative approach to the market, and a corporate TV campaign that was warmly received by the general public.

### Contract and Pre-paid Services

Cosmote continued its successful course in a highly competitive environment, retaining its leading posi-

tion in the contract subscribers market and further increasing its market share being the main beneficiary of number portability.

The most successful contract and pre-paid services, in terms of sales, during 2008 were:

- *The **MULTI** programs that offer the flexibility needed to a certain market segment by equalizing tariffs for voice and video calls, as well as for SMS and MMS*
- *The voice plus text Cosmote 500 packages, which offer the most attractive solutions in the contract market, providing 500 minutes of airtime plus 500 text messages per month to all Cosmote and fixed-line phones*
- *The Call Them All 600 service that offers to What's Up pre-paid subscribers 600 minutes of voice or video calls to other What's Up subscribers*
- *The offer of 45 free minutes of airtime per top-up to all **COSMOKARTA** subscribers*
- *The launch of the **CIAO** pre-paid card, offering exclusive services in cooperation with AMC Albania*
- *The **FROG** pre-paid product that has gained significant market share in the economy segment of pre-paid telephony*
- *The **COSMOTE BUSINESS** range of programs that targets small and mid-sized companies, which was enriched with new versions for more efficient cost-control*
- *The **Cosmote@Home** and **Cosmote@Office** services that offer to residential and business customers a fixed-line phone number and attractive tariffs for calls from home or office*

#### **Broadband and Value-Added Services**

2008 was a very successful year for Cosmote with respect to mobile broadband services. In April 2008, Cosmote was the first company to offer an integrated solution for mobile Internet access at speeds of up to 7.2Mbps, through new programs such as the **Internet on the GO**, promoted through attractive offers. As a result, the company managed to become very soon the provider of choice for mobile broadband users, and its momentum contributed significantly to the growth of the market.

Moreover, in June 2008 the company launched a new portal, **Cosmote My View**, accessible from mobile phones of Cosmote subscribers, that provides informa-

tion and entertainment services. Cosmote My View has gained considerable momentum, further contributing to the development of new business areas.

Finally, mobile e-mail services became more accessible to retail and business users through the offer of new advanced handsets and more attractive tariff plans.

#### **Roaming Services**

By the end of 2008, Cosmote had signed 454 roaming agreements in 194 countries, of which 368 in 172 countries are already in effect. The company also offered full roaming services to its pre-paid customers with 84 networks in 38 countries.

Contract customers have access to GPRS Roaming services with 167 networks in 88 countries, as well as 3G Roaming services with 43 networks in 29 countries. Finally, Cosmote offered the Virtual Home Environment (VHE) service to subscribers of 135 international networks which roam with Cosmote's network, thus offering access to home short codes.

#### **DISTRIBUTION NETWORK**

In 2008, Cosmote proceeded with the restructuring of its distribution network, in order to enhance the efficiency of its operations and achieve the highest quality of customer care and support.

At the end of 2008, Cosmote's distribution network comprised of 430 Germanos stores across Greece, addressing retail and wholesale customer needs, 340 OTEShops, 24 exclusive Cosmote shops, and a significant number of other distributors in both the retail and wholesale markets.

During the year, the corporate customers' sales network was restructured through the unification of the Cosmote and Germanos sales units, strengthening Cosmote's presence in this particular market segment even further.

2008 was another successful year for Cosmote in the distribution network for the pre-paid segment, since it managed to reinforce its presence despite fierce competition, thus consolidating its position as market leader.

The expansion of Cosmote's customer base and the subsequent improvement in the company's financial performance would not be possible without the con-

tribution of the Germanos distribution network that plays such a significant role in the acquisition of new customers.

## CUSTOMER SUPPORT

2008 was a significant year in terms of customer support. More than 12 million calls were answered and 5 million customer requests were handled through the company's call and service centers.

In the highly competitive environment that Cosmote operates, customers' needs are continuously evolving. As a result, Cosmote transformed the customer care department into a relationship management unit, helping the company strengthen its ties with customers.

With the help of its experienced and highly-trained personnel, and using simple and easy to understand procedures, Cosmote has managed to increase customer satisfaction and loyalty.

The operation of dedicated customer care units, such as the business customers unit, or the data service unit, has differentiated Cosmote from competition and has helped establish its corporate image as a provider of value-added offers.

## REGULATORY ISSUES

In November 2008 the Greek regulatory authority, the Hellenic Telecommunications and Post Commission (EETT), published a revised analysis of mobile termination rates market. As a result, EETT adopted the following glide path for termination rates, applicable to all mobile operators: 0.0786€/minute from January 1, 2009; 0.0624€/minute from January 1, 2010; and 0.0495€/minute from January 1, 2011.

## FINANCIAL AND OPERATIONAL PERFORMANCE

During 2008, mobile traffic volume increased by 31% compared to last year, while average minutes of use per customer reached 183 minutes/month, compared to 170 minutes/month in 2007.

The company's revenues increased by 6.2% in 2008, while operating income before depreciation and amortization (OIBDA) grew by 7.9% to €781.8 mn. In a market where competitors saw their revenues deteriorate, Cosmote managed to increase its revenues and also expand its OIBDA margin to 42.4%.

## Cosmote Greece Financial Highlights

(€ mn)	2007	2008	Change
Total revenues	1,735.9	1,843.1	6.2%
Operating income before depreciation and amortization	724.4	781.8	7.9%
Operating income before depreciation and amortization margin	41.7%	42.4%	0.7pp

## ALBANIA (AMC)

# An impressive performance

AMC, Cosmote's subsidiary in Albania, maintained in 2008 its leading position with a 53.3% market share in a mobile telephony market in which three competing companies operate. AMC operates a 2nd generation network, which supports both GSM 900 and DCS 1800 services, providing a population and geographical coverage of 99.3% and 88.9% respectively.

### NETWORK INFRASTRUCTURE

Mobile telephony services are supported by both GSM/GPRS network and EDGE networks. The GSM/GPRS network provides voice, text messaging and data switching services across the country through GPRS technology. The EDGE network provides data services, such as Multimedia Messaging Services (MMS), Internet access, e-mail services and intranet access at speeds of up to 200 Kbps. At the end of 2008 the EDGE network covered 53% of the population and 30% of the territory. During the year, AMC achieved an almost 99.6% call success rate.

In 2008, AMC continued the modernization of its network by fully upgrading its BTS and transmission systems, increasing network capacity to accommodate higher volumes of traffic, providing infrastructure based solutions to corporate customers (requiring dedicated data transmission services) and by increasing international interconnection capacity.

A significant technological development was the introduction of Release 4 in the Core Network, one MSS and one MGW. The capacity for international traffic connections with Cosmote and OTEGLOBE increased significantly. The expansion and upgrade of the platform serving pre-paid telephony was completed in December 2008; in addition, 2 new Excel Switches were installed, boosting pre-paid capacity by 20%. In the third quarter of 2008, a new platform enabling answering machine services was introduced, while ca-

capacity for a new Multimedia Call Completion (MCC) service will be added to the existing infrastructure.

In 2009, AMC plans to develop a local Packet Core Network and build a Long Haul Backbone Network based on fiber optics, to Greece. Further upgrades to the pre-paid platform will also be implemented, so as to increase capacity in terms of both traffic and subscribers.

### COMMERCIAL ACTIVITIES

In April 2008, AMC launched the **AMC Flaxy** top-up service, which has met with great success. AMC Flaxy enables pre-paid customers to top-up their card balance by any amount they wish, thus freeing themselves from voucher limitations, while at the same time enjoying loyalty reward schemes offering bonus airtime.

For corporate and business customers, AMC launched new voice and SMS packages, offering lower rates for calls and text-messages to national destinations.

In September 2008, AMC reduced charges of the **ALBAKARTA** services by 44%, as part of its obligations towards the local regulator (AKEP).

In October 2008, AMC introduced a new pre-paid program named **AMCKarta** that allows pre-paid subscribers, especially **ALBAKARTA** holders, to enjoy flat rate charges for calls to all national destinations. **AMCKarta** also offers to subscribers other value-added services, such as **AMCKarta Bonus, Friends and Family**, etc.

With the aim of reducing customer churn, expanding its customer base and increasing voice and data traffic, AMC launched during 2008 products and services that target low-consumption users. These include credit limit extension, discounted airtime packages, SMS/MMS parties, peak/off-peak tariffs and SMS/voice packages.



AMC also offers to high-usage pre-paid card customers the option to switch to contract services, through the launch of 4 new programs that satisfy a range of distinct customer needs and profiles.

AMC's retail distribution network comprises 108 exclusive stores and an extensive network of independent dealers.

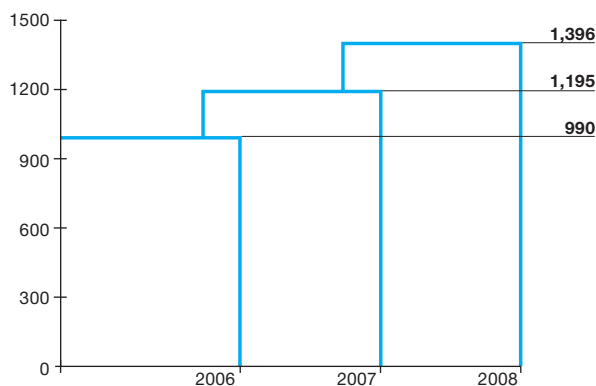
## FINANCIAL AND OPERATIONAL PERFORMANCE

During 2008, AMC increased its customer base by 17% compared to 2007, reaching 1.4 million subscribers as presented in *Graph 1*. As is the case with markets with similar characteristics, the vast majority of AMC's subscriber base, almost 93%, consists of pre-paid customers. In 2008 AMC's subscriber base, total voice traffic increased by 14% compared to 2007, while the number of text messages grew by 17%.

AMC's revenues reached €191.3 mn, increasing annually by 8.6% , while operating income before depreciation and amortization (OIBDA) margin grew by 2.7 percentage points. AMC continues its highly successful course, combining strong growth with high profitability levels.

AMC Financial Highlights (€ mn)	2007	2008	Change
Total revenues	176.2	191.3	8.6%
Operating income before depreciation and amortization	109.3	123.8	13.3%
Operating income before depreciation and amortization margin	62.0%	64.7%	2.7pp

### Customer Base (000) Albania



Graph 1

## BULGARIA (GLOBUL)

# Continuously increasing profitability during a year, characterized by fierce competition

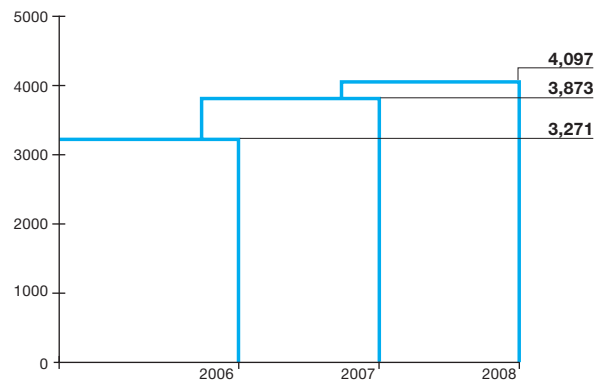
### 4.1 MILLION SUBSCRIBERS AND SIGNIFICANT INCREASE IN PROFITABILITY

Cosmote's subsidiary Globul ranks second in the Bulgarian mobile market with respect to market share. At the end of 2008, the company's customer base reached 4.1 million subscribers, increasing by 5.8% compared to 2007. Contract subscribers exceeded 51% of the total customer base, up by 25.9% in absolute numbers, compared to 2007, while the company's total market share remained unchanged at 40%, despite the entry of a third operator at the end of 2005.

The robust expansion of Globul's total customer base, especially in contract subscribers is largely due to the company's successful commercial activities and the contribution of the Germanos distribution network. (Graph 1)

The company provides its products and services through a country-wide distribution network, which comprises of 909 points of sale (compared to 846 in 2007), including 36 exclusive Globul stores and 137 Germanos stores (compared to 125 in 2007) that generate 36.9% of the company's revenues, an additional network of representatives and dealers that generate 43.7% of the company's revenues, and a direct-sales

Customer Base (000) Bulgaria



Graph 1

team that targets corporate customers and generates 19.4% of revenues.

### NETWORK INFRASTRUCTURE

Globul owns one of the three 2G and one of the three 3G (UMTS) licences in the country, as well as a licence for fixed-line services.

In 2008, the company continued to upgrade its network infrastructure so as to improve the coverage and quality of service of its 2G (GSM) network. Constantly investing in the development of its UMTS network,

the company managed to retain its leading position in the Bulgarian market, both in terms of geographical coverage and quality of its 3G network.

At the end of 2008, Globul's access network comprised of 1,822 GSM base stations (compared to 1,630 in December 2007) and 537 UMTS base stations (compared to 347 in December 2007). 58% of the total UMTS base stations support high-speed access (HSD-PA 3.6Mbps and 7.2Mbps), providing HSUPA in areas where there is 3G network coverage.

In 2008, Globul's GSM network covered 99.60% of the population (compared to 99.25% in December 2007), while the company's UMTS network covered 65.53% of the population (compared to 49.03% in December 2007).

Investments in the Transmission Network during the year aimed to expand coverage, allow for increased traffic needs, expand the radio-network and increase the network's backup capacity. The implementation of a DWDM network began at the end of the year, and completion is estimated in mid-2009. The DWDM network is expected to increase significantly the capacity of the company's extensive core fiber-optic network.

During 2008, the company's Switching Network supported successfully the wide range of value-added services, as well as Globul's Office Zone and Student Zone solutions for companies and students respectively. At the same time, the company started to implement Home Location Register (HLR) backup solutions, in an effort to protect critical network nodes.

The continuous upgrade of the network, with emphasis on quality traits, further improved the two main indicators by which quality of calls is measured. Specifically, in 2008 Call Setup Success Rate (CSSR) reached 99.31% compared to 99.20% in 2007, while Dropped Call Rate (DCR) fell to 0.53% compared to 0.63% in 2007. The company's network handled successfully the tremendous increase in data traffic, which reached a 1,000% annual growth, resulting from the launch of data-related bundles during the year.

## COMMERCIAL ACTIVITIES

Supported by the Germanos distribution network, Globul focused on the expansion of its contract subscribers' base. The company constantly develops and

promotes innovative products that meet customer needs, such as the value-added services **Talk2me** and **Notify About Me**. In addition, Globul initiated social responsibility programs, such as the Globul Green program, the first joint initiative with WWF, to clean the country's national parks.

### *Contract Services*

The company's product portfolio was enhanced with new innovative services (e.g. **Student Zone**) and new tariff plans. Cosmote placed emphasis on self-service online activation and deactivation options related to the **Friends and Family** packages, electronic billing, etc.

There is considerable potential for expansion in the fast growing market for data services. Globul plans to increase its revenues from that segment by capitalizing on its superior 3G and HSPA coverage that gives the company a significant competitive edge. Already in 2008, the demand for high-speed mobile Internet access has increased considerably, showing the way for the future.

### *Pre-paid Services*

The introduction of Globul's pre-paid product branded **FROG** in February 2008 has met with great success, and it has already captured a sizeable share of the economy pre-paid market.

The company also launched a series of innovative products, capturing a niche market segment, such as the option to purchase bundles of on-net airtime minutes (e.g. 5 minutes of airtime, to be consumed within 24 hours at the price of €0.50).

Finally, Globul introduced the first pre-paid plan in Bulgaria that offers free airtime to a single destination with a very low monthly rate. Through this plan, Globul became the first to reward customers who have stayed loyal to the company for more than a year with extra minutes of on-net airtime at no extra charge.

## FINANCIAL PERFORMANCE

During 2008, Globul's revenues increased by 11.6% compared to last year, reaching €460.0 mn, as a result of higher customer figures as well as minutes of use (AMOU). Operating income before depreciation and amortization (OIBDA) grew by 20.9% compared to 2007, reaching €195.6 mn, while OIBDA margin

increased by 3.3 percentage points, as a result of the company's efforts to reduce costs, particularly in the second half of the year.

#### Global Financial Highlights

(€ mn)	2007	2008	Change
Total revenues	412.1	460.0	11.6%
Operating income before depreciation and amortization	161.7	195.6	20.9%
Operating income before depreciation and amortization margin	39.2%	42.5%	3.3pp



# ***A good financial performance and agreement to sell the company***

Cosmofon, established in 2001 and having launched commercial operations in 2003, ranks second among the three mobile operators in the Former Yugoslav Republic of Macedonia (FYROM). Cosmofon operates a telecommunication network in the GSM 900 frequency band, under a 22-year licence, which expires in 2023.

At the end of 2008, Cosmofon's customer base reached 747,047 subscribers, increasing by 26% compared to 2007, of which 24.1% are contract subscribers. The company's total market share stood at approximately 30%.

In February 2008, Cosmofon became the first operator in FYROM to acquire a 3G (UMTS) licence. The first launch took place in September 2008, giving the company a competitive edge and enhancing its corporate image. The new offerings allow Cosmofon to increase revenues from data-related services.

Moreover, in 2008 Cosmofon entered the fixed-line market through the combined offer of fixed GSM, UMTS and WiMAX services. Cosmofon launched WiMAX services in 2009, following the award of six regional WiMAX licences in 2008 and 2009.

Cosmofon enjoys a strong distribution network, which comprises of own shops, master dealers and numerous other points of sale, such as kiosks, supermarkets and tobacco shops that sell pre-paid telephony products. A key element in Cosmofon's distribution strategy is the company's exclusive partnership with the Germanos chain, owned by the parent company, which enables

the operator to accrue all the benefits from the strong Germanos brand as the leading retailer of mobile telephony and electronic products in the country.

In 2008, despite fierce competition and other adverse developments which had nothing to do with the company, Cosmofon posted a strong financial performance, with revenues increasing by 6.2% to €66.0 mn, and operating income before depreciation and amortization (OIBDA) reaching €19.7 mn for an OIBDA margin of 29.9%.

After the OTE acquisition by Deutsche Telekom, FYROM's competition authorities obliged OTE to sell Cosmofon, as Deutsche Telekom also owns the leading mobile operator in FYROM. As a result, in March 2009 OTE agreed to sell the company to Telekom Slovenije for a consideration of €190 mn.

## **Cosmofon Financial Highlights**

<b>(€ mn)</b>	<b>2007</b>	<b>2008</b>	<b>Change</b>
Total revenues	62.2	66.0	6.2%
Operating income before depreciation and amortization	19.3	19.7	2.3%
Operating income before depreciation and amortization margin	31.0%	29.9%	-1.1pp

## ROMANIA (COSMOTE ROMANIA)

# Reaching a 23% market share in just 3 years of operation

Cosmote Romania was initially launched by RomTelecom in January 1999 under the brand name CosmoRom. In July 2005, Cosmote acquired a 70% stake in the company's share capital and began to operate as Cosmote Romania. The company is currently Romania's third largest mobile GSM operator.

At the end of 2008, the third year since commercial relaunch, Cosmote Romania reached 5.9 million subscribers and increased its market share from 16% at the end of 2007 to almost 23%. (Graph 1)

### NETWORK INFRASTRUCTURE

Cosmote Romania's telecommunication network operates in the EGSM 900 and GSM 1800 frequency bands. In 2008, the company continued to invest in the expansion and upgrade of its network, in an effort to increase capacity and coverage. Today, Cosmote

Romania's network covers 98.8% of the population and more than 88.9% of the country's territory, reaching coverage levels, fully comparable to competitors, within only three years since relaunch.

The gradual transition to IP technology based core networks continued in 2008, a development that is enhancing network capacity and efficiency. Number Portability was introduced in Romania in 2008, significantly enhancing the demand for Cosmote Romania's services and products.

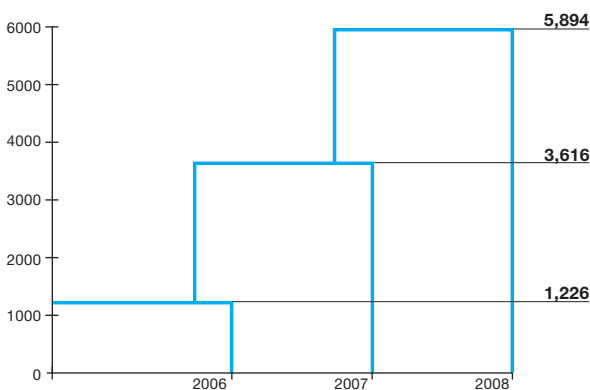
Network investments will continue in 2009, so as to meet the growing needs of a rapidly expanding customer base, and increase network's capacity, in order to enable the introduction of new services such as WAP portals in the Romanian market.

### PRODUCTS AND SERVICES

During 2008, the Romanian telecommunications market was characterized by intense competition and as a result, consumers were presented with a wide variety of options: from bundles of hundreds of on-net voice minutes and on-net text messages, to unlimited voice and data packages. 2008 was a year during which all mobile operators launched fixed-to-mobile call bundles, as well as triple and quad play bundles combining fixed-line services, mobile telephony, cable TV and Internet.

Although the contract subscribers market segment continued to grow steadily, the pre-paid segment, where competition was already high, saw the intro-

Customer Base (000) Romania



Graph 1

duction of another operator (ZAPP), yet operating in different frequency bands (CDMA).

In 2008, Cosmote Romania launched products and services for residential and business customers jointly with RomTelecom, expanded its portfolio of voice products for business customers sold through direct sales, revamped the pricing of international calls, and introduced e-mail forwarding solutions for corporate customers.

Cosmote Romania simplified its contract retail offering by introducing the **ALL INCLUSIVE** program, which includes free national and international airtime, free on-net minutes and on-net SMS. Such a product was offered for the first time in Romania and it underlines the company's emphasis on unlimited on-net free communication.

During 2008, Cosmote Romania enriched its pre-paid portfolio by launching two new top-up options: payment at a later date and via discretionary payment top-up cards.

In 2009 Cosmote Romania will enhance its services quality and will expand its operations in the broadband market.

At the end of 2008, Cosmote Romania's distribution network comprised of 260 Germanos stores across the country, 82 RomTelecom stores, 21 Cosmote stores and a significant number of independent dealers. To these, one should add 20,000 points-of-sale for pre-paid SIM and top-up cards.

## FINANCIAL AND OPERATIONAL PERFORMANCE

Cosmote Romania's customer base reached 5.9 million at the end of 2008, increasing by 63% compared to 2007. Contract subscribers reached 1.1 million, up 74% from 2007, while pre-paid subscribers reached 4.8 million, up 61% compared to 2007. The ratio of contract-to-pre-paid subscribers remained practically unchanged at 19:81 in 2008 versus 18:82 in 2007.

In 2008, Cosmote Romania's revenues almost doubled, reaching €311.0 mn from €155.6 mn in 2007, while operating income before depreciation and amortization (OIBDA) turned positive and reached €22.5 mn from a €39.2 mn loss in 2007.

## Cosmote Romania Financial Highlights

(€ mn)	2007	2008
Total revenues	155.6	311.0
Operating income before depreciation and amortization	(39.2)	22.5
Operating income before depreciation and amortization margin	--	7.2%

# **2 out of 3 new customers join OTE Group through Germanos**

The Germanos S.A. retail distribution network, a member of the OTE Group since 2006, plays an integral part in the Group's strategy with respect to both the mobile, as well as the fixed-line operations across the whole footprint of the Group. Capitalizing on the competitive advantage of Germanos, the most effective retail and wholesale distribution network, Cosmote expanded its customer base with a high pace and outperformed competition in terms of new subscriber additions.

With 861 stores at the end of 2008, and operations in 4 countries in SE Europe (Greece, Bulgaria, FYROM and Romania) Germanos is the leading retail distribution

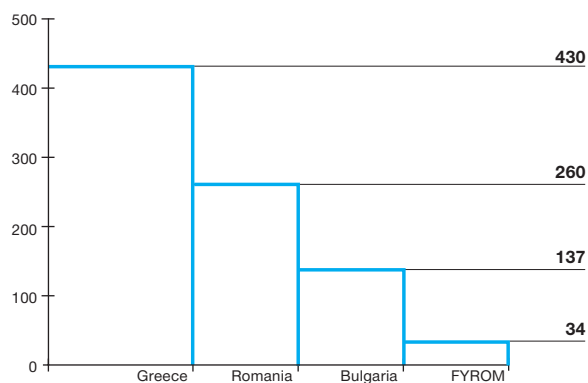
network of telephony products and services in the region. (Graph 1)

The operation of the Germanos chain of stores and the distribution of electronic consumer products are the company's two key activities. As a result of a long history of successful marketing, provision of high-quality services and unrivaled expertise in retail distribution, the Germanos brand name is widely recognized in Greece and abroad. Additionally, the company's distribution network for electronic consumer products is one of the largest in Greece and Romania, with a market share that exceeds 32% and 25% respectively.

Germanos has been instrumental in the achievement of Cosmote's spectacular growth in subscribers, in all geographical markets, a development which led to higher market shares, especially in the contract subscribers segment, as well as to a significant improvement in revenues. In 2008, the Germanos chain of stores added for Cosmote approximately 2.8 million new customers, compared to 2.4 million in 2007. (Graph 2)

In the Greek market, after the acquisition of Germanos, Cosmote consolidated its leading position in customer additions in both the pre-paid and the contract services market segments. As a result, in 2008 Cosmote gained a 49% share of the market's total net additions, with

**Germanos Stores Geographical Breakdown (2008)**



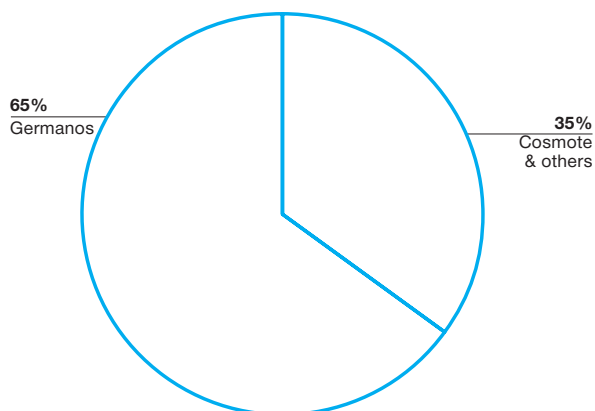
Graph 1







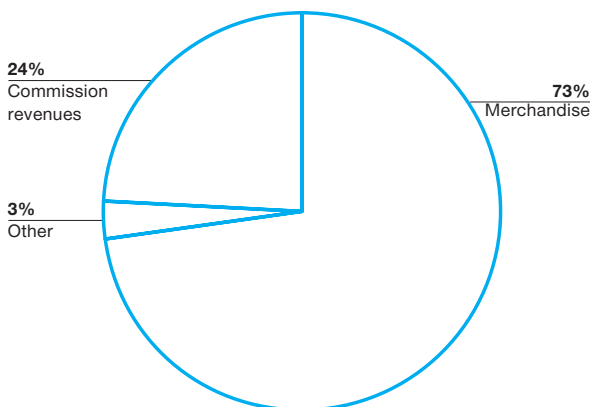
**Cosmote Net Additions per Retail Chain (2008)\***



Graph 2

\* Ex-Albania

**Revenue Breakdown (2008)**



Graph 3

the contribution of Germanos network reaching almost 83% of total.

**COMMERCIAL ACTIVITIES**

At the end of 2008, the Germanos network comprised of 861 stores compared to 769 at the end of 2007. Out of the total store count, 430 were located in Greece, 137 in Bulgaria, 34 in FYROM and 260 in Romania. During the year, the company also expanded the distribution network for its pre-paid telephony products in Greece and Romania.

In 2008, customer visits to Germanos stores in Greece reached 15.1 million, increasing by almost 20.8% compared to 2007, despite the fact that since May 2007 the company is an exclusive distributor of Cosmote’s products and services, therefore has a limited brand portfolio. The increase in customer visits to Germanos

stores in the other SE European markets was even stronger:

- +24% annual growth in Bulgaria
- +32% in Romania
- +25% in FYROM

In 2008, revenues of Germanos reached €1,015.3 mn, as presented in Graph 3, operating income before depreciation and amortization (OIBDA) stood at €19.8 mn, while OIBDA margin was at approximately 2%.

**Germanos Financial Highlights**

(€ mn)	2007	2008	Change
Total revenues	992.6	1,015.3	2.3%
Operating income before depreciation and amortization	31.7	19.8	-37.5%
Operating income before depreciation and amortization margin	3.2%	1.9%	-1.3pp









# Capturing the value of OTE's real estate portfolio

OTE's subsidiary, OTEestate, was established in 2003 and is exclusively responsible for the management of the Group's real estate assets. Its prime objective is the generation of incremental value for the Group, through the efficient management and development of its real estate portfolio.

## REAL ESTATE PORTFOLIO

The real estate portfolio managed by OTEestate consists of a large number of buildings, land, offices and stores across Greece. OTEestate's real estate portfolio includes, among others:

### Plots/Land

Total Number	2,294
Total Surface	9.25 million sq. m.

### Buildings

Total Number	2,259
Total Surface	1.14 million sq. m.

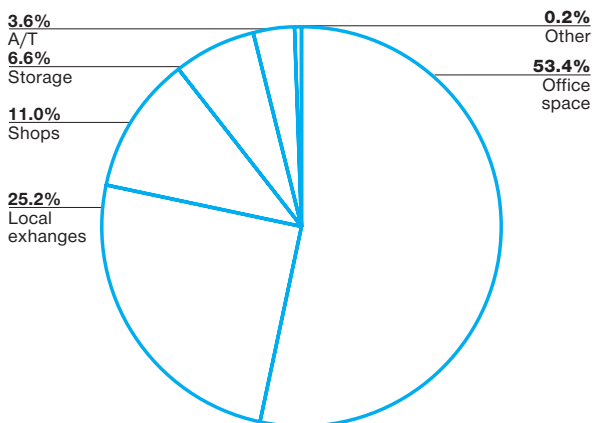
Many of the aforementioned buildings house telecommunications equipment or personnel's offices. The value of OTEestate's portfolio is mostly derived from a small number of plots and buildings. Notably, the plots and buildings in the Attica region alone, account for 50% of the total real estate value, while the 150 largest assets account for 70% of the total portfolio's value.

Based on their use, OTEestate's buildings are classified as presented in *Graph 1*.

## DEVELOPMENTS IN 2008

In 2008, OTEestate developed the business plan of OTE Properties REIC and filed for a licence of operations of the latter with the Hellenic Capital Market Commission. This licence was granted in June 2008 and the company was incorporated in October 2008 with an initial share capital of €30 mn. Within this context, the Institute of Chartered Appraisers is engaged with the valuation of 75 assets, apt to be included in OTE Properties' portfolio. The results of the valuation are expected within the first six months of 2009. On the basis of this valuation, the company will proceed with the final decision on the assets that will be included in OTE Properties' portfolio.

### Space Allocation per Type of Building (2008)



Graph 1



By setting up OTE Properties, OTEestate aims to reduce taxation, since real estate investment companies (REICs) enjoy considerable tax benefits. Moreover, through the listing of OTE Properties in the Athens Stock Exchange, OTEestate intends to raise capital for further investments. Finally, as a real estate development company, OTEestate will be able to transfer to OTE Properties the assets it acquires or develops, when such a transfer is permitted.

Other projects carried out by OTEestate in 2008 include:

- *Relocation of OTE's personnel, for optimal workplace utilization and leasing potential*
- *Leasing of office buildings to public authorities, private entities and individuals*
- *Feasibility studies for the utilization of office buildings in Ilioupoli and warehouses in Acharnes and Drama*
- *Preliminary evaluation studies of buildings that the company plans to lease from others*
- *Real estate surveys, financial environment analyses and business plans to identify potential business opportunities*
- *Evaluation of real estate investment opportunities in the Attica region, Thessaloniki and other Greek cities for potential inclusion in the company's portfolio*
- *Technical projects and civil engineering works*

OTEestate's key strategic objectives for 2009 include among others:

- *Listing of OTE Properties on the Athens Stock Exchange and optimal management of the company's assets portfolio*
- *Potential Investments in attractive real estate assets (shops, buildings etc.) that will enhance both OTEestate's and OTE Properties' portfolio*
- *Amendment of the master lease agreement, signed between OTE and OTEestate, so as to proceed with rentals' rebalancing and to rationalize occupancy in OTE's buildings as a means to include them in OTE Properties' portfolio*
- *Increase in revenues from real estate development, leasing of private properties and sale of residential premises*
- *Civil engineering projects*
- *Update of the company's list of real estate assets*

For 2009, OTEestate plans to proceed with the following projects:

- *Finalizing OTE's real estate policy in order to amend the master leasing agreement between OTE and OTEestate and rationalizing occupancy in OTE buildings*
- *Leasing of vacant spaces in buildings, to third parties, mainly through ads but also through real estate brokers that could accelerate the process*
- *Real estate development (warehouses in Thessaloniki, residential premises in the areas of Vari, Spata and N. Kifisia, commercial site in Rouf, refurbishment of the Keramikos complex and the Troia building etc.)*

In 2008, OTEestate's revenues amounted to €74.8 mn, up 3.3% compared to 2007. Operating income before depreciation and amortization amounted to €60.9 mn.

# **OTE Group's satellite company**

Hellas Sat provides international fixed satellite services (FSS) through its wholly owned satellite Operator Hellas Sat 2, which occupies the orbital position of 39 degrees East. The company offers satellite capacity services for video broadcasting applications and wholesale data services in Europe, the Middle East and South Africa. The company offers the following services:

- **Satellite capacity for:**

Broadcasting (Direct-to-Home, Video Contribution, Program Distribution), IP trunking, exclusive Internet connection capacities, direct access services, corporate networks and occasional broadcasting use

- **Satellite Internet (retail):**

In 2008, satellite Internet services continued to grow rapidly. As a result, the number of terminals climbed from 520 in 2007 to almost 850 at the end of 2008. Hellas Sat offers its services to all countries included in the satellites' European coverage, focusing on Greece and Cyprus.

## **COMMERCIAL ACTIVITIES**

In 2008, aiming to provide broadband Internet services to remote parts of Greece, OTE offered high-speed satellite Internet access through Hellas Sat, to the small islands of Gavdos (the southernmost point of Greece and SE Europe), Donousa, Schinoussa and Iraklia (that belong to the SE Cyclades complex in the Aegean Sea) and Kinaro (which belongs to the Dodecanese complex in the Aegean Sea).

Since September 2008, the company offers, in Greece and Cyprus, its **HELLAS SAT Net! HOME**, service which is a cost-effective broadband access solution for residential customers and small businesses. Hellas Sat aims to contribute thereby to the Group's efforts for the rapid expansion of broadband services. Moreover,

the company offers the **HELLAS SAT Net! BUSINESS** service, which also targets both residential and business customers. Residential customers account for 22% of the total number of terminals set up to receive these two satellite Internet services. Due to pricing considerations, 63% of residential customers opt for **HELLAS SAT Net! HOME**.

In 2008, the company participated in a series of European programs and initiatives that aimed to develop and promote satellite broadband services, such as the **HOST** project (**ARTES 3**). This project is sponsored by the European Space Agency and relates to the design, implementation and commercial use of a **DVB-RCS** satellite network, with pilot applications in distance-learning, distance-medicine, secure government data networks, corporate operations and Internet access through local wireless and satellite backbone networks. Hellas Sat and Cosmote will equip a company's Telecommunications Infrastructure Repair vehicle, with a **BTS** station that will be able to restore mobile telecommunications in cases of natural disasters.

Hellas Sat also participates in other programs, such as the **RURAL WINGS** program, which is sponsored by the European Union and focuses on the pilot use of distance-learning in remote areas (applications via the **Eutelsat** and **Hellas Sat** satellites) and the **Small GEO** program that is sponsored by the European Space Agency and aims to develop a low-cost and low-weight satellite to be placed at geostatic orbit, equipped with thirty transmitters.

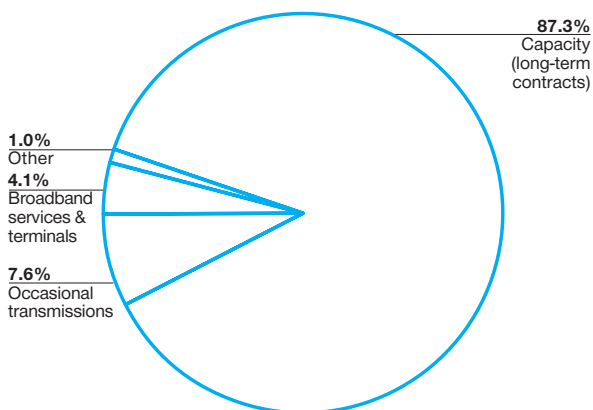
Realizing all targets set for 2008, Hellas Sat has more than 120 customers in 35 countries and is an acclaimed regional satellite services provider. In 2008, the highly successful platforms **Dolce** in Romania

(offered by RomTelecom) and Bulsatcom in Bulgaria continued to grow rapidly. As a result, the satellite now hosts more than 180 TV channels and the company has thereby attained one of its strategic targets: to turn the orbital position at 39 degrees East into an alternative TV “neighborhood”. The optimal utilization of available capacity in the South African band, pursuant to agreements with major operators in the region, boosted the company’s revenues both in terms of absolute figures, as well as in terms of revenues per transmitter. Another important development relates to the licence granted by the Greek National Council for Radio and Television (ESR) to provide satellite pay-tv services.

The company’s key objective for 2009 is to further increase revenues and profitability, mainly through leasing additional capacity in the South African band. Moreover, the company will review the possibility of expanding its operations via the set up of a second satellite at the same orbital position.

In 2008, Hellas Sat’s revenues reached €25.5 mn, up 11.8% compared to 2007, while operating income before depreciation and amortization amounted to €13.2 mn. The revenue increase reflects the company’s stronger positioning sales in Central and Eastern Europe, as well as new business from new agreements.

**Revenue Breakdown (2008)**



# ***Leading position in maritime satellite services***

OTESat-Maritel, member of the OTE Group since 1996, is one of the four major providers of Inmarsat maritime satellite communication services in the world. The company holds a 54% share of the Greek ship-to-shore communications market, while its business operations extend to a large number of countries such as Cyprus, Turkey, the United Kingdom, USA, Dubai, Singapore and the city of Hong Kong.

OTESat-Maritel's main activities include the provision of global satellite Inmarsat services through the "Thermopylae" earth satellite station, as well as of integrated telecommunication solutions for the Greek and global maritime industry, combining satellite and earth telecommunication networks and IT applications.

In addition, the company offers value-added services such as account clearance services for ships (via the GR01 and GR12 codes), ship-to-shore data transfer services, and crew telecommunication services (telephony and mail for crew). With its extensive experience in maritime telecommunication solutions, the company enjoys the trust of major maritime companies in Greece and abroad.

In 2008, OTEsat-Maritel signed further agreements and proceeded with the following projects:

- *Agreement with Iridium for the provision of the new satellite system Iridium Openport*
- *New hosting agreement for global provision of Inmarsat services*
- *Point of Presence with Inmarsat network for the provision of Fleet Broadband services, the development of value-added services and quality control*
- *Agreements with other satellite telecommunication providers for the expansion of business operations in Italy and Spain*
- *Further collaboration with Thrane & Thrane for the provision of LRIT services*
- *Successful completion of joint promotional campaigns for Inmarsat's, Iridium's and Thrane & Thrane's products*

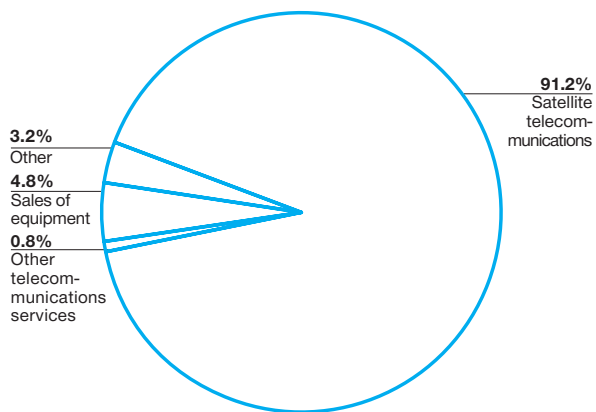
In the course of the year, the company focused on the upgrade of its infrastructure and systems, so as to provide its customers with best-of-class services at attractive rates. In terms of pre- and post-sale support, the company also upgraded all relevant customer care systems, allowing for the provision of seamless technical and commercial services to customers 24 hours a day, seven days a week.

For 2009, the company plans to leverage on its new services Inmarsat Fleet Broadband and Iridium Open Port systems, as well as the provision of Fleet Broadband, VSAT KU-Band and C-Band serv-

ices. The company also plans to expand its foreign business operations and capitalize on the commercial launch of new value-added services through the provision of integrated telecom solutions (bundling terminal equipment, software, airtime, commercial and technical support).

In 2008, OTESat-Maritel's revenues amounted to €23.3 mn, while operating income before depreciation and amortization reached €1.5 mn.

**Revenue Breakdown (2008)**



# ***Integrated technical and business solutions***

OTEplus provides technical and business services since 1987, offering integrated solutions in the fields of Information and Communication Technology (ICT) and Management Consulting. The company conducts strategic, business, operational and re-engineering studies, as well as business research and development studies. OTEPlus develops organizational and strategic planning reports and business and development research. The company also performs network infrastructure planning, conducts ICT development studies and engineers ICT solutions. Furthermore, it designs and implements integrated ICT systems, and provides technical support, maintenance and consultancy services on ICT applications. Finally, the company provides technical support and consultancy services to various OTE SA operations.

## **DEVELOPMENTS IN 2008**

In 2008, OTEplus designed and implemented a range of consultancy and technical support services, and engineered numerous technical and business solutions, including among others:

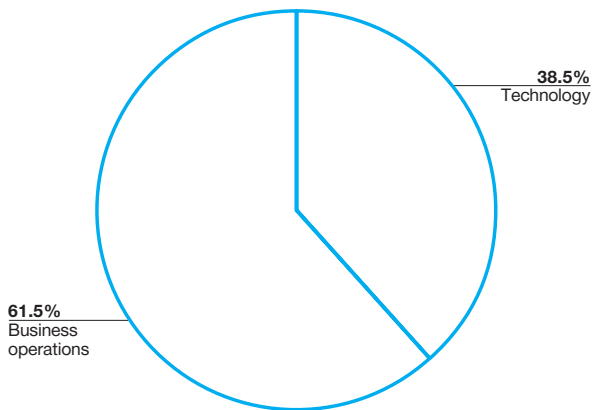
- *Provision of implementation services for OTE's GIS network database*
- *Provision of technical support services for OTE's regional technical departments across the country*
- *Development and implementation of automated ticket sales machines and access control systems in 18 major museums and archaeological sites in Greece (Hellenic Culture Organization S.A.)*
- *Provision of consultancy services on the implementation of an Integrated Enterprise Information System (IEIS) for HTSO S.A. (Hellenic Transmission System Operator S.A.)*
- *Development of a business process management (BPM) framework, process ownership model and process design methodology for OTE*
- *Formulation of CRM strategy, Business Process Re-organisation (BPR) and IT/data consulting services for the OTE's CRM design and development*
- *Training design, organisation and implementation for public organizations' employees and executives of subprojects 1, 2, 4, 5, 6 of the "MINI-SYZEFXIS" project*
- *Study for OTE's human resources management optimization*
- *Feasibility study, business process reengineering and IT system design for the adoption of RFID technology in OTE's supply chain system*
- *Study on the process optimization, IT automation and sales forecasting of OTEshops' supply chain*
- *Organisation and management/operation support for the Tourism Educational and Training Forum of the Hellenic Ministry of Tourism*
- *Implementation study for the design of the National Center for Public Administration and Local Government e-Learning system*
- *Customer satisfaction barometer (Phases 5 and 6)*
- *Establishment and operation of the Central Support Unit for the Business and Technology Development Centers of the Hellenic Ministry of Development*
- *Technical and consulting services on the operation*

*of the 1242 ADSL Helpdesk of OTE's Regional Operations Division*

- *Technical and consulting services on the operations of OTE's 1305 Call Center*
- *Technical and consulting services on ADSL/Conn-X sales, through OTE's 134 Customer Service and Phone Sales*

In 2008, revenues for OTEplus amounted to €39.5 mn, up by 25.5% compared to 2007, while operating income before depreciation and amortization grew by 75.5% and reached €3 mn.

**Customer Mix by Sector (2008)**



# **85% increase in the number of seminar participants**

OTEAcademy, member of OTE Group and a certified Cisco Academy, offers a wide range of professional development seminars that cater for the training needs of both OTE Group employees and of the wider public and private sectors.

## **DEVELOPMENTS IN 2008**

As part of its strategy, the company enhanced its training seminars portfolio, offering new and specialized and solutions. More specifically, in 2008, OTEAcademy:

- *Developed the international study course “Executive Program in Telecom Management”, for the first time in Greece and in the Balkans (MBA level)*
- *Acquired exclusive distribution rights for the internationally acknowledged sales-training solution “Making the Solution Sales”*
- *Increased its participation in the EU training programs (co-funded with the Greek state) significantly, through the Vocational Training Centers that OTE Academy operates in Athens and Thessaloniki. The company implemented 58 programs that involved more than 160,000 training hours and 1,194 trainees*
- *Earned a considerable competitive advantage in the vocational training market by virtue of its international partnerships, some of them being exclusive*
- *Along the lines of these partnerships, the company develops and runs courses that lead to certification*

*and international recognition in various fields.*

*The company has received the following accreditations:*

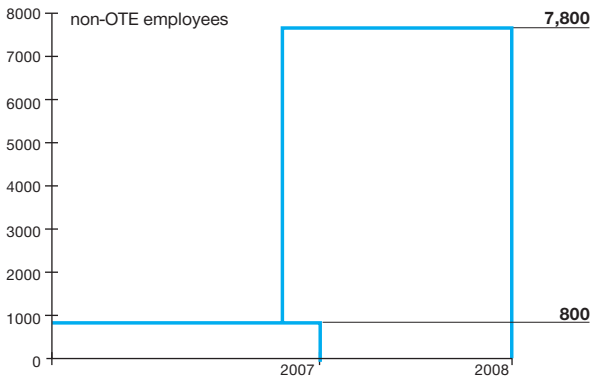
1. Certified Training Center of Alcatel Lucent Enterprise for SE Europe and Africa
  2. Expansion of CISCO courses and laboratory equipment in the field of VoIP activities
  3. Member of the Project Management Institute (PMI) - Registered Education Provider P.M.I.
  4. Exclusive rights of the “Making the Solution Sales” training program, in collaboration with “Ian Farmer Associates”
  5. Official Pearson VUE Examination Center (Virtual Computer Based Testing for ICT)
  6. Authorized examination center, approved by Certipoint, for the Microsoft Office Specialist and IC3 certificates
- *Expanded its international presence, capitalizing on its partnership with the World Bank (OTEAcademy was recognized by World Bank as a pioneer business partner among 128 candidates)*
  - *Designed the training program for the employees of the new Ethiopian Telecommunications Corporation*
  - *Implemented distance-learning programs in 12 African countries, with more than 1,000 participants*

Aiming to promote its training services, OTEAcademy proceeded with special marketing activities to improve the company’s image and thus increase its customer base. As a result, OTEAcademy’s custom-

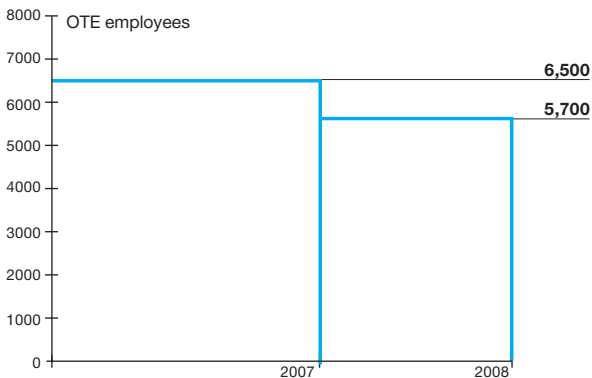


er base soared from 7,300 participants in 2007 (of which 800 non-OTE employees) to 13,500 in 2008 (of which 7,800 non-OTE employees). (Graphs 1, 1a and 2)

**Seminar Attendees**

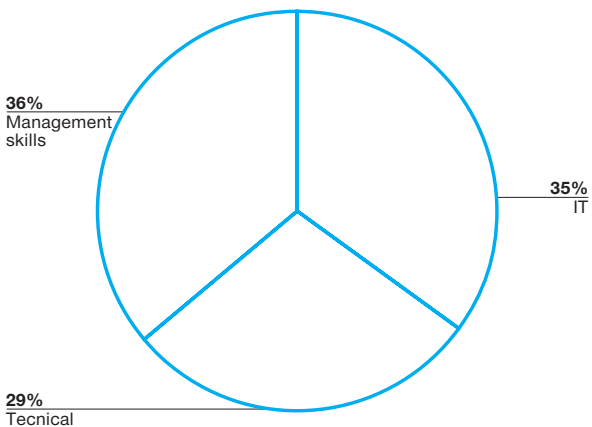


Graph 1



Graph 1α

**Seminar Breakdown (2008)**



Graph 2

In collaboration with OTE’s Human Resources department, in 2008 OTEAcademy designed and implemented the following projects:

- *Personnel management and evaluation (900 department managers attended)*
- *Business development and management of OTEShops*
- *Training on IPTV technology and services for OTE Group employees with different backgrounds*
- *Pilot implementation of the program “Making the Solution Sales” for OTE’s Corporate and Business Customers department*
- *Efficient sales techniques for the employees in OTE’s Residential Customers department*

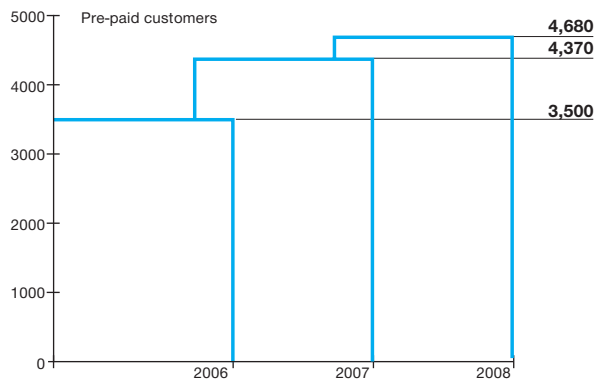
In 2009 OTEAcademy is planning to expand operations in the corporate training market and to participate more actively in public tenders (Vocational Training Centers – National Strategic Reference Framework). The company also plans to increase its market share in foreign markets (SE Europe – Africa) and form new strategic partnerships.

OTEAcademy’s revenues grew by 19.3% in 2008 compared to 2007 and reached €6.4 mn.

# Drivers of growth: mobile telephony and broadband services

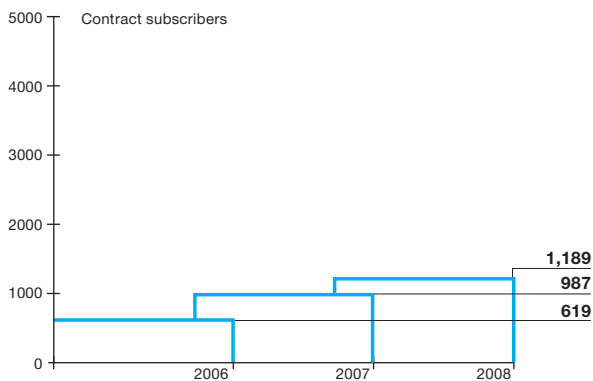
OTE Group holds a 20% stake in Telekom Srbija, the Serbian telecoms incumbent operator, offering fixed-line (voice and broadband Internet), mobile telephony, as well as Pay-TV services. In 2008, the total Serbian telecommunications and entertainment market size amounted to almost €2.2 bn.

In 2008, the fixed-line population penetration rate stood at 40%, mobile telephony penetration reached almost 128%, broadband penetration was 4%, while cable penetration amounted to 10%. Telekom Srbija's mobile market share stood at 61%. ADSL access lines doubled in 2008, reaching 267,000 from 130,000 in 2007. The company's market share in traditional fixed-line services stands at 100%. (Graphs 1, 1a and 2).



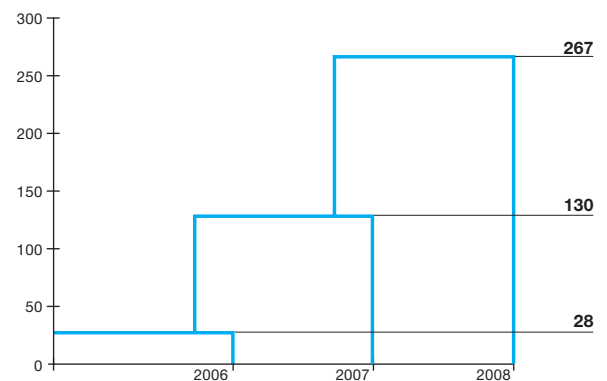
Graph 1a

## Mobile Telephony Customer Base (000)



Graph 1

## ADSL Customer Base (000)



Graph 2

Telekom Srbija's revenues delivered revenue growth in 2008, driven by the increased take up of broadband and mobile telephony services. The mobile telephony segment will continue to expand considerably, as a result of customer migration from pre-paid to contract services and due to the introduction of mobile broadband.

## COMMERCIAL POLICY

In 2008, Telekom Srbija launched new multimedia and Internet services, in the on-line entertainment market segment, such as, the web portals **Nadlanu** and **Mondo**, IPTV services, triple-play, web hosting, and audio-and-video streaming. Regarding fixed and mobile broadband Internet services, Telekom Srbija focuses on achieving maximal coverage and availability. Telekom Srbija is also planning to increase international telephony revenues through international leasing (IPLC), and the launch of new services.

As part of its promotional and marketing activities for 2009, the company plans to offer loyalty programs and introduce additional services such as downloads, Mobile Instant Messaging, birthday alarms etc. Telekom Srbija will also promote high-speed Internet, in a joint marketing campaign for mobile telephony, ADSL and IPTV services.

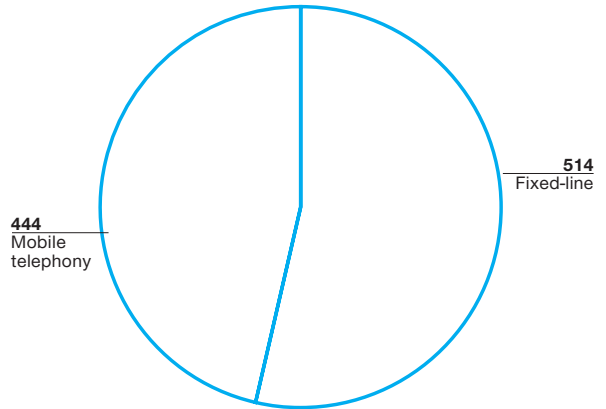
Telekom Srbija's distribution network comprises a total of 124 mobile telephony and fixed-line retail stores, as well as representatives and authorized dealers. Telekom Srbija's distribution network was expanded in 2007, through the launch of "m:shops" in supermarkets. The company also operates separate call centers for fixed-line and mobile telephony customers. Telekom Srbija's online sales system is undergoing a development phase.

Telekom Srbija's fixed-line network digitalization level reached 96% in 2008, compared to a digitalization level of 83% in 2005. The company also plans to further develop CDMA technology and introduce IP Centrix and Fiber Channel technologies in 2009. As regards its mobile telephony operations, the company plans to upgrade its GSM and UMTS networks.

In 2008, Telekom Srbija's revenues increased by 0.8% from the prior year's level, partly mostly due to a 12% revaluation of the RSD/EUR exchange rate, and reached €958 mn as displayed in *Graph 3*. Operating

income before depreciation and amortization amounted to €375 mn, up by 12% compared to 2007. Telekom Srbija also holds a 65% stake in Telekom Srpske. As at December 31, 2008, Telekom Srpske's total assets amounted to €525 mn.

**Revenue Breakdown (2008)**  
(€ mn)



*Graph 3*

## SHARE INFORMATION

# Share price performance in 2008

OTE's shares are traded on the Athens Stock Exchange, the New York Stock Exchange (in the form of ADRs) and the London Stock Exchange (in the form of GDRs).

	Athens Exchange	NYSE
Stock Exchange Ticker	OTE	OTE
Bloomberg Ticker	HTO GA	OTE US
Reuters Ticker	OTEr.AT	OTE.N
<b>December 31, 2008</b>		
Market Capitalization	€ 5,832.8 mn	-
Year High Price	€ 25.40	\$ 18.69
Year Low Price	€ 8.98	\$ 5.65
Average Daily Trading Volume (shares)	2,037,264	79,471

\*1 ADR=0.5 OTE share

OTE is included in 35 stock exchange indices, the most important being the following:

Ticker	Description	Percentage
ASE	Composite Share Price Index	11.32%
FTSE/ASE	FTSE/ATHEX 20 Index	12.64%
BE 500	Bloomberg Europe	0.13%
SXXE	DJ Euro Stoxx PR	0.16%
SXKE	DJES Euro Telecom	1.66%
E300	FTSE Eurofirst 300	0.13%
SEUTEL	S&P Euro Telecom	1.65%
MSER	MSCI EURO	0.21%

Last update: March 27, 2009

The first graph illustrates OTE's share performance during the period of January 2008-February 2009, relative to the European telecommunications index DJ STOXX (SXKE)\* and the Athens Exchange Composite Share Price Index (source: Bloomberg).

During this period, OTE's share price dropped 57%, against 68% for ATHEX and 33% for the SXKE benchmark index. In the second half of 2008, OTE's share price performance was better, relative to the Greek benchmark index. Apart from the Greek equity market conditions, other factors during 2008 that might have affected OTE's price performance in the short-term include the acquisition of a 25% stake in OTE by the German telecommunications group Deutsche Telekom, the successful squeeze-out of Cosmote's minorities and the timely refinancing of the short-term debt related to the squeeze-out.

The second graph displays OTE's share performance during the period of January 2008- February 2009.

*For additional information:*

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**Fax: +30-210-6111030**

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**American Depository Receipts (ADRs):**

**The Bank of New York**

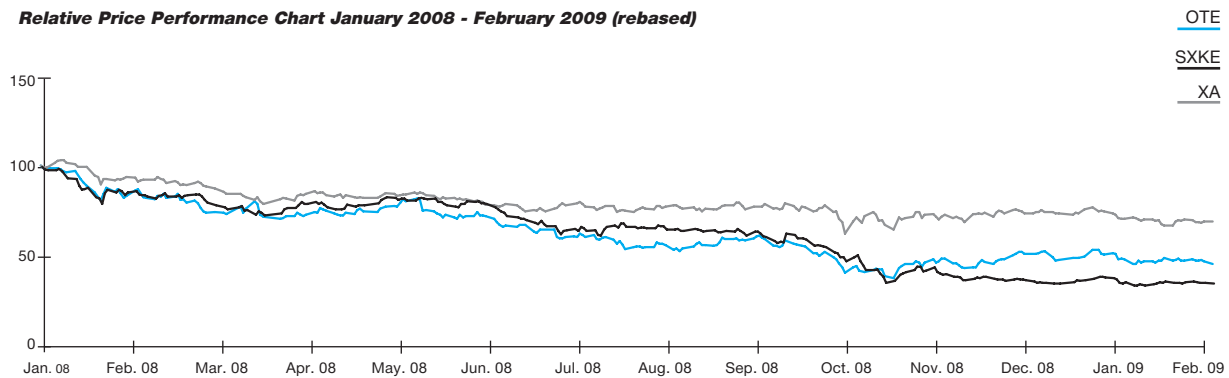
**101 Barclay Street, New York, NY 102 86 USA**

**Shareholder Relations: + 1-888-269-2377 (888BNY-ADRS)**

**Website: www.adrbny.com**

\* The Dow Jones EURO STOXX Telecommunications index (SXKE) is a capitalization-weighted index, which includes stocks from eleven (11) EU-based telecommunications companies (excluding the UK). At the end of December 2008, the total market capitalization of the index reached €200 bn.

**Relative Price Performance Chart January 2008 - February 2009 (rebased)**



**OTE Share Price Performance Chart January 2008 - February 2009 (€)**

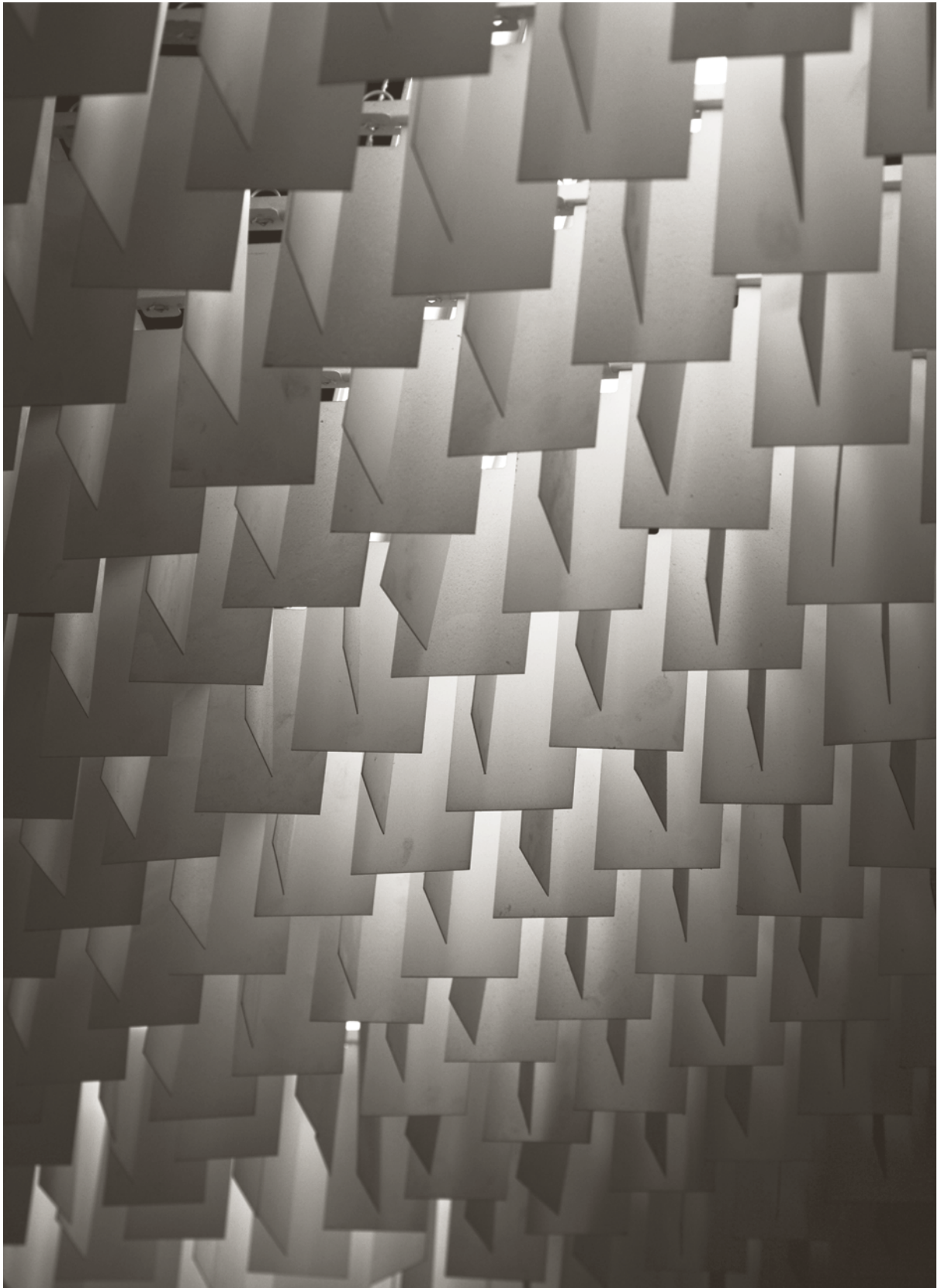












# ***Annual Financial Report***



**HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.**  
**REGISTRATION No S.A. 347/06/B/86/10**  
**99 KIFFISIAS AVE – 151 24 MAROUSSI ATHENS, GREECE**  
**ANNUAL FINANCIAL REPORT**

For the period from 1 January 2008 to 31 December 2008

(TRANSLATED FROM THE GREEK ORIGINAL)

In accordance with Article 4 of Law 3556/2007



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**CHAPTER 1**

# ***Statements of Members of the Board of Directors***

**Statements of Members of the Board of Directors (In accordance with article 4 par. 2 of Law 3556/2007)**

The members of the Board of Directors of HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.:

- 1. Panagis Vourloumis, Chairman and Managing Director*
- 2. Haralambos Dimitriou, Vice-Chairman*
- 3. Panagiotis Tabourlos, Board Member*

We confirm that to the best of our knowledge:

a. The Annual Financial Statements (Separate and

Consolidated) of the HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. for the period 1 January 2008 to 31 December 2008, which have been prepared in accordance with the applicable accounting standards, provide a true and fair view of the assets and liabilities, the shareholders' equity and the results of the Company and the Group.

b. The Annual Report of the Board of Directors provides a true and fair view of the financial position and the performance of the Company and the Group, including a description of the risks and uncertainties they are facing.

Maroussi, 26 March 2009

Chairman  
& Managing Director

Panagis Vourloumis

Vice-Chairman

Haralambos Dimitriou

Board Member

Panagiotis Tabourlos

The two members of the Board of Directors, who have signed the above statements, have been authorised to

do so in accordance with the decision of the Company's Board of Directors of 26 March 2009.



**CHAPTER 2**

# ***Annual Report of the Board of Directors***

***Annual Report of the Board of Directors  
of the Hellenic Telecommunications Organization S.A.  
for the period 1 January 2008 until 31 December 2008  
(In accordance with the provisions of law 3556/2007)***

The report of the Board of Directors of the HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (hereinafter referred to as “OTE” or the “Company”) was prepared in accordance with article 4 of Law 3556/2007 and refers to the Annual Financial Statements (Separate and Consolidated) as of 31 December 2008 and the year then ended. The OTE Group (the “Group”) apart from the Company also includes subsidiaries over which OTE has direct or indirect control. The Separate and Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (I.F.R.S.), as adopted by the European Union (E.U.)

This report includes a financial assessment of the results during 1 January to 31 December 2008 including the changes from the prior year, the significant events which took place in 2008, a presentation of the main risks and uncertainties for the next year, as well as the material transactions between the Company and its related parties.

#### **A. FINANCIAL HIGHLIGHTS OF 2008**

**OTE Group Turnover** increased by 1.4% in 2008, compared to the related period of 2007 and reached Euro 6,407.3 million. This increase in revenues is mainly due to the following:

- *Increased revenues from mobile telephony of 11.8% in comparison with 2007, which is mainly due to the increase in the subscriber base of all mobile telephony entities of the Group (COSMOTE, AMC, GLOBUL, COSMOFON and COSMOTE ROMANIA) as well as increase in the mobile traffic volume in Greece.*
- *Increased revenues from co-location and revenues from access to the local loop (Local Loop Unbundling - LLU) by 197.7% in comparison with the prior year.*
- *Increased revenues from Metro Ethernet & IP CORE by 114.5%, in comparison with the prior year.*
- *Increased revenues from services rendered by 76.3% in comparison with the prior year.*
- *Increased revenues from leased lines, data communication and ATM by 23.7% in comparison with the prior year.*
- *Increased revenues from interconnection services by 10.4% in comparison with the prior year.*

- *Increased revenues from ADSL and Internet by 0.5% in comparison with the prior year.*

The above increases offset the decrease in revenues from domestic telephony by 14.5% compared to the same period last year and the decrease from international telephony by 5.8% compared to same period last year.

**OTE’s Revenues**, reached Euro 2,589.7 million, reflecting a decrease of 3.5% compared to the prior year. This is a result of the decrease in revenues from domestic telephony of 9.3%, as well as the decrease in sales of telecommunication equipment, ISDN, interconnection charges and prepaid cards. These decreases were partially offset by the increase in revenues from international telephony by 2.3%, the increase in revenues from co-location and from access to the local loop (Local Loop Unbundling - LLU) by 227.9%, from Metro Ethernet & IP CORE by 85.3%, the increase in revenues from ADSL and Internet by 0.7%, and the increase in revenues from services rendered by 12.9%.

**The Group’s Operating Expenses** reached Euro 5,349.6 million and reflect an increase of 1.4% compared to the same period last year. This increase is mainly due to the increase in depreciation and amortization by 3.5% and the increase in other operating expenses by 2.7%. Furthermore, the Group’s operating expenses for the year 2008 include OTE’s and ROMTELECOM’s early retirement programs’ costs of Euro 50.2 million, compared to Euro 22.1 million for last year.

**The Company’s Operating Expenses** were Euro 2,277.5 million and reflect a decrease of 3.8% compared to last year. The decrease in operating expenses is mainly due to the following:

- *7.6% decrease in charges from domestic telecommunications operators.*
- *13.7% decrease in charges from international telecommunications operators.*
- *8.3% decrease in depreciation and amortization.*
- *12.0% decrease in the cost of telecommunication equipment.*
- *3.1% decrease in other operating expenses.*
- *44.8% decrease in early retirement programs’ costs.*
- *2.3% increase in employee costs.*

- **23.0% increase in Staff Retirement Indemnities and Youth Account costs.**

As a result **Operating Profit before Financial Activities** of the Group for the year 2008 reached Euro 1,057.7 million compared to Euro 1,046.9 million in the last year reflecting an increase of 1.0%. **Operating Profit before Financial Activities of the Company** for the year 2008 reached Euro 312.2 million, compared to Euro 314.3 million last year, reflecting a decrease of 0.7%.

**The Group's Operating Profit before Depreciation and Amortization** for 2008 reached Euro 2,270.8 million compared to Euro 2,218.8 million in 2007, reflecting an increase of 2.3%. The respective margin on revenues reached 35.4% compared to 35.1% in the prior year. Excluding early retirement program costs, **Operating Profit before Depreciation and Amortization** for 2008 reached Euro 2,321.0 million compared to Euro 2,240.9 million in the prior year, reflecting an increase of 3.6%. The respective margin on revenues reached 36.2% compared to 35.4% in the prior year.

**The Company's Operating Profit before Depreciation and Amortization** for 2008 reached Euro 777.2 million compared to Euro 821.3 million in the prior year, reflecting a decrease of 5.4%. The respective margin on revenues reached 30.0% compared to 30.6% in the prior year. Excluding early retirement program costs, **Operating Profit before Depreciation and Amortization** for the year 2008 amounted to Euro 789.4 million compared to Euro 843.4 million in the prior year. The respective margin on revenues reached 30.4% compared to 31.4% in the prior year.

In relation to the **Group's Financial Activities**, interest expense was Euro 343.7 million, reflecting an increase of 44.0% compared to last year, which is the result of the increase in the Group's debt due to the acquisition of COSMOTE's minority interests. Interest income amounted to Euro 72.3 million reflecting a decrease of 7.1% compared to 2007. Income from dividends decreased by 27.5% due to the lower dividend from TELECOM SRBJIA in 2008.

**Income Tax (expense) of the Group** decreased by 35.5% compared to last year.

**The Minority Interests in the Group's Profit** declined from Euro 110.4 million (expense) in the year

2007 to Euro 4.0 million (income) in the year 2008, due to the acquisition of COSMOTE's minority interests.

As a result of the above, the **Group's Profit after minority interests** for the year 2008 amounted to profit Euro 601.8 million compared to Euro 662.6 million in the prior year, reflecting a decrease of 9.2%.

**The Group's Capital Expenditure (CAPEX)** for the year 2008 amounted to Euro 964.0 million from Euro 1,101.3 million last year reflecting a decrease of 12.5%. The decrease is mainly due to the decreased Capital Expenditure of COSMOTE and ROMTELECOM.

**The Group's Total Debt** at 31 December 2008 was Euro 6,047.7 million compared to Euro 5,527.8 million as at 31 December 2007, reflecting an increase of 9.4%, whereas the Group's Net Debt at 31 December 2008 reached to Euro 4,619.9 million from Euro 4,211.5 million at 31 December 2007, reflecting an increase of 9.7%.

With respect to the results of OTE's significant subsidiaries, the following should be noted:

**COSMOTE GROUP:** Maintained the leading position in the mobile telephony market, with an increase in revenues of 6.6% and in EBITDA of 15.8%, in 2008 as compared to 2007. COSMOTE Group enhanced its market share in every country that it operates, a significant achievement given the very competitive environment. Furthermore, COSMOTE Group added approximately 4.4 million new subscribers during 2008, increasing its customer base to nearly 20 million as of 31 December 2008, increased by 28.8% from 31 December 2007. COSMOTE Greece continues to steadily increase its market share attracting almost 100% of the mobile market's total growth. In 2008, it increased its revenues by 6.2%, generating an EBITDA margin 42.4%. At the same time GLOBUL in Bulgaria and AMC in Albania continued to improve their EBITDA margin, while in COSMOTE ROMANIA, EBITDA turned positive for the first time in 2008. COSMOTE's General Assembly of Shareholders approved the distribution of a dividend from 2007 profits of Euro 245.2 million (Euro 0.73 per share).

**ROMTELECOM:** In 2008, revenues slightly decreased by 0.2% compared to last year. ROMTELECOM's loss after tax for the year 2008 amounted to Euro 47.2

million. This loss is mainly due to the cost of the early retirement program of Euro 38.0 million, which is included in the results of 2008. In accordance with its corporate transformation program, which ROMTELECOM established in 2008, it has already decreased its headcount by 17.3%, as compared to the end of 2007. The Company's strategy aims to offset revenues from new services (Broadband, Business Data & TV) with the decline in revenues from fixed telephony and traditional services, although a decrease in the rate of decline has been noted when compared to last year. Revenues from Data services (ADSL, VPN and other broadband services) continue to grow, while the DTH TV service continues to be commercially successful, reaching 643 thousand customers by the end of 2008.

## **B. STRATEGY- OBJECTIVES**

According to the 2009-2011 Business Plan approved by the Company's Board of Directors at their meeting held on 25 November 2008 and given the restrictions set by the legal and regulatory framework combined with the increasing burst in competition in the Greek market and as a consequence of the financial crisis, the main objective of management is the improvement of the EBITDA margin in order to align it to that of other European companies within the industry.

This will be accomplished through the following and with the maximum exploitation of the synergies available within the Group:

- *Exploitation of technological convergence with the creation of commercial proposals adjusted to each customer category and based on the continuous development of broadband.*
- *Sustainability of retail market share and generation of new revenue streams and sources.*
- *Optimization of the Sales Networks and development of alternative sales channels.*
- *Exploitation of OTE's infrastructure and development of new business opportunities*
- *Improvement of the quality of retail and wholesale customers' service.*
- *Gradual transformation of the network to new generation network development of new technology of broadband infrastructure and generation of an advanced basis of Information Technology, for the maximum possible automation of the Com-*

*pany's operations as well as the introduction and support of competitive Services.*

- *Securing the fair treatment of OTE in determining and supporting the regulatory framework.*
- *Decrease of the operating expenses.*
- *Redefinition of the value of "OTE Brand" based on the convergence of technologies and communication of this (exteriorly and interiorly)*

Criterion for the actions is the Company's accountability, in a way that we manage to create additional value wherever the Company performs.

## **C. SIGNIFICANT EVENTS OF THE YEAR 2008**

### *Voluntary Public Offer for the acquisition of COSMOTE's shares*

Successful completion of the Voluntary Public offer for the acquisition of COSMOTE's shares. On 29 January 2008, at the end of the acceptance period, OTE owned an interest of 98.59% in COSMOTE. Within three months after the end of the acceptance period, OTE had the right to require the transfer to it of all remaining shares (Squeeze-Out Right) at the same price as the offer price of the tender, i.e. Euro 26.25 per share. During the same period, the remaining shareholders of COSMOTE had the right to sell, in the market, to OTE their shares (Sell-Out Right) for a consideration of Euro 26.25 per share. After the completion of exercise of the Squeeze-Out Rights and of the Sell-Out Rights, on 9 April 2008, OTE owned the total (100%) of COSMOTE's shares and corresponding voting rights and requested for the delisting of COSMOTE's shares from the Athens Exchange, which was approved by the Hellenic Capital Market Commission.

### *OTE issues fixed coupon bonds*

In February 2008, OTE announced that its subsidiary OTE Plc had successfully completed the book building process for the issuance of Euro 1.5 billion 3-year Fixed Rate Notes and of Euro 600 million 7-year Fixed Rate Notes. The 3-year Fixed Rate Notes, priced at 99.750%, will pay an annual coupon of 5.375%, while the 7-year Fixed Rate Notes, priced at 99.705%, will pay an annual coupon of 6.0%. The book building process was completed on the same day, within three hours, and the issues were oversubscribed 3.6 times. The proceeds were used for the refinancing of the bridge facility of OTE Plc that it had obtained

in November 2007, for the acquisition of COSMOTE's shares held by minority shareholders.

#### ***ROMTELECOM announcement of Business Plan***

In January 2008, ROMTELECOM announced the approval of its Business Plan for 2008 by its Board of Directors. The basic points include the improvement of internal procedures in order to increase the subscriber base, enhance its market position in markets which have demonstrated growth and in cost control through the restructuring of its operations.

#### ***OTE sells its stake in OTENET Cyprus Ltd and OTENET Telecommunications Ltd***

In May 2008, OTE completed the sale of its investments in OTENET Cyprus Ltd and OTENET Telecommunications Ltd to the Cypriot company Cyprus Trading Corporation Plc (CTC) for Euro 3.9 million.

#### ***Acquisition of 100% of VOICENET***

In May 2008, the Group acquired the remaining interest in its subsidiary, VOICENET, from SANYO HELLAS INVESTMENTS S.A., for a consideration of Euro 1.3 million. Following the completion of the acquisition OTE owns the total (100%) of VOICENET's share capital with the corresponding voting rights.

#### ***Completion of the merger, by absorption, of OTENET by OTE***

On 27 June 2008, the relevant ministerial decision which approved the merger, by absorption, of OTENET by OTE was registered in Societe Anonymes Records.

#### ***OTE ESTATE's request for a license for the operation of a Real Estate Investment Company***

OTE's subsidiary OTE ESTATE, filed a request with the Hellenic Capital Market Commission on 10 April 2008, requesting for a license for the operation of a Real Estate Investment Company. This initiative is part of OTE Group's strategy to bring out the value of OTE Estate's real estate portfolio. The value of the real estate assets that will be subscribed to the Real Estate Investment Company will be no less than Euro 250.0 million. The Hellenic Capital Market Commission through its relevant decision on 13 June 2008 gave to OTE ESTATE the license for Real Estate Investment Company's operation.

#### ***Sale of LOFOS PALLINI S.A.***

On 31 July 2008, OTE announced the sale of its total participation in the share capital of LOFOS PALLINI

S.A. to REDS S.A. for a total consideration of Euro 18.4. A pre-tax gain of approximately Euro 17.0 million was realised from this sale.

#### ***Early retirement program***

On 27 February 2008, OTE's management and OME-OTE (the employee's union) signed a Collective Labor Agreement whereby employees who are eligible to early retirement by 29 December 2008 can receive certain benefits if they leave by 30 December 2008. The right to file an irrevocable application for participation in the early retirement program ended on 21 March 2008. The total cost amounted to Euro 12.2 million and is included in the results of 2008.

#### ***Signature of Collective Labour Agreement***

On 6 August 2008, OTE's management and OME-OTE (the employees' union) signed a biannual Collective Labor Agreement (2008-2009), in which wage increases of 3.5% as of 1.1.2008, 3.0% as of 1.9.2008, 3.0% as of 1.1.2009 and 3.0% as of 1.7.2009 were agreed and certain institutional issues were regulated.

#### ***OTE's rating by Moody's downgraded***

On 19 May 2008, Moody's down graded OTE's rating from Baa1 to Baa2. The agreement between the Greek State and DEUTSCHE TELEKOM A.G., included terms that may lead the Greek State's interest in OTE to potentially decrease below 20%. As a result of such terms, the Company's support by the Greek State was downgraded to "low" from "average". This modification resulted in the long-term rating of Baa2. Since the Company's underlying business fundamentals and financial strength remain unchanged the rest of the factors used for the Company's rating have not been modified.

#### ***Share Purchase Agreement and Shareholders Agreement between the Greek State and DEUTSCHE TELEKOM A.G.***

On 14 May 2008, the Share Purchase Agreement and Shareholders Agreement between the Greek State and DEUTSCHE TELEKOM AG were signed and subsequently ratified by the Greek Parliament with Law 3676/2008 (Greek Official Gazette 139/11.7.2008).

On 15 May 2008, following the completion of the approvals referred to above, DEUTSCHE TELEKOM A.G. acquired from MARFIN Investment Group 19.999234% of OTE's share capital which corresponds to 98,026,324 shares with corresponding voting rights.

In due course and after further acquisitions of OTE's shares through the Athens Stock Exchange, DEUTSCHE TELEKOM AG's participation in OTE's share capital increased to 21.967% which corresponds to 107,671,713 shares with corresponding voting rights.

On 2 October 2008, the European Committee has announced the approval under the E.U. Merger Regulation of the proposed acquisition of OTE by the German Telecommunications Organization DEUTSCHE TELEKOM AG. The Commission concluded that this transaction will not impede effective competition significantly. On 15 October 2008 the Hellenic Telecommunications and Post Commission (HTPC) completed its approvals' procedure related to DEUTSCHE TELEKOM's acquisition of OTE's Share Capital. Particularly, the assembly approved the change of control of OTE and COSMOTE, subject to being notified within two months of the relevant decision of E.U.'s Competition Committee.

On 5 November 2008, DEUTSCHE TELEKOM AG acquired 14,865,886 shares of OTE owned by the Greek State, representing 3.033% of OTE's share capital with the corresponding voting rights. Following this acquisition the participation of DEUTSCHE TELEKOM AG in OTE's share capital, stands at 25.0000004% and amounts to 122,537,599 shares with the corresponding voting rights. The Greek State's participation (direct and indirect) stands at 25.0000004% and amounts to 122,537,599 shares with the corresponding voting rights.

## **D. RISKS AND UNCERTAINTIES FOR THE NEXT YEAR**

### *a) Credit risk*

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations.

Maximum exposure to credit risk at the reporting date to which the Group and the Company are exposed is the carrying value of financial assets.

Trade receivables could potentially adversely affect the liquidity of the Group. However due to the large number of customers and their diversification of the customer base however there is no concentration of credit risk with respect to these receivables. Concentration of risk is considered to exist for amounts receivable from the telecommunication service providers, due to their relatively small number and the high level of transac-

tions they have with the Company and the Group.

The Company and the Group have established specific credit policies under which customers are analyzed for creditworthiness and there is an effective management of receivables in place both before and after they become overdue and doubtful. In monitoring credit risk, customers are grouped according to their credit risk characteristics, aging profile and existence of previous financial difficulties. Customers that are characterized as doubtful are reassessed at each balance sheet date for the estimated loss that is expected and an appropriate impairment allowance is established.

Cash and cash equivalents are considered to be exposed to a low level of credit risk. The Company has adopted a "deposits policy" whereby funds are only deposited with banks which have a specified minimum rating by International Rating Agencies as to their creditworthiness; in addition limits are set on the amounts deposited depending on the rating. To avoid concentrations of risks, the Company does not deposit more than 30% of available funds in any one bank.

Financial instruments classified as available-for-sale include listed shares, while financial instruments held to maturity include government bonds and other securities. These two categories are not considered to expose the Company and the Group to a significant credit risk.

Loans include loans to employees which are collected either through the payroll or are netted-off with their retirement indemnities, loans and advances to Auxiliary Pension Fund mainly due to the Voluntary Leave Scheme and at Company level loan to COSMOFON. The above mentioned loans are not considered to expose the Company and the Group to a significant credit risk.

Trade receivables, which include receivables from telecommunication operators, is the category with the higher credit risk. For this category the Company and the Group assesses the credit risk following the established policies and procedures described above and has set made the appropriate provision for impairment.

### *(b) Liquidity risk*

Liquidity risk is the risk that the Group or the Company will not be able to meet its financial obligations

as they fall due. Liquidity risk is kept at low levels by ensuring that there is sufficient cash on demand and credit facilities to meet the financial obligations when due. The Group's and the Company's available cash as at 31 December 2008 amounts to Euro 1,427.8 million and Euro 344.5 million respectively, their loans amounts to Euro 6,047.7 million and Euro 3,307.1 million respectively while the Group has a long-term credit (committed) line of Euro 350.0 million.

For the monitoring of liquidity risk, the Group prepares annual cash flows when drafting the annual budget and monthly rolling forecasts for three months' cash flows, in order to ensure that it has sufficient cash reserves to service its financial obligations.

### c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's and the Company's results or the value of their financial instruments. The objective of market risk management is to manage and control exposure within acceptable levels.

The individual risks that comprise market risk are described in further detail and the Group's policies for managing them are as follows:

#### i. Interest rate risk

Interest rate risk is the risk that payments for interest on loans fluctuate due to changes in interest rates. Interest rate risk mainly applies to long-term loans with variable interest rates.

The hedging of interest rate risk is managed through having a combination of fixed and floating rate borrowings as well as with the use of interest rate swap agreements.

As at 31 December 2008, the ratio of fixed loans to floating loans for the Group was 81%/19%, (2007:52%/48%). The analysis of borrowings depending on the type of the interest rate is presented in the following table 1.

The following tables demonstrate the sensitivity to a reasonable possible change in interest rates on the income statement and equity through the impact of loans, deposits and derivatives.

Sensitivity to an interest rates increase of 100 basis points is presented in table 2.

If interest rates would decrease by 100 basis points, the impact would be similar and opposite to the analysis above.

#### ii. Foreign currency risk

Currency risk is the risk that the fair values or the cash flows of a financial instrument fluctuate due to foreign currency changes. The Group operates in many South-eastern European countries and as a result is exposed to currency risk due to changes between the functional currencies and other currencies. The main currencies within the Group is the Euro, Ron (Romania) and the Lek (Albania). The currency risk for the Group is not significant.

### Capital Management

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may

(Table 1)

(in millions of Euro)	2008		2007	
	COMPANY	GROUP	COMPANY	GROUP
Variable interest rate	-	1,099.3	1,494.2	2,647.2
Fixed rate interest rate	3,307.1	4,948.4	1,302.7	2,880.6
<b>TOTAL</b>	<b>3,307.1</b>	<b>6,047.7</b>	<b>2,796.9</b>	<b>5,527.8</b>

(Table 2)

GROUP (in millions of Euro)				COMPANY (in millions of Euro)		
Profit before tax			Equity	Profit before tax		
2008	2007	2008	2007	2008		2007
3.3	4.2	3.0	-	3.5		2.4

adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

An important means of managing capital is the use of the gearing ratio (ratio of net debt to equity) which is monitored at a Group level. Net Debt includes interest bearing loans less cash and cash equivalents, financial assets available-for-sale and held to maturity.

The table 3 below shows an increase in the gearing ratio in 2008 compared to 2007 due to an increase in borrowings used for the acquisition of COSMOTE's minority interests as well as the reduction in equity as the difference arising from the acquisition of minority interests was debited to equity.

(Table 3)

**GROUP (in millions of Euro)**

<b>Net debt</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
Borrowings	6,047.7	5,527.8
Cash and cash equivalents	(1,427.8)	(1,316.3)
Financial assets available-for-sale and held to maturity	(135.9)	(81.2)
<b>Net debt</b>	<b>4,484.0</b>	<b>4,130.3</b>
Equity	2,173.2	3,054.6
Gearing ratio	2.06x	1.35x

(Table 4)

**(in millions of Euro)**

	<b>2008</b>		<b>2007 (*)</b>	
	<b>Sales OTE</b>	<b>Purchases OTE</b>	<b>Sales OTE</b>	<b>Purchases OTE</b>
COSMOTE	184.1	123.4	192.9	125.6
OTE INTERNATIONAL INVESTMENTS LTD	0.5	4.9	0.4	5.5
HELLAS-SAT	0.6	1.7	0.6	1.7
COSMO-ONE	0.1	0.9	-	1.0
VOICENET	5.4	2.9	4.7	0.4
HELLASCOM	0.2	8.5	0.1	6.6
OTE SAT – MARITEL	1.0	2.1	0.9	2.1
OTE PLUS	0.4	36.7	0.3	30.4
OTE ESTATE	1.3	62.2	2.3	59.7
INFOTE	-	-	4.7	3.7
OTE-GLOBE	33.9	74.3	22.4	64.3
OTE ACADEMY	0.1	4.2	0.3	5.1
DEUTSCHE TELEKOM AG (**)	5.9	4.2	-	-
	<b>233.5</b>	<b>326.0</b>	<b>229.6</b>	<b>306.1</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(\*\*): Includes OTE's sales and purchases to and from DEUTSCHE TELEKOM AG for the second half of 2008, when the latter is considered to be a related party of the former.

**E. MATERIAL TRANSACTIONS WITH RELATED PARTIES**

OTE's related parties have been identified based on the requirements of IAS 24 "Related Party Disclosures" and comprise of its subsidiaries, its associates, the entities which have a significant influence on OTE, the members of the Board of Directors and the key management personnel.

The Company purchases goods and services from these related parties, and provides services to them. Furthermore, OTE grants and receives loans to / from its subsidiaries and receives dividends.

OTE's purchases and sales with related parties are analyzed in the following table 4.



OTE's financial activities with its related parties comprise interest on loans granted and received and can be analyzed in the following table 5.

OTE's dividend income from its related parties is analyzed in the below table 6.

Amounts owed to and by related parties as a result of current transactions between them are analyzed in the following table 7.

Amounts owed by and to OTE relating to loans advanced, are analyzed according to table 8.

The Group's transactions with related parties for 2008 that are not eliminated in consolidation according to table 9.

(Table 5)

(in millions of Euro)	2008		2007	
	Finance income OTE	Finance expense OTE	Finance income OTE	Finance expense OTE
COSMOFON	3.3	-	3.6	-
OTE PLC	1.3	176.7	2.1	73.7
	<b>4.6</b>	<b>176.7</b>	<b>5.7</b>	<b>73.7</b>

(Table 6)

(in millions of Euro)	2008	2007
COSMOTE	245.2	163.2
OTE INTERNATIONAL INVESTMENTS LTD	-	57.3
INFOTE	-	5.0
OTE ESTATE	30.3	-
OTE SAT – MARITEL	0.5	-
	<b>276.0</b>	<b>225.5</b>

(Table 7)

(in millions of Euro)	2008		2007(*)	
	Amounts owed to OTE	Amounts owed by OTE	Amounts owed to OTE	Amounts owed by OTE
COSMOTE	37.9	50.4	39.4	34.4
OTE INTERNATIONAL INVESTMENTS LTD	0.3	1.0	0.2	1.4
HELLAS-SAT	0.5	0.3	4.6	0.6
COSMO-ONE	-	0.7	-	0.2
VOICENET	1.7	0.9	0.1	0.1
HELLASCOM	-	2.9	-	1.4
OTE SAT – MARITEL	0.3	0.6	0.3	0.5
OTE PLUS	0.2	15.9	0.8	12.8
OTE ESTATE	0.7	0.4	3.1	31.7
OTE-GLOBE	68.0	91.8	49.4	73.2
OTE ACADEMY	-	0.1	0.5	0.8
DEUTSCHE TELEKOM AG	6.3	7.2	-	-
	<b>115.9</b>	<b>172.2</b>	<b>98.4</b>	<b>157.1</b>

(Table 8)

(in millions of Euro)	2008		2007	
	Receivable OTE	Payable by OTE	Receivable OTE	Payable by OTE
COSMOFON	46.8	-	51.8	-
OTE PLC	-	3,423.1	35.4	2,787.0
	46.8	3,423.1	87.2	2,787.0

(Table 9)

(in millions of Euro)	2008		2008	
	Amounts owed to the Group	Amounts owed by the Group	Sales of the Group	Purchases of the Group
DEUTSCHE TELEKOM AG	6.5	7.5	7.6	4.3

There are no Group's transactions with related parties for 2007 that are not eliminated in consolidation.

Fees paid to the members of the Board of Directors and key management personnel for 2008 and 2007 amounted to Euro 4.7 million and Euro 3.5 million respectively.

808,620 options under OTE's share based payment plan have been granted to the Company's key management personnel.

#### F. IMPORTANT EVENTS AFTER THE YEAR END

The most significant events after the balance sheet date (31 December 2008) to the date that the Financial Statements are approved by the Board of Directors are as follows:

1. On 6 February 2009, the Extraordinary General Assembly took place, having been postponed from 8 January 2009. The following items were discussed and approved the amendments to the following in the Articles of Incorporation: article 8 (Board of Directors), article 9 (election, composition and term of the Board of Directors), article 10 (gathering and operation of the Board of Directors) and article 12 (Chairman).
2. On 14 January 2009, the tax authorities concluded their audit of OTE's subsidiary, OTE PLUS without impact. The tax audit covered the open tax years 2005 to 2007.
3. On 12 February 2009, OTE announced that its 100% subsidiary COSMOTE, had acquired, after participating in an international competition, a further 12.6% of AMC. The holding was purchased from the Albanian State for Euro 48.2 million. Following the transaction COSMOTE holding in AMC, direct and indirect, via its 97% subsidiary COSMOHOLDING ALBANIA, 95% AMC. The transaction is subject to the approval of the relevant Albanian governmental and regulatory authorities.
4. On 28 January 2009, OTE's management and OME-OTE (the employee's union) signed a Collective Labor Agreement according to which employees who will have completed the number of years of service required for retirement by 30 December 2009 will be entitled to benefits providing they leave by this date. Applications by eligible employees should have submitted their irrevocable applications by 16 February 2009. The estimated total cost amounts to approximately Euro 11.0 million and will be included in the 2009 income statement in the line item "Cost of early retirement program"
5. On 4 March 2009, an agreement was signed between the Greek Government and IKA (which has absorbed TAP OTE), regarding the transfer of 4% of OTE's shares currently held by the Greek Government, to IKA in accordance with Law 3371/2005 for Euro 10.30 (absolute amount) per share.
6. The tax audit of the Company for the open tax years 2006 and 2007 commenced on 19 February 2009.
7. On 13 March 2009, OTE's Board of Directors decided to call on Extraordinary Meeting of Shareholders for 7 April 2009 to decide on the following items:
  - i) Amendment of certain paragraphs of the current Articles of Incorporation
  - i) Determine members of the Audit Committee

in accordance with article 37 of Corporate Law 3693/2008.

- ii) Approval for the purchase of own shares by OTE in accordance with article 16 of Corporate Law 2190/1920 and,
  - iii) Announcement of members of the Board of Directors who replaced members who have resigned.
8. On 3 February 2009, HTPC imposed a fine of Euro 2.0 million to OTE, for the alleged non provision of information relating of control over the application of competition rules and particularly the control over the price margins for voice telephony. OTE intends to appeal against this decision, before the Athens Administrative Court of Appeals requesting for its annulment
9. On 20 February 2009 OTE's Board of Directors, decided on and approved the introduction of new beneficiaries to the existing Share Option Plan (Note 29), with the simultaneous granting of 1,107,780 Basic Options to them, of which 590,000 are to be granted to executives of OTE and 517,780 to executives of OTE's subsidiaries. Furthermore, the Board of Directors, decided on and approved the granting of 2,117,890 Additional Options to existing beneficiaries, of which 927,110 are to be granted to executives of OTE and 1,190,780 to executives of OTE's subsidiaries.

#### **G. INFORMATION ACCORDING TO ARTICLE 4.7, Law 3556/2007**

##### *(a) Share capital structure, rights and obligation of shareholders*

The Company's share capital amounts to one billion, one hundred seventy one million, four hundred fifty-nine thousand, four hundred twenty-nine Euro and seventy one cents (1,171,459,429.71) and is divided into four hundred ninety million, one hundred fifty thousand, three hundred eighty nine (490,150,389)

(Table 10)

<b>Shareholder</b>	<b>Number of Shares</b>	<b>Percentage</b>
GREEK STATE	107,484,826	21.93%
DEKA S.A. (Greek State's indirect participation)	15,052,773	3.07%
DEUTSCHE TELEKOM AG	122,537,599	25.00%
INSTITUTIONAL INVESTORS	207,995,902	42.44%
PRIVATE INVESTORS	37,079,289	7.56%
<b>TOTAL</b>	<b>490,150,389</b>	<b>100.00%</b>

registered shares of a nominal value of two Euro and thirty nine cents (Euro 2.39) each.

According to the Company's share registry as of 31 December 2008 the Company's ownership was according to table 10.

All of the Company's shares are common, registered with voting rights and there are no special shareholders categories. The Company's shares are listed on the Athens Stock Exchange under the High Capitalization category, as well as on the NYSE (New York Stock Exchange) under the form of American Depository Receipts (ADRs). On 31 December 2008 ADRs amounted to 13,684,566 or 6,842,283 shares (1 ADR equals to 0.5 of OTE share), representing 1.396% of OTE's share capital.

Each share incorporates all rights and obligations as these derive from Law 2190/1920 and the Company's Articles of Incorporation the provisions of which are in line with the provisions of the Law.

Any shareholder that has in his possession any number of shares has the right to participate in the General Assembly of the shareholders of the Company either in person or by proxy committing either the total of his shares or part thereof. The Hellenic State, as shareholder, is represented at the General Assembly by the Minister of Finance or by a representative.

Each share is entitled to one vote.

The Company's shareholders are entitled to receive dividends. The minimum dividend provided to all the shareholders is set to be thirty five percent (35%) of net profits.

According to the Articles of Incorporation of the Company the General Assembly may decide on the allocation of the remaining profits at its own discretion; for instance, the Assembly may decide on the distribu-

tion of shares to Company employees and its affiliated companies. The shares for such a distribution would be derived from share capital increases through capitalization of profits or is covered by the shareholders themselves.

The General Assembly of shareholders maintains all its rights during liquidation.

Shareholder's liability is limited to the nominal value of shares that they have at their possession.

Shareholders' rights are the ones determined by the provisions of Law 2190/1920.

***(b) Restrictions in the transfer of the Company's shares***

The Company's shares are intangible and freely traded on the Athens Stock Exchange and are transferred according to the Law.

Exceptionally, according to article 11, Law 3631/2008 (FEK A 6/2008) the acquisition by a shareholder other than the Hellenic State or state related entities as described in article 42E of Law 2190/1920 or by shareholders acting together in a harmonized way of voting rights of 20% and above of the share capital, is subject to the approval of the Inter-ministerial Privatization Committee of Law 3049/2002 which is granted under the requirements of this Law.

According to article 4 of Law 3016/2002, the independent non-executive members of the Board of Directors of the Company cannot possess more than 0.5% of the paid-in share capital.

According to art 13 of Law 3340/2005, management personnel and their close relatives, without having restrictions on the acquisition or transfer of the Company's shares, are obliged to disclose their direct and indirect transactions in the Company's shares, exceeding the amount of Euro 5,000 on an annual basis. The obligation of such disclosures is dictated by Law and the decisions of Capital Market Committee.

According to article 26 of Law 3431/2006, on Electronic Telecommunications, any change in control of the Company is approved by the Hellenic Committee of Post and Telecommunications ("H.T.P.C."). The approval of H.T.P.C. with respect to the change in control is also required by L. 703/1977 on Monopoly and Oligopoly Control and Protection of Free Competition

(article 12, par. f of Law 3431/2006 on Electronic Communications)

According to the shareholders agreement of 14 May 2008 between the Greek State and DEUTSCHE TELEKOM AG (thereon "Shareholders' agreement"), ratified by the Law 3676/2008, no other member of DEUTSCHE TELEKOM AG Group possesses OTE shares or voting rights.

***(c) Significant direct or indirect investments***

Significant direct ownership in the share capital of the Company as of 31 December 2008, according to Law 3556/2007 (FEK A' 91/2007), was as follows:

a) The Greek State which as shareholder holds directly 21.93% of the paid-up share capital of the Company and indirectly 3.07% of the paid-up share capital through DEKA S.A. making the total participation to 25.0000004% of the paid-up share capital of the Company, corresponding to 122,537,599 shares with the respective voting rights.

b) DEUTSCHE TELEKOM AG's participation in OTE paid-up share capital which stands at 25.0000004%, corresponding to 122,537,599 shares, with respective voting rights.

As of 31 December 2008, the Company is not aware of any other shareholder who holds, has acquired or has transferred to a third person or corporate body the ownership of 5% or more of its paid-up share capital with the respective voting rights.

***(d) Owners of shares that offer special control rights***

There are no issued shares of the Company that offer special control rights.

***(e) Restrictions on voting rights-Deadlines in exercising relating rights***

There are no restrictions on voting rights according to the Company's Articles of Association. These restrictions derive indirectly from the provision of the above article 11 of Law 3631/2008, as mentioned above, as well as from the "shareholders agreement" ratified by the law, as far as the contractual parties are concerned.

***(f) Shareholder agreements for restrictions in the transfer of shares or in exercising of voting rights***

On 14 May 2008, an agreement was signed between the two shareholders the Greek State and DEUTSCHE TELEKOM AG, which was ratified by the Greek Par-

liament by Law 3676/2008 and which provides restrictions in the transfer of shares or in the exercising of voting rights regarding the shares held by the shareholders mentioned in this agreement.

***(g) Rules of appointment and replacement of members of the Board of Directors and amendment of the Company's Articles of Incorporation if they differ from the provisions of C.L. 2190/1920.***

The provisions of the Company's Articles of Incorporation in relation to the appointment and replacement of the Board of Directors members and the amendment of its Articles of Incorporation are not amended by the provisions of C.L. 2190/1920.

In particular according to the provision in the Articles of Incorporation the Board of Directors consists of up to eleven (11) members, elected by the General Assembly, for a three-year term. Their service term commences on the day of the member's election by the General Assembly and terminates on the Annual General Assembly of the year when the three years from their election are completed.

In case of resignation, death or for any reason occurs derogation of one or more members before the end of their term, the remaining members of the Board of Directors, either elect temporarily one or more replacements, or they continue to exercise the management or the representation of the Company, without having elected one or more replacements. If someone is elected by the General Assembly as temporary member in someone else's position, this election is announced at the next General Assembly (regular or extraordinary), which has the authorization to replace the elected members even if this issue has not been included in the agenda of this General Assembly.

By resolution of the General Assembly the members of the Board of Directors are eleven (11).

The members of the Board of Directors may always be re-elected and can be revoked anytime by the General Shareholders Assembly.

***(h) Authority of the Board of Directors for the issuance of new shares/share buy backs according to article 16 of Law 2190/1920***

In accordance with article 6 of the Company's Articles of Incorporation, the General Shareholders Assembly, following its decision (subject to the disclosure procedures specified by article 7b of Law 2190/1920) can

transfer to the Board of Directors the authority to decide with a majority of two thirds (2/3) of its members and within five (5) years from the date of the relevant decision for:

- I. The increase of the share capital with the issuance of new shares. The amount of the increases cannot exceed the total amount of the paid-up share capital as at the date of the transfer of the relevant authority by the General Assembly to the Board of Directors.
- II. The issue of bonds up to an amount not exceeding the paid-up share capital, by issuing convertible bonds.

The above authorities of the Board of Directors may be renewed by the General Assembly for a period not exceeding five (5) years for each renewal. The General Assembly's decision comes into force after the end of the five-year period.

Exceptionally, in the event the reserves of the Company exceed one fourth (1/4) of the paid-up share capital, a resolution of the General Assembly for the increase of the share capital through the issuance of a new shares or a bond convertible into shares, will always be required.

There are no resolutions of the General Shareholders Assembly in force for the concession of the above authorities to the Board of Directors.

Following a General Shareholders Assembly resolution and pursuant to the regulations that are in force, the Company may acquire own shares corresponding to a maximum of 10% of its paid-up share capital. Such resolutions of the General Assembly are effectuated by the Board of Directors' decisions.

The General Shareholders Assembly decided on 8 November 2007 to approve the purchase of the Company shares, according to article 16 of Law 2190/1920, up to one tenth (1/10) of its total paid-in share capital for a period of 24 months. To date no Board of Directors decision has been taken to effectuate the resolution.

***(i) Significant Group's agreements that are in force/amended/terminated upon a change in control of the Company following a public offer***

The Group has entered into various loan agreements and bond issuance agreements in which a change of control clause of OTE is included. If the clause is acti-

vated OTE must proceed with prepayment of the loan in line where contractually stipulated.

The wording of the specific clause varies in each contract text as follows:

**1) Consortium loan Euro 850 million, maturing in September 2012.**

In the above loan contracts, the clause is activated if there is a change in control of OTE as a consequence of which the credit rating of OTE or the resulting new legal entity is downgraded below BBB/Baa2.

Control is defined as the ability of the new shareholder to control management and the procedures set by OTE either through ownership of voting rights, through contractual commitment or through other procedures.

In the event the clause is activated, OTE PLC must notify the banks, which have the right to demand the prepayment of the loan.

On 19 May 2008, Moody's down graded OTE's rating from Baa1 to Baa2. The agreement between the Greek State and DEUTSCHE TELEKOM A.G., included terms that may lead the Greek State's interest in OTE to potentially decrease below 20%. As a result of such terms, the Company's support by the Greek State was downgraded to "low" from "average". This modification resulted in the long-term rating of Baa2. Since the Company's underlying business fundamentals and financial strength remain unchanged the rest of the factors used for the Company's rating have not been modified.

**2) Bonds of OTE PLC guaranteed by OTE:**

- Euro 600 million maturing in November 2009
- Euro 1,500 million, maturing in February 2011
- Euro 600 million maturing in February 2015 and

- Euro 900 million, maturing in May 2016.

According to the terms of these bonds, the clause is activated if both of the following events occur together:

- a) Any person or group of persons (other than the Hellenic State) acquires directly or indirectly more than 50 % of the share capital or of the voting rights of OTE and
- b) as a consequence of (a), the rating previously of the bonds by international agencies is withdrawn or downgraded to BB+/Ba1 or their equivalent (Sub-investment grade), within a specific period and with specific terms.

According to the term of the bonds, in case the change of control of OTE clause is activated, OTE PLC must immediately notify in writing the bond owners, who in turn have the right, within 45 days to demand from OTE PLC their prepayment i.e. the capital and the interest applicable to the date of prepayment.

No such clause is included in the terms of other bonds of the Group.

**(j) Compensating agreements with Board of Directors Members or personnel in case of resignation/unfair dismissal or service employment termination due to a public offer**

The Company has not entered into any agreements with the members of the Board of Directors or its personnel to compensate these persons, in case that because of a Public Offer for the acquisition or concession of its shares, are forced to resign or dismissed unfairly or their services or employment are terminated.

Athens, 26 March 2009

Panagis Vourloumis  
Chairman and Managing Director

**CHAPTER 3**

# ***Auditors' Report of the Financial Statements***

**Independent Auditors' Report**  
**To the shareholders of the Hellenic**  
**Telecommunications Organization S.A.**

***Report on the Financial Statements***

We have audited the accompanying separate and consolidated financial statements of the Hellenic Telecommunications Organization S.A. (the "Company") which comprise of the separate and consolidated balance sheet as at 31 December 2008 and the statements of income, changes in 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 as adopted by the European Union. 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 as-

essment 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. The 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 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

***Report on Other Legal and Regulatory Requirements***

We confirm that the information provided in the Directors' Report is consistent with the accompanying financial statements in the context of the requirements of articles 43a, 107 and 37 of Corporate Law 2190/1920.

Athens, 27 March 2009

The Certified Auditors Accountants

Themis Lianopoulos                      Chris Pelendridis  
R.N. ICA (GR) 13771                      R.N. ICA (GR) 17831

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



## **CHAPTER 4**

# **Annual Financial Statements**

***Hellenic Telecommunications Organization S.A.  
Annual Financial Statements  
(Separate and Consolidated) as of 31 December 2008  
In Accordance with International Financial Reporting  
Standards as adopted by the European Union  
(Translated from the Greek Original)***

The Annual Financial Statements presented on pages 23 - 89, were approved by the Board of Directors on 26 March 2009 and are signed on its behalf by:

Chairman  
& Managing Director

Vice-Chairman

Chief Financial Officer

Chief Accounting Officer

Panagis Vourloumis

Haralambos Dimitriou

Christini Spanoudaki

Konstantinos Vasilopoulos

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.

REGISTRATION No S.A. 347/06/B/86/10

99 KIFFISIAS AVE-151 24 MAROUSSI ATHENS, GREECE

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**Balance Sheets (Separate and Consolidated) as of 31 December 2008**

(amounts in millions of Euro)

	Notes	31 DECEMBER 2008		31 DECEMBER 2007	
		COMPANY	GROUP	COMPANY (*)	GROUP
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	2,191.5	5,872.8	2,372.2	6,371.4
Goodwill	5	-	530.7	-	541.5
Telecommunication licenses	6	3.0	329.5	3.4	396.2
Other intangible assets	7	-	556.2	-	582.7
Investments	8	4,890.0	156.6	4,042.4	158.4
Loans and advances to pension funds	19	194.5	194.5	229.8	229.8
Deferred tax assets	22	188.0	286.8	158.7	260.8
Other non-current assets	10	112.4	120.7	98.4	95.9
<b>Total non – current assets</b>		<b>7,579.4</b>	<b>8,047.8</b>	<b>6,904.9</b>	<b>8,636.7</b>
<b>Current assets</b>					
Inventories		32.2	201.3	37.1	201.7
Trade receivables	11	697.5	1,194.2	742.4	1,172.0
Other financial assets	13	119.6	135.9	47.8	81.2
Other current assets	12	99.8	261.6	169.3	291.3
Cash and cash equivalents	14	344.5	1,427.8	459.2	1,316.3
<b>Total current assets</b>		<b>1,293.6</b>	<b>3,220.8</b>	<b>1,455.8</b>	<b>3,062.5</b>
Assets classified as held for sale	9	-	156.6	-	-
<b>TOTAL ASSETS</b>		<b>8,873.0</b>	<b>11,425.2</b>	<b>8,360.7</b>	<b>11,699.2</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to shareholders of the Company</b>					
Share capital	15	1,171.5	1,171.5	1,171.5	1,171.5
Share premium	15	497.9	497.9	485.9	485.9
Statutory reserve	16	330.2	330.2	312.1	312.1
Foreign exchange and other reserves		1.4	73.9	36.2	258.3
Changes in minority interests	8	-	(3,315.2)	-	(2,533.8)
Retained earnings	16	1,523.0	2,553.6	1,543.3	2,337.5
		<b>3,524.0</b>	<b>1,311.9</b>	<b>3,549.0</b>	<b>2,031.5</b>
<b>Minority Interests</b>		-	861.3	-	1,023.1
<b>Total Equity</b>		<b>3,524.0</b>	<b>2,173.2</b>	<b>3,549.0</b>	<b>3,054.6</b>
<b>Non – current liabilities</b>					
Long-term borrowings	18	3,288.2	5,409.6	1,285.2	3,947.1
Provision for staff retirement indemnities	19	233.8	254.9	212.4	230.3
Cost of voluntary retirement scheme	19	107.2	107.2	217.5	217.5
Provision for youth account	19	286.3	286.3	273.5	273.5
Deferred tax liabilities	22	-	116.7	-	166.2
Other non – current liabilities	20	41.4	74.6	41.4	233.6
<b>Total non – current liabilities</b>		<b>3,956.9</b>	<b>6,249.3</b>	<b>2,030.0</b>	<b>5,068.2</b>
<b>Current liabilities</b>					
Trade accounts payable		526.1	943.9	596.1	931.5
Short-term borrowings	21	-	5.1	1,494.2	1,497.4
Short-term portion of long-term borrowings	18	18.9	633.0	17.5	83.3
Income tax	22	4.0	58.0	23.6	83.0
Deferred revenue		158.4	228.4	136.1	189.2
Cost of voluntary retirement scheme	19	275.8	275.8	200.2	200.2
Dividends payable	17	3.8	3.8	4.0	4.0
Other current liabilities	23	405.1	838.2	310.0	587.8
<b>Total current liabilities</b>		<b>1,392.1</b>	<b>2,986.2</b>	<b>2,781.7</b>	<b>3,576.4</b>
Liabilities directly associated with the assets classified as held for sale.	9	-	16.5	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,873.0</b>	<b>11,425.2</b>	<b>8,360.7</b>	<b>11,699.2</b>

The accompanying notes on pages 29 – 89 form an integral part of these financial statements.

(\*): Amounts adjusted due to the merger, by absorption, of OTE NET by OTE (refer to Note 32)

**Income Statements (Separate and Consolidated) for the Year ended 31 December 2008**

	Notes	2008		2007	
		COMPANY	GROUP	COMPANY(*)	GROUP
(Amounts in millions of Euro, except for the per share data)					
<b>Revenue</b>					
Domestic telephony	24	1,355.5	1,814.2	1,495.2	2,022.2
International telephony	24	202.4	286.9	197.7	304.5
Mobile telephony	24	-	2,470.8	-	2,210.0
Other revenue	24	1,031.8	1,835.4	989.8	1,783.1
<b>Total revenue</b>		<b>2,589.7</b>	<b>6,407.3</b>	<b>2,682.7</b>	<b>6,319.8</b>
<b>Operating expenses</b>					
Payroll and employee benefits		(670.1)	(1,168.4)	(654.7)	(1,149.0)
Provision for staff retirement indemnities and youth account	19	(108.3)	(112.6)	(88.0)	(92.3)
Cost of early retirement program	19	(12.2)	(50.2)	(22.1)	(22.1)
Charges from international operators		(126.7)	(201.0)	(146.8)	(216.4)
Charges from domestic operators		(299.2)	(642.3)	(323.9)	(655.3)
Depreciation and amortization		(465.0)	(1,213.0)	(507.0)	(1,171.8)
Cost of telecommunications equipment		(102.5)	(633.4)	(116.5)	(672.8)
Other operating expenses	25	(493.5)	(1,328.7)	(509.4)	(1,293.2)
<b>Total operating expenses</b>		<b>(2,277.5)</b>	<b>(5,349.6)</b>	<b>(2,368.4)</b>	<b>(5,272.9)</b>
<b>Operating income before financial activities</b>		<b>312.2</b>	<b>1,057.7</b>	<b>314.3</b>	<b>1,046.9</b>
<b>Income and expense from financial activities</b>					
Interest expense		(194.8)	(343.7)	(98.6)	(238.7)
Interest income		36.3	72.3	47.5	77.8
Foreign exchange differences, net		(6.0)	11.8	(0.5)	(4.8)
Dividend income	8	288.2	12.2	242.3	16.8
Gains from investments		15.9	33.7	287.1	256.8
Impairment of investments	8	(5.3)	-	-	-
<b>Total profit (loss) from financial activities</b>		<b>134.3</b>	<b>(213.7)</b>	<b>477.8</b>	<b>107.9</b>
<b>Profit before tax</b>		<b>446.5</b>	<b>844.0</b>	<b>792.1</b>	<b>1,154.8</b>
Income tax	22	(83.2)	(246.2)	(212.4)	(381.8)
<b>Profit for the year</b>		<b>363.3</b>	<b>597.8</b>	<b>579.7</b>	<b>773.0</b>
Attributable to:					
Shareholders of the parent		363.3	601.8	579.7	662.6
Minority interests		-	(4.0)	-	110.4
		<b>363.3</b>	<b>597.8</b>	<b>579.7</b>	<b>773.0</b>
<b>Basic earnings per share</b>	26	-	<b>1.2278</b>	-	<b>1.3518</b>
<b>Diluted earnings per share</b>	26	-	<b>1.2129</b>	-	<b>1.3518</b>

The accompanying notes on pages 29 – 89 form an integral part of these financial statements.

(\*): Amounts adjusted due to the merger, by absorption, of OTE NET by OTE (refer to Note 32)

**Statements of Changes in Equity (Separate) for the year ended 31 December 2008**

(Amounts in millions of Euro)

	Share capital	Share Premium	Statutory reserve	Available-for-sale reserve	Retained earnings	Total equity
<b>Balance as at 31 December 2006 (*)</b>	<b>1,171.5</b>	<b>485.9</b>	<b>283.3</b>	<b>26.4</b>	<b>1,262.0</b>	<b>3,229.1</b>
Transfer to statutory reserve	-	-	28.8	-	(28.8)	-
Dividends	-	-	-	-	(269.6)	(269.6)
Change in fair value of available-for-sale financial assets	-	-	-	9.8	-	9.8
Net income and expense for the year recognized directly in equity	-	-	-	9.8	-	9.8
Profit for the year	-	-	-	-	579.7	579.7
<b>Total income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.8</b>	<b>579.7</b>	<b>589.5</b>
<b>Balance as at 31 December 2007 (*)</b>	<b>1,171.5</b>	<b>485.9</b>	<b>312.1</b>	<b>36.2</b>	<b>1,543.3</b>	<b>3,549.0</b>
<b>Balance as at 31 December 2007 (*)</b>	<b>1,171.5</b>	<b>485.9</b>	<b>312.1</b>	<b>36.2</b>	<b>1,543.3</b>	<b>3,549.0</b>
Transfer to statutory reserve	-	-	18.1	-	(18.1)	-
Dividends	-	-	-	-	(367.6)	(367.6)
Share-based payment	-	12.0	-	-	-	12.0
Other	-	-	-	-	2.1	2.1
Change in fair value of available-for-sale financial assets	-	-	-	(34.8)	-	(34.8)
Net income and expense for the year recognized directly equity	-	-	-	(34.8)	2.1	(32.7)
Profit for the year	-	-	-	-	363.3	363.3
<b>Total income and expense for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34.8)</b>	<b>365.4</b>	<b>330.6</b>
<b>Balance as at 31 December 2008</b>	<b>1,171.5</b>	<b>497.9</b>	<b>330.2</b>	<b>1.4</b>	<b>1,523.0</b>	<b>3,524.0</b>

The accompanying notes on pages 29 – 89 form an integral part of these financial statements.

(\*) Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

**Statements of Changes in Equity (Consolidated) for the Year ended 31 December 2008**

**Attributable to equity holders of the parent**

(Amounts in millions of Euro)

	Share capital	Share Premium	Statutory reserve	Foreign exchange and other reserves	Changes in minority interests	Retained Earnings	Total	Minority Interest	Total Equity
<b>Balance as at 31 December 2006</b>	1,171.5	485.9	283.3	331.1	(580.3)	1,973.3	3,664.8	1,223.9	4,888.7
Transfer to statutory reserve	-	-	28.8	-	-	(28.8)	-	-	-
Dividends	-	-	-	-	-	(269.6)	(269.6)	(81.2)	(350.8)
Net change of participation in subsidiaries	-	-	-	-	(1,953.5)	-	(1,953.5)	(145.3)	(2,098.8)
Change in fair value of available-for-sale financial assets	-	-	-	9.8	-	-	9.8	-	9.8
Foreign currency translation	-	-	-	(82.6)	-	-	(82.6)	(84.7)	(167.3)
Net income and expense for the year recognized directly in equity	-	-	-	(72.8)	-	-	(72.8)	(84.7)	(157.5)
Profit for the year	-	-	-	-	-	662.6	662.6	110.4	773.0
<b>Total income and expense for the year</b>	-	-	-	(72.8)	-	662.6	589.8	25.7	615.5
<b>Balance as at 31 December 2007</b>	1,171.5	485.9	312.1	258.3	(2,533.8)	2,337.5	2,031.5	1,023.1	3,054.6
<b>Balance as at 31 December 2007</b>	1,171.5	485.9	312.1	258.3	(2,533.8)	2,337.5	2,031.5	1,023.1	3,054.6
Transfer to statutory reserve	-	-	18.1	-	-	(18.1)	-	-	-
Dividends	-	-	-	-	-	(367.6)	(367.6)	-	(367.6)
Share-based payment	-	12.0	-	-	-	-	12.0	-	12.0
Net change of participation in subsidiaries	-	-	-	(34.8)	(781.4)	-	(781.4)	(65.8)	(847.2)
Change in fair value of available-for-sale financial assets	-	-	-	-	-	-	(34.8)	-	(34.8)
Net loss on cash flow hedge	-	-	-	(6.3)	-	-	(6.3)	-	(6.3)
Foreign currency translation	-	-	-	(143.3)	-	-	(143.3)	(92.0)	(235.3)
Net income and expense for the year recognized directly in equity	-	-	-	(184.4)	-	-	(184.4)	(92.0)	(276.4)
Profit for the year	-	-	-	-	-	601.8	601.8	(4.0)	597.8
<b>Total income and expense for the year</b>	-	-	-	(184.4)	-	601.8	417.4	(96.0)	321.4
<b>Balance as at 31 December 2008</b>	1,171.5	497.9	330.2	73.9	(3,315.2)	2,553.6	1,311.9	861.3	2,173.2

The accompanying notes on pages 29 – 89 form an integral part of these financial statements.

**Statements of cash flows (Separate and Consolidated) for the year ended 31 December 2008**

(Amounts in millions of Euro)	Notes	2008		2007	
		COMPANY	GROUP	COMPANY(*)	GROUP
<b>Cash flows from operating activities</b>					
Profit before tax		446.5	844.0	792.1	1,154.8
Adjustments for:					
Depreciation and amortization		465.0	1,213.0	507.0	1,171.8
Share-based payment	29	6.5	12.0	-	-
Cost of early retirement program	19	12.2	50.2	22.1	22.1
Provision for staff retirement indemnities and youth account	19	108.3	112.6	88.0	92.3
Other provisions		76.3	121.9	71.5	106.2
Foreign exchange differences, net		6.0	(11.8)	0.5	4.8
Interest income		(36.3)	(72.3)	(47.5)	(77.8)
Dividend income, gains and impairment of investments		(298.8)	(45.9)	(529.4)	(273.6)
Release of EDEKT fund prepayment	19	35.2	35.2	35.2	35.2
Interest expense		194.8	343.7	98.6	238.7
Working capital adjustments:					
Decrease/ (increase) in inventories		4.8	(9.2)	1.4	(2.0)
Increase in accounts receivable		(42.8)	(123.4)	(107.3)	(127.9)
Decrease in liabilities (except bank liabilities)		(159.0)	(259.3)	(271.6)	(292.6)
Minus:					
Interest and related expenses paid		(103.1)	(212.9)	(78.9)	(216.4)
Income taxes paid		(82.8)	(240.2)	(158.5)	(384.9)
<b>Total cash flows from operating activities</b>		<b>632.8</b>	<b>1,757.6</b>	<b>423.2</b>	<b>1,450.7</b>
<b>Cash flows from investing activities</b>					
Acquisition of minority interest and participation in subsidiaries' share capital increase		(852.4)	(849.4)	(2,137.3)	(2,119.0)
Purchase of financial assets		(132.3)	(138.0)	-	-
Sale or maturity of financial assets		25.7	46.8	-	-
Loans advanced		(1.3)	(1.3)	(181.6)	(121.6)
Loans proceeds		-	-	30.0	-
Other long term liabilities		-	-	-	144.5
Purchase of property plant and equipment and intangible assets		(300.7)	(964.0)	(297.0)	(1,101.3)
Proceeds from sale of investments		20.9	24.0	313.8	352.8
Interest received		27.6	66.7	39.4	52.1
Dividends received		285.3	9.2	229.5	12.3
<b>Total cash flows used in investing activities</b>		<b>(927.2)</b>	<b>(1,806.0)</b>	<b>(2,003.2)</b>	<b>(2,780.2)</b>
<b>Cash flows from financing activities</b>					
Proceeds from minority shareholders for their participation in subsidiaries' share capital increase		-	16.9	-	12.6
Proceeds from loans granted and issued		2,735.0	2,705.5	1,500.0	1,500.0
Repayment of loans		(2,187.5)	(2,183.4)	(46.1)	(558.4)
Dividends paid to Company's shareholders		(367.8)	(367.8)	(269.3)	(269.3)
Dividends paid to minority interests		-	(5.9)	-	(81.6)
<b>Total cash flows from financing activities</b>		<b>179.7</b>	<b>165.3</b>	<b>1,214.6</b>	<b>603.3</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(114.7)</b>	<b>116.9</b>	<b>(365.4)</b>	<b>(726.2)</b>
Cash and cash equivalents, at the beginning of the year		459.2	1,316.3	824.6	2,042.5
Net foreign exchange differences		-	(3.5)	-	-
Cash and cash equivalents classified as held for sale	9	-	(1.9)	-	-
<b>Cash and cash equivalents, at the end of the year</b>	<b>14</b>	<b>344.5</b>	<b>1,427.8</b>	<b>459.2</b>	<b>1,316.3</b>

The accompanying notes on pages 29 – 89 form an integral part of these financial statements.

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

**NOTES TO THE FINANCIAL STATEMENTS  
(SEPARATE AND CONSOLIDATED) AS AT 31  
DECEMBER 2008 (Amounts in million of Euro, unless  
otherwise indicated)**

**1. CORPORATE INFORMATION**

Hellenic Telecommunications Organization S.A. (“Company” or “OTE”), was incorporated as a société anonyme in Athens, Greece in 1949, and is listed in the Greek Register of Societe Anonymes (M.A.E.) with the unique number (AP. MAE) 347/06/B/86/10.

The registered office is located at 99 Kifissias Avenue – 151 24 Maroussi Athens, Greece, and the website is [www.ote.gr](http://www.ote.gr).

The Company is listed on the Athens Stock Exchange and New York Stock Exchange.

OTE’s principle activities are the provision of telecommunications and related services.

The OTE Group (“Group”) includes other than the parent Company, all the entities which OTE controls directly or indirectly.

The accompanying Separate and Consolidated Financial Statements («financial statements») as at 31 December 2008 were approved for issuance by the Board of Directors on 26 March 2009 although they are subject to the final approval of OTE’s General Assembly.

The total number of Group and Company employees as at the current and previous year end were according to table 1.

(Table 1)

	Group	Company
<b>31 December 2008</b>	33,610	12,056
<b>31 December 2007</b>	34,350	11,754

The Group includes the financial statements of OTE and the following subsidiaries over which OTE directly or indirectly controls, as presented in table 2.

(Table 2)

Company Name	Line of Business	Country	Ownership interest	
			31/12/2008	31/12/2007
<b>Direct ownership</b>				
COSMOTE MOBILE TELECOMMUNICATIONS S.A. (“COSMOTE”)	Mobile telecommunications services	Greece	100.00%	90.72%
OTE INTERNATIONAL INVESTMENTS LTD	Investment holding company	Cyprus	100.00%	100.00%
HELLAS SAT CONSORTIUM LIMITED («HELLAS-SAT”)	Satellite communications	Cyprus	99.05%	99.05%
COSMO-ONE HELLAS MARKET SITE S.A. (“COSMO-ONE”)	E-commerce services	Greece	61.74%	58.87%
OTENET S.A. (“OTENET”)	Internet services	Greece	-	100.00%
VOICENET A.E. (“VOICENET”)	Telecommunications services	Greece	100.00%	84.07%
HELLASCOM S.A. (“HELLASCOM”)	Telecommunication projects	Greece	100.00%	100.00%
OTE PLC	Financing services	U.K.	100.00%	100.00%
OTE SAT-MARITEL S.A. (“OTE SAT – MARITEL”)	Satellite telecommunications services	Greece	94.08%	94.08%
OTE PLUS S.A (“OTE PLUS”)	Consulting services	Greece	100.00%	100.00%
OTE ESTATE S.A. (“OTE ESTATE”)	Real estate	Greece	100.00%	100.00%
OTE INTERNATIONAL SOLUTIONS S.A. (OTE-GLOBE”)	Wholesale telephony services	Greece	100.00%	100.00%
HATWAVE HELLENIC-AMERICAN TELECOMMUNICATIONS WAVE LTD. (“HATWAVE”)	Investment holding company	Cyprus	52.67%	52.67%
OTE INSURANCE AGENCY S.A. (“OTE INSURANCE”)	Insurance brokerage services	Greece	100.00%	100.00%
OTE ACADEMY S.A. (“OTE ACADEMY”)	Training services	Greece	100.00%	100.00%



(Table 2 continuity)

Company Name	Line of Business	Country	Ownership interest	
			31/12/2008	31/12/2007
Indirect ownership				
ROMTELECOM S.A. ("ROMTELECOM)	Fixed line telephony services	Romania	54.01%	54.01%
S.C. COSMOTE ROMANIAN MOBILE TELECOMMUNICATIONS S.A. ("COSMOTE ROMANIA")	Mobile telecommunications services	Romania	86.20%	79.71%
OTE MTS HOLDING B.V.	Investment holding company	Holland	100.00%	90.72%
COSMOFON MOBILE TELECOMMUNICATIONS SERVICES A.D. – SKOPJE ("COSMOFON")	Mobile telecommunications services	Skopje	100.00%	90.72%
COSMO BULGARIA MOBILE EAD ("GLOBUL")	Mobile telecommunications services	Bulgaria	100.00%	90.72%
COSMO-HOLDING ALBANIA S.A. ("CHA")	Investment holding company	Greece	97.00%	88.00%
ALBANIAN MOBILE COMMUNICATIONS Sh.a ("AMC")	Mobile telecommunications services	Albania	82.45%	74.80%
COSMOHOLDING CYPRUS LTD ("COSMOHOLDING CYPRUS")	Investment holding company	Cyprus	90.00%	81.65%
GERMANOS S.A.	Retail services	Greece	90.00%	81.65%
E-VALUE S.A.	Marketing services	Greece	90.00%	81.65%
GERMANOS TELECOM SKOPJE S.A.	Retail services	Skopje	90.00%	81.65%
GERMANOS TELECOM ROMANIA S.A.	Retail services	Romania	90.00%	81.64%
TEL SIM S.R.L	Retail services	Romania	-	81.65%
SUNLIGHT ROMANIA S.R.L. -FILIALA	Retail services	Romania	90.00%	81.64%
GERMANOS TELECOM BULGARIA A.D.	Retail services	Bulgaria	90.00%	81.65%
MOBILBEEEP LTD	Retail services	Greece	90.00%	81.65%
GRIGORIS MAVROMICHALIS & PARTNERS LTD	Retail services	Greece	-	80.82%
IOANNIS TSAPARAS & PARTNERS LTD	Retail services	Greece	-	41.64%
ALBATROS & PARTNERS LTD	Retail services	Greece	-	81.64%
OTENET CYPRUS LTD	Investment holding company	Cyprus	-	76.33%
OTENET TELECOMMUNICATIONS LTD	Telecommunications services	Cyprus	-	71.61%
OTE PROPERTIES	Real estate	Greece	100.00%	-
HELLAS SAT S.A.	Satellite communications	Greece	99.05%	99.05%
OTE INVESTMENT SERVICES S. A.	Investment holding company	Greece	100.00%	100.00%
OTE PLUS BULGARIA	Consulting services	Bulgaria	100.00%	100.00%
OTE PLUS ROMANIA	Consulting services	Romania	-	100.00%

## 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”).

The financial statements have been prepared on the historical cost basis, except for available-for-sale financial assets and derivative financial instruments which have been measured at fair values in accordance with IFRS. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges that would otherwise be carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial statements are presented in millions of Euro, except when otherwise indicated.

**Significant accounting judgments, estimates and assumptions:** The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions which may affect the application of the accounting policies and the amounts recorded in the financial statements. These estimates and assumptions are revised on an on-going basis and the impact of any revisions are recognized in the period they are incurred. These estimates and assumptions are based on existing experience and on various factors considered reasonable, under the current conditions. These estimates and assumptions are the basis for decisions related to the accounting value of assets and liabilities, which are not available from other sources. The actual final results may differ from these estimates and these variations may have a significant impact on the financial statements.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### ***Impairment of goodwill and non financial assets with indefinite useful lives:***

The Group determines whether goodwill and non-financial assets with an indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an esti-

mate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details on impairment testing are disclosed in Note 5.

### ***Provision or income taxes:***

The provision for income taxes in accordance with IAS 12 “Income taxes”, are the amounts expected to be paid to the taxation authorities and includes provision for current income taxes reported and the potential additional tax that may be imposed as a result of audits by the taxation authorities. Group entities are subject to income taxes in various jurisdictions and significant management judgment is required in determining provision for income taxes. Where the actual additional taxes payable are different from the amounts that were initially recorded, these differences will impact the income tax and deferred tax provisions in the period in which such a determination is made. Further details are provided in Note 22.

### ***Deferred tax assets:***

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are provided in Note 22.

### ***Allowance for doubtful trade receivables:***

The Group’s management periodically reassesses the adequacy of the allowance for doubtful trade receivables in conjunction with its credit policy, taking into account historical data and recent developments. Additional details are provided in Note 31.

### ***Post retirement and other defined benefit plans:***

The cost of defined benefit plans are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates, expected future inflation rates and GDP increases. Due to the long term nature of these defined benefit plans these assumptions are subject to a significant degree of uncertainty. Further details are provided in Note 19.

### ***Estimating the useful life of non financial assets:***

The Group must estimate the useful life of property,

plant and equipment and intangible assets recognized at acquisition or as a result of a business combination. These estimates are revisited at least every balance sheet date taking into account new developments and market conditions.

#### **Contingent liabilities:**

The existence of contingent liabilities require management to make assumptions and judgments related to the probability of occurrence of future events as well their potential impact on the Group's operations.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared using accounting policies consistent with those of the previous year except for the adoption of the following new and amended IFRS and IFRIC interpretations which became effective for the accounting period beginning 1 January 2008:

- **IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions".** 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 is applicable to the Group and the Company, in connection with the accounting treatment in the subsidiaries 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.
- **IFRIC 12, "Service Concession Arrangements".** This Interpretation 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 recognize a financial asset and/or an intangible asset. IFRIC 12 is not relevant to the Group or the Company. This Interpretation has not yet been endorsed by the EU.
- **IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements**

**and their Interaction".** IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized 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. This Interpretation has not had any impact on the Group or Companies financial position or performance as all defined benefit schemes are currently in deficit.

- **IAS 39, "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures; Reclassification of Financial Assets",** effective from 1 July 2008 and cannot be applied retrospectively to reporting periods before the effective date. The amendment to IAS 39 permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss ("FVTPL") category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The amendments do not permit reclassification into FVTPL. The amendment to IFRS 7 relates to the disclosures required to financial assets that have been reclassified. This amendment has not had any impact on the Group or Company's financial position or performance.

The significant accounting policies applied for the preparation of the accompanying financial statements under IFRS are as follows:

#### **1. Basis of Consolidation and Investments:**

**a) Subsidiaries:** The Consolidated Financial Statements comprise the financial statements of the Company and all subsidiaries controlled by the Company directly or indirectly. Control exists when the Company has the power to govern the financial and operating policies of the subsidiaries so as to obtain benefits from their activities. The financial statements of the subsidiaries are prepared as of the same reporting period as the parent company, using consistent ac-

counting policies. Appropriate adjustments are made when necessary to ensure consistency in accounting policies used. All intercompany balances, transactions and any intercompany profit or loss are eliminated in the financial statements. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The acquisition of subsidiaries is accounted for using the purchase method of accounting that measures the acquiree's assets and liabilities and contingent liabilities at their fair value at the date of acquisition.

**b) Associates:** Associates are those entities, in which the Group has significant influence, but not control, over their financial and operating strategy. Significant influence is presumed to exist when the Company has the right to participate in the financial and operating policy decisions, without having the power to govern these policies. Investments in associates in which the Group has significant influence are accounted for using the equity method. Under this method the investment is carried at cost, and is adjusted to recognize the investor's share of the earnings or losses of the investee from the date that significant influence commences until the date that significant influence ceases and also for changes in the investee's net equity. Gains or losses from transactions with associates are eliminated to the extent of the interest in the associate. The associate's value is adjusted for any accumulated impairment loss.

When the Group's share of losses exceeds the carrying amount of the investment, the carrying amount of the investment is reduced to nil and recognition of further losses is discontinued, except to the extent the Group has created obligations or has made payments on behalf of the associate.

Dividends received from associates are eliminated against the carrying value amount of the investment.

**c) Transactions between companies under common control.** Transactions between companies under common control are excluded from the scope of IFRS 3. Therefore the Group (implementing the guidance of IAS 8 "Accounting policies, changes in accounting estimates and errors" for similar cases) accounts for such transactions using a method like "pooling of interests". Based on this principle, the Group consoli-

dates the book values of the combined entities (without valuation to fair values). The financial statements of the Group or the new entity after the transaction are prepared on the basis as if the new structure was in effect since the beginning of the first period which is presented in the financial statements and consequently the comparative figures are adjusted. The difference between the purchase price and the book value of the percentage of the net assets acquired is recognized directly in equity.

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost adjusted for any impairment where necessary.

**2. Financial Assets – Investments:** Financial assets are initially measured at their fair value, which is normally the acquisition cost, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs. Financial assets are classified as being at fair value through profit and loss, held to maturity, or available-for-sale. Financial assets at fair value through profit or loss are measured at fair value and gains or losses are recognized in the income statement. Held-to-maturity investments are measured at amortized cost using the effective interest method and gains or losses through the amortization process are recognized in income. Available for sale financial assets are measured at fair value and gains or losses are recognized directly in equity while upon sale or impairment gains or losses are recognized in the income statement. The fair values of quoted investments are based on quoted market bid prices. For investments where there is no quoted market price, fair value is determined using valuation techniques.

**Offsetting of financial assets and liabilities:** Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when the Group has a legally enforceable right to set off the recognized amounts and intends to either to settle such asset and liability on a net basis or to realize the asset and settle the liability simultaneously.

**Impairment of financial assets:** The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

**(i) Assets held to maturity:**

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has

been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognized in profit or loss.

*(ii) Available-for-sale financial assets:*

If an available-for-sale asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

*Derecognition of financial assets:* A financial asset (or, a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- *The rights to receive cash flows from the asset have expired;*
- *the Group 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 Group 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 Group 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 recognized to the extent of the Group'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 Group 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 Group's continuing involvement is the amount of the transferred asset that the Group 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 Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*Derecognition of financial liabilities:* A financial liability is derecognized when the obligation under the liability is discharge 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

*Non-current Assets Held for Sale:* The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The basic preconditions to classify a non-current asset (or a disposal group) as held for sale are that it must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets or groups and its sale must be highly probable. For the sale to be highly probable the appropriate level of management must be committed to a plan to sell the asset (or disposal group).

Immediately before the initial classification of a non-current asset (or a disposal group) as held for sale, the asset (or the assets and liabilities included in the disposal group) will be measured in accordance with the applicable IFRS. Non-current assets (or disposal group) classified as held for sale will be measured at the lower of its carrying amount and fair value less costs to sell and any possible resulting impairment losses will be recognized in the income statement. Any subsequent increase in fair value will be recognized, but not in excess of the cumulative impairment loss which was previously recognized.

While a non-current asset (or non-current assets that are included in a disposal group) is classified as held for sale it is not depreciated or amortized.

**3. Foreign Currency Translation:** OTE's functional currency is the Euro. Transactions involving other currencies are translated into Euro at the exchange rates, ruling on the date of the transactions. At the balance sheet date, monetary assets and liabilities, which are denominated in foreign currencies, are re-translated at the exchange rates at that date. Gains or losses resulting from foreign currency translation are recognized in income.

Non-monetary items denominated in foreign currencies that are measured at historical cost are retranslated at the exchange rate at the date of the initial transaction. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the exchange rates at the date that the fair value was determined. The foreign currency differences arising from part of gains or losses from the change of the fair value and are recognized in the income statement or directly in equity depending on the underlying monetary item. The functional currency of the Group's operations outside Greece is the local country's currency. Assets and liabilities of operations outside Greece, including goodwill and the fair value adjustments arising from consolidation, are translated into Euro using exchange rates ruling at the balance sheet date. Revenues and expenses are translated at the average exchange rates prevailing during the year. All resulting foreign exchange differences are recognized as a separate component of shareholders' equity and are recognized in the income statement on the disposal of the foreign entity.

**4. Goodwill:** All business combinations are accounted for using the purchase method. For business combinations occurring subsequent to the date of transition to IFRS, goodwill is the excess of the purchase price over the fair value of the net identifiable assets acquired. For business combinations occurring prior to the date of transition to IFRS, goodwill is recorded at the carrying value at the date of transition, based on previous GAAP. Goodwill is not amortized but is tested for impairment at least annually. The goodwill impairment test is a process required by IAS 36 "Impairment of assets". Thus, after initial recognition, goodwill is measured at cost less any accumulated impairment

losses. An impairment loss recognized for goodwill shall not be reversed in a subsequent period. Goodwill on acquisition of subsidiaries is presented as an intangible asset. Negative goodwill on acquisition of subsidiaries is recorded directly in the income statement. Goodwill on acquisition of associates is included in the carrying amount of the investment. The difference arising on the acquisition of a minority interest in a subsidiary, where control already exists, is recorded directly in equity.

**5. Property, Plant and Equipment:** Items of property, plant and equipment are measured at cost, net of subsidies received, plus interest costs incurred during periods of construction, less accumulated depreciation and any impairment in value. Any statutory revaluations based on Greek legislation, are reversed.

Subsidies are presented as a reduction of the cost of property, plant and equipment and are recognized in income over the estimated life of the assets through reduced depreciation expense.

The cost of self-constructed assets includes the cost of materials, direct labor costs, relevant general overhead costs, as well as the cost relating to asset retirement obligations in the period in which they are generated and to the extent that their fair value can be reasonably estimated.

The relevant asset retirement costs are capitalized as part of the value of the property, plant and equipment and are depreciated accordingly.

Repairs and maintenance are expensed as incurred. The cost and related accumulated depreciation of assets retired or sold are removed from the corresponding accounts at the time of sale or retirement, and any gain or loss is included in the income statement.

Expenditure relating to the replacement of part of an item of property, plant and equipment is added to the carrying amount of the asset if it is probable that future economic benefits will flow to the Group and its cost can be measured reliably. All other expenditures are recognized in the income statement as incurred.

**6. Depreciation:** Depreciation is recognized on a straight-line basis over the estimated useful lives of property, plant and equipment, which are periodically reviewed. The estimated useful lives and the respective rates are according to table 3.

(Table 3)

	Estimated Useful Life	Depreciation Rates
Buildings – building installations	20-40 years	2.5%-5%
Telecommunication equipment and installations:		
Telephone exchange equipment	8-12 years	8-12.5%
Radio relay stations	8 years	12.5%
Subscriber connections	10 years	10%
Local and International network	8-17 years	6-12.5%
Other	5-10 years	10-20%
Transportation equipment	5-8 years	12.5-20%
Furniture and fixtures	3-5 years	20%-33%

## 7. Employee Benefits:

**a) Defined Contribution Plans:** Obligations for contributions to defined contribution plans are recognized as an expense as incurred. There are no legal or constructive obligations to pay any further amounts.

**b) Defined Staff Benefit Plans:** Obligations derived from defined staff benefit plans are calculated separately for each plan by estimating the amount of future benefits employees have earned in return for their service as of the balance sheet date. These benefits are discounted to their present value after taking any adjustments for actuarial gains and losses and past service cost. The discount rate is the yield of Greek Government bonds with maturity that approximates the term of the obligations. These obligations are calculated on the basis of financial and actuarial assumptions which are carried out by independent actuaries using the Projected Unit Credit Method. Net pension cost for the period is recognized in the income statement and consists of the present value of the accrued benefits, interest cost on the benefits obligation, prior service cost and actuarial gains or losses. For post employment plans prior service costs are recognized on a straight-line basis over the average period until the benefits become vested. All actuarial gains or losses are recognized during the average remaining working life of active employees and are included in the service cost of the year, if at the beginning of the year they don't exceed 10% of the projected benefit obligation. For other long term benefits actuarial gains and losses and past service costs are recognized immediately. Contributions that are related to employees who retire under the voluntary retirement program are recognized when employees accept the offer and the amounts can be reasonably estimated.

**8. Taxes:** Income taxes include current and deferred taxes. Current tax is measured on the taxable income for the year using enacted tax rates at the balance sheet date.

Deferred taxes are provided on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill 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 investment in subsidiary and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of goodwill 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 investment in subsidiary and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realized or liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Income tax (current and deferred) relating to items recognized directly in equity is recognized directly in equity and not in the income statement.

9. **Cash and Cash Equivalents:** For purposes of the cash flow statement, time deposits and other highly liquid investments with original maturities of three months or less are considered to be cash and cash equivalents.
10. **Advertising Expenses:** All advertising costs are expensed as incurred.
11. **Research and Development Costs:** Research and development costs which do not fulfill the criteria for recognition as an asset are expensed as incurred.
12. **Recognition of Revenues and Expenses:** Fixed revenues primarily consist of connection charges, monthly network services fees, exchange network and facilities usage charges, other value added communication services fees, and sales of handsets and accessories. Revenues are recognized as follows:
  - **Connection charges:** Connection charges for the fixed network are deferred and amortized to income over the average customer retention period. Connection costs, up to the amount of deferred connection fees are recognized over the average customer retention period. No connection fees are charged for mobile services.
  - **Monthly network service fees:** Revenues related to the monthly network service fees are recognized in the month that the telecommunication service is provided.
  - **Usage Charges and Value Added Services Fees:** Call fees consist of fees based on airtime and traffic generated by the caller, the destination of the call and the service utilized. Fees are based on traffic, usage of airtime or volume of data transmitted for value added communication services. Revenues for usage charges and

value added communication services are recognized in the period when the services are provided.

Revenues from outgoing calls made by OTE's subscribers to subscribers of mobile telephony operators are presented at their gross amount in the income statement as the credit and collection risk remains solely with OTE. Interconnection fees for mobile-to-mobile calls are recognized based on incoming traffic generated from other mobile operators' networks. Unbilled revenues from the billing cycle date to the end of each period are estimated based on traffic.

Revenues from the sale of prepaid airtime cards and the prepaid airtime, net of discounts allowed, included in the Group's prepaid services packages, are recognized based on usage. Such discounts represent the difference between the wholesale price of prepaid cards and boxes (consisting of handsets and prepaid airtime) to the Group's Master Dealers and the retail sale price to the ultimate customers. Unused airtime is included in "Deferred revenue" on the balance sheet. Upon the expiration of prepaid airtime cards, any unused airtime is recognized to income.

Airtime and acquisition commission costs due to the Group's master dealers for each subscriber acquired through their network are expensed as incurred. Commissions paid for each contract subscriber acquired by the master dealers as well as bonuses paid to master dealers in respect of contract subscribers who renew their annual contracts, are deferred and amortized as expenses over the contract period.

- **Sales of telecommunication equipment:** Revenues from the sale of handsets and accessories, net of discounts allowed, are recognized at the point-of-sale, when the significant risks and rewards of ownership have passed to the buyer.
- **Revenues from dividends:** Revenues from dividends are recognized when the right to receive payment is established with the approval for distribution by the General Assembly of shareholders.
- **Interest income:** Interest income is recognized as the interest accrues (using the effective interest method).
- **Revenues from construction projects:** Revenues from construction projects are recognized in accordance with the percentage of completion method. In a principal and agency relationship, amounts collected by the agent on behalf of the principal do not result in increases in equity of the agent and thus,



they are not revenues for the agent. Revenue for the agent is the amount of commission received by the principal. On the other hand, the principal's revenues consist of the gross amounts described above and the commission paid to the agent is recognized as an expense.

- 13. Earnings per Share:** Basic earnings per share is computed by dividing net profit for the year attributable to the Company's shareholders by the weighted average number of shares outstanding during each year. Diluted earnings per share is computed by dividing net profit for the year attributable to the Company's shareholders by the weighted average number of shares outstanding during the year adjusted for the impact of share based payments.
- 14. Segment Reporting:** IAS 14 "Segment Reporting" sets criteria for the determination of the reportable business and geographical segments of enterprises. Segments are determined based on the Group's legal structure, as the Group's chief operating decision makers review financial information separately reported by the Company and each of the consolidated subsidiaries or the sub-group included in the consolidation. The reportable segments are determined using the quantitative thresholds required by the Standard. Information for operating segments that do not constitute reportable segments is combined and disclosed in the "All Other" category. The accounting policies of the segments are the same with those followed for the preparation of the financial statements. Each segment performance is evaluated based on operating profit before depreciation, operating profit and net profit.
- 15. Dividends:** Dividends declared to the shareholders are recognized and recorded as a liability in the period they are approved by the Shareholders General Assembly.
- 16. Non-Current Financial Assets:** Non-current financial assets are initially recorded at their fair value less any transaction costs. Subsequent to the initial recognition, they are measured at amortized cost and the differences between that cost and the amount of receipt/payment are recognized in income statement over the life of the asset using the effective interest rate method.
- 17. Share Capital Issuance Costs:** Share capital issuance costs, net of related deferred tax, are reflected as a deduction to Share Premium.
- 18. Treasury Shares:** Treasury shares consist of OTE's own equity shares, which are reacquired and not cancelled. Treasury shares do not reduce the number of shares issued but reduce the number of shares in circulation. Treasury shares are recognised at cost as a deduction from equity. Upon derecognition, the cost of the treasury share reduces the Share Capital and Share Premium and any difference is charged to Retained Earnings.
- 19. Leases:** A lease that transfers substantially all of the rewards and risks incidental to ownership of the leased item is accounted for by the lessee as the acquisition of an asset and the incurrence of a liability, and by the lessor as a sale and/ or provision of financing. Lease payments are apportioned between finance charges (interest), which are recognized in the income statement and a reduction of the lease liability. Finance charges are recognized directly as an expense. The asset capitalized at the commencement of a finance lease is recognised at fair value of the leased property, or if lower, the present value of the minimum lease payments. Its carrying value is subsequently reduced by the accumulated depreciation and any impairment losses. If the lease does not transfer substantially all of the rewards and risks incidental to ownership of property, it is classified as an operating lease by the lessee and the rental payments are recognized as an expense as incurred.
- 20. Related Parties:** Related party transactions and balances are disclosed separately in the financial statements. Such related parties principally consist of a company's principal owners and management, companies with common ownership and/ or management with the company and its consolidated subsidiaries, or other affiliates of such companies.
- 21. Telecommunication Licenses:** Telecommunication licenses are recognized at cost and amortized over their useful life and they are reviewed for impairment at least annually.
- 22. Materials and Supplies:** Materials and supplies are measured at the lower of cost and net realizable value. The cost is based on the weighted average cost method. Net realizable 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. When there is any subsequent increase of the net realizable value of materials and suppliers that have been previously written-down, the amount of the write-down is reversed.
- 23. Trade Receivables and Allowance for Doubtful Trade Receivables:** Trade receivables are initially

recognized at their fair value which is equal to the transaction amount. Subsequently they are measured at fair value less an allowance for any probable uncollectible amounts. At each reporting and financial statements date, all trade receivables are assessed based on historical trends and statistical information and a provision for the probable and reasonably estimated loss for these accounts is recorded. The balance of such allowance for doubtful accounts is adjusted by recording a charge to the income statement at each reporting period. Any customer account balances written-off are charged against the existing allowance for doubtful accounts.

- 24. Intangible Assets:** Intangible assets acquired separately are measured at cost, while those acquired from a business combination are measured at fair value on the date of acquisition. Subsequently, they are measured at that amount less accumulated amortization and accumulated impairment losses. The useful lives of the intangible assets are assessed to be either definite or indefinite. Intangible assets with a finite useful life are amortized on a straight-line basis over their useful life. Amortization of intangible assets with a finite useful life begins when the asset is available for use. Intangible assets with an indefinite useful life are not amortized but instead they are tested for impairment at least annually in accordance with IAS 36 "Impairment of assets". The useful lives of intangible assets are reviewed on an annual basis, and adjustments, where applicable, are made prospectively. Intangible assets are assessed for impairment at least annually on an individual basis or on a cash generating unit basis.
- 25. Borrowing Costs:** Borrowing costs incurred during the construction period of property, plant and equipment attributable to these assets, are capitalized as part of the cost of these assets. All other borrowing costs are recognized as an expense in the income statement when incurred.
- 26. Borrowings:** All loans and borrowings are initially recognized at fair value, net of direct costs associated with the borrowing. After initial recognition, borrowings are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement through the amortization process.
- 27. Provisions:** Provisions are recognized when the Group has a present obligation (legal or construc-

tive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase of the provision due to the passage of time is recognized as a borrowing cost. Provisions are reviewed at each balance sheet date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, they are reversed. Provisions are used only for expenditures for which they were originally recognized. No provisions are recognized for future operating losses. Contingent assets and contingent liabilities are not recognized. Provisions for restructuring are recognized when the Group has an approved, detailed and formal restructuring plan, which has either started to be implemented or has been publicly announced to those affected by it. Future operating costs are not provided for.

- 28. Impairment of Non-Financial Assets:** The carrying values of the Group's non financial assets are tested for impairment, when there are indications that their carrying amount is not recoverable. In such cases, the recoverable amount is estimated and if the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recognized in the income statement. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In measuring value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. If an asset does not generate cash flows individually, the recoverable amount is determined for the cash generating unit to which the asset belongs. At each reporting date the Group assesses whether there is an indication that an impairment loss recognized in prior periods may no longer exist. If any such indication exists, the Group estimates the recoverable amount of that asset and the impairment loss is reversed, increasing the carrying amount of the asset to its recoverable amount, to the extent that the recoverable amount does not exceed

the carrying value of the asset that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

**29. Share-based payment transactions:** The fair value of share-based compensations is recognized as an expense with a corresponding increase in equity. The fair value is determined at the grant date and is allocated over the period in which the conditions are fulfilled. Fair value is measured based on generally accepted methods which take into account the terms and conditions (except market conditions) under which these rights have been granted.

For share-based payments, the amount expensed is revised to reflect the actual number of equity instruments that ultimately vest, except where the withdrawal of the right is due to the share prices so that vesting conditions were not met.

**30. Derivative Financial Instruments and Hedging Instruments:** Derivative financial instruments include interest rate swaps, currency swaps and other derivative instruments.

**Derivatives for trading purposes:** Derivatives that do not qualify for hedging, are considered as derivatives for trading purposes. Initially, these derivatives are recognized at their fair value (which is essentially the transaction cost) at the commencement date. Subsequent to the initial recognition, they are measured at fair value based on quoted market prices, if available, or based on valuation techniques such as discounted cash flows. These derivatives are classified as assets or liabilities depending on their fair value, with any changes recognized in the income statement.

**Hedging:** For hedge accounting purposes, hedges are classified either as Fair Value Hedges, where the exposure to changes in the fair value of a recognized asset or liability is being hedged, or as a Cash Flow Hedge, where the exposure to variability in cash flows associated with a specifically identified risk which may be directly related to the recognized asset or liability. When hedge accounting is to be applied, at the inception of the hedge there is formal documentation which includes identification of the hedging instrument, the hedged item, the hedging relationship, the nature of the risk being hedged and the risk strategy.

In a Fair Value Hedge, the gain or loss from re-measuring the hedging instrument at fair value is recognized in the income statement and the carrying

amount of the hedged item is adjusted to fair value with respect to the risk being hedged and the fair value adjustment is recognized in the income statement.

In a cash flow hedge, the portion of the gain or loss arising from the fair value movement on the hedging instrument that is determined to be effective is recognized directly in equity and the ineffective portion is recognized in the income statement.

**31. Reclassifications:** Certain reclassifications have been made to prior year balances to conform to current year classifications. Such reclassifications did not have any effect on prior period results. Further details of the nature and impact of these reclassifications are disclosed in Note 32. In addition certain reclassifications were made within the Notes for comparability purposes. These reclassifications did not have any impact on the comparative financial statements' net equity or income statement.

**32. The following new and amended IFRS and IFRIC interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted by the Group:**

- **IFRIC 13**, "Customer Loyalty Programmes", effective for financial years beginning on or after 1 July 2008. This Interpretation 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 Company and the Group do not expect that this interpretation will impact the financial statements.

- **IFRIC 15**, "Agreements for the Construction of Real Estate", issued on 3 July 2008 and effective for financial years beginning on or after 1 January 2009 and is to be applied retrospectively. IFRIC 15 provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 'Construction Contracts' or IAS 18 'Revenue' and, accordingly, when revenue from such construction should be recognized. The Company and the Group do not expect that this interpretation will impact the financial statements. This Interpretation has not yet been endorsed by the EU.

- **IFRIC 16**, "Hedges of a Net Investment in a foreign operation", issued on 3 July 2008 and effective for financial years beginning on or after 1 October

2008 and is to be applied prospectively. IFRIC 16 clarifies three main issues, namely:

- A presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation.
- Hedging instrument(s) may be held by any entity or entities within the group.
- While IAS 39, 'Financial Instruments: Recognition and Measurement', must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 'The Effects of Changes in Foreign Exchange Rates' must be applied in respect of the hedged item.

The Company and the Group do not expect that this interpretation will impact the financial statements.

- **IFRIC 17**, "Distributions of Non-cash Assets to Owners", effective for annual periods beginning on or after 1 July, 2009. IFRIC 17 clarifies the following issues, namely:

- a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity;
- an entity should measure the dividend payable at the fair value of the net assets to be distributed;
- an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss; and
- An entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.

IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions. It is to be applied prospectively and earlier application is permitted. The Group and the Company are in the process of assessing the impact of this Interpretation. This Interpretation has not yet been endorsed by the EU.

- **IFRIC 18**, "Transfers of Assets from Customers", effective for financial years beginning on or after 1 July 2009 and is to be applied prospectively. However, limited retrospective application is permitted. This Interpretation is of particular relevance for the utility sector as it clarifies the accounting for agreements where an entity receives an item of Property Plant

and Equipment (or cash to construct such an item) from a customer and this equipment in turn is used to connect a customer to the network or to provide ongoing access to supply of goods/services. The Group and the Company are in the process of assessing the impact of this Interpretation. This Interpretation has not yet been endorsed by the EU.

- **IFRS 2**, "Share-based Payments" (Amended), effective for annual periods beginning on or after 1 January 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 Company and the Group do not expect that this interpretation will impact the financial statements.

- **IFRS 3**, "Business Combinations" (Revised) and IAS 27, "Consolidated and Separate Financial Statements" (Amended), effective for annual periods beginning on or after 1 July 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 10 January 2008. The revised IFRS 3 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). The amended IAS 27 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 3 (Revised) and IAS 27 (Amendment) must be applied prospectively and will affect future acquisitions and transactions with minority interests. The revised IFRS 3 and amendments to IAS 27 have not yet been endorsed by the EU.

- **IFRS 8**, "Operating Segments", effective for annual periods beginning on or after 1 January 2009.

IFRS 8 replaces IAS 14 'Segment reporting'. IFRS 8 adopts a management approach to segment reporting. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and income statement and entities will need to provide explanations and reconciliations of the differences. The Company and the Group do not expect that this interpretation will have a significant impact on the financial statements.

- **IAS 1, "Presentation of Financial Statements" (Revised)**, effective for annual periods beginning on or after 1 January 2009. IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. 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 recognized 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 and the Company will make the necessary changes to the presentation of its financial statements in 2009.

- **IAS 32 and IAS 1, "Puttable Financial Instruments" (Amended)**, effective for annual periods beginning on or after 1 January 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 Company and the Group do not expect that this interpretation will have a significant impact on the financial statements.

- **IAS 23, "Borrowing Costs" (Revised)**, effective for annual periods beginning on or after 1 January 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 capitalized. A qualifying asset is an asset that necessarily takes a substantial period

of time to get ready for its intended use or sale. The revised standard will not impact the Company's or the Group's financial statements given that interest is already capitalized.

- **IAS 39 "Financial Instruments: Recognition and Measurement - Eligible Hedged Items"** effective for financial years beginning on or after 1 January 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.

- **Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements"** effective for financial years beginning on or after 1 January 2009. The amendments to IFRS 1 allows an entity to determine the "cost" of investments in subsidiaries, jointly controlled entities or associates in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statements. The revision to IAS 27 will have to be applied prospectively. The new requirements affect only the parent's separate financial statements and do not have an impact on the financial statements of the Group.

- **IAS 39, "Financial Instruments: Recognition and Measurement" and IFRIC 9, "Reassessment of embedded derivatives" (Amended)**, effective for annual periods ending on or after 30 June 2009. This amendment clarifies the accounting treatment of embedded derivatives for entities that make use of the Reclassification Amendment issued by the IASB in October 2008. The reclassification amendment allows entities to reclassify particular financial instruments out of the 'fair value through profit or loss' category in specific circumstances. These amendments to IFRIC 9 and IAS 39 clarify that on reclassification of a financial asset out of the 'fair value through profit or loss' category, all embedded derivatives have to be

assessed and, if necessary, separately accounted for in financial statements. The amendments apply retrospectively and are required to be applied. Adoption of these amendment is not expected to impact significantly the financial statements of the Company or the Group. This amendment has not yet been endorsed by the EU.

- **IFRS 7, “Financial Instruments: Disclosures” (Amended)**, effective for annual periods beginning on or after 1 January 2009. The amendment requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: a) Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1). (b) Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2) (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3). This information must be given by class of financial instrument. The amendment also revises specified minimum liquidity risk disclosures. Adoption of these amendment is not expected to impact significantly the financial statements of the Company or the Group. This amendment has not yet been endorsed by the EU.

**In May 2008 the IASB issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. These amendments are effective for periods beginning on or after 1 January 2009 and have not yet been endorsed by the EU.** Adoption of these amendments is not expected to impact significantly the financial statements of the Company or the Group.

- **IFRS 5, “Non-current Assets Held for Sale and Discontinued Operations” (Amended)**, The amendment clarifies that all of a subsidiary’s assets and liabilities are classified as held for sale, under IFRS 5, even when the entity will retain a non-controlling interest in the subsidiary after the sale.

- **IFRS 7, “Financial Instruments: Disclosures” (Amended)**, this amendment removes the reference to ‘total interest income’ as a component of finance costs.

- **IAS 1, “Presentation of Financial Statements” (Amended)**, This amendment clarifies that assets and liabilities classified as held for trading in accordance

with IAS 39 *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet.

- **IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” (Amended)**, this amendment clarifies that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.

- **IAS 10, “Events after the Reporting Period” (Amended)**, this amendment clarifies that dividends declared after the balance sheet date are not considered obligations.

- **IAS 16, “Property, Plant and Equipment” (Amended)**, Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds on sale are subsequently shown as revenue. IAS 7, “Statement of cash flows” is also revised, to require cash payments to manufacture or acquire such items to be classified as cash flows from operating activities. The cash receipts from rents and subsequent sales of such assets are also shown as cash flows from operating activities.

- **IAS 18, “Revenue” (Amended)**, This amendment replaces the term ‘direct costs’ with ‘transaction costs’ as defined in IAS 39.

- **IAS 19, “Employee Benefits” (Amended)**, This amendment:

- Revises the definition of ‘past service costs’
- Revises the definition of ‘return on plan assets’
- Revises the definition of ‘short-term’ and ‘other long term’ employee benefits

- Deletes the reference to the recognition of contingent liabilities to ensure consistency with IAS 37, “Provisions, Contingent Liabilities and Contingent Assets”. IAS 37 does not allow for the recognition of contingent liabilities.

- **IAS 20, “Accounting for Government Grants and Disclosure of Government Assistance” (Amended)**, Loans granted with no or low interest rates will not be exempt from the requirement to impute interest. Interest is to be imputed on loans granted with below-market interest rates, thereby being consistent with IAS 39. The difference between the amount received and the discounted amount is accounted for as a government grant.

- **IAS 23, “Borrowing Costs” (Amended)**, The

amendment revises the definition of borrowing costs to combine the types of items that are considered components of 'borrowing costs' into one – the interest expense calculated using the effective interest rate method as described in IAS 39.

- **IAS 27 “Consolidated and Separate Financial Statements” (Amended)**, When a parent entity accounts for a subsidiary at fair value in accordance with IAS 39 in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale.

- **IAS 28, “Investment in Associates” (Amended)**,
  - If an associate is accounted for at fair value in accordance with IAS 39 (as it is exempt from the requirements of IAS 28), only the requirement of IAS 28 to disclose the nature and extent of any significant restrictions on the ability of the associate to transfer funds to the entity in the form of cash or repayment of loans applies.

- An investment in an associate is a single asset for the purpose of conducting the impairment test – including any reversal of impairment. Therefore, any impairment is not separately allocated to the goodwill included in the investment balance. Any impairment is reversed if the recoverable amount of the associate increases.

- **IAS 29, “Financial Reporting in Hyperinflationary Economies” (Amended)**, this amendment revises the reference to the exception to measure assets and liabilities at historical cost, such that it notes property, plant and equipment as being an example, rather than implying that it is a definitive list. No specific transition requirements have been stated as it is a clarification of the references rather than a change.

- **IAS 31, “Interest in Joint ventures” (Amended)**, This amendment clarifies that if a joint venture is accounted for at fair value, in accordance with IAS 39 (as it is exempt from the requirements of IAS 31), only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expenses will apply. Early application is permitted.

- **IAS 34, “Interim Financial Reporting” (Amended)**, this amendment clarifies that earnings per share is disclosed in interim financial reports if an entity is within the scope of IAS 33.

- **IAS 36, “Impairment of assets” (Amended)**, This amendment clarifies that when discounted cash flows are used to estimate 'fair value less costs to sell', the same disclosure is required as when discounted cash flows are used to estimate 'value in use'.

- **IAS 38, “Intangible Assets” (Amended)**,
  - Expenditure on advertising and promotional activities is recognized as an expense when the entity either has the right to access the goods or has received the services.

- Deletes references to there being rarely, if ever, persuasive evidence to support an amortization method for finite life intangible assets that results in a lower amount of accumulated amortization than under the straight-line method, thereby effectively allowing the use of the unit of production method.

- A prepayment may only be recognized in the event that payment has been made in advance to obtaining right of access to goods or receipt of services.

- **IAS 39, “Financial instruments recognition and measurement” (Amended)**,

- Clarifies that changes in circumstances relating to derivatives – specifically derivatives designated or de-designated as hedging instruments after initial recognition – are not reclassifications.

- Removes the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge.

- Requires use of the revised effective interest rate (rather than the original effective interest rate) when remeasuring a debt instrument on the cessation of fair value hedge accounting.

- **IAS 40, “Investment property” (Amended)**,
  - Revises the scope (and the scope of IAS 16) such that property that is being constructed or developed for future use as an investment property is classified as investment property. If an entity is unable to determine the fair value of an investment property under construction, but expects to be able to determine its fair value on completion, the investment under construction will be measured at cost until such time as fair value can be determined or construction is complete. To be applied prospectively.

- Revises the conditions for a voluntary change in accounting policy to be consistent with IAS 8.

- Clarifies that the carrying amount of investment property held under lease is the valuation obtained increased by any recognized liability.

#### 4. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment is analyzed in the following table 4.

(Table 4)

COMPANY (*)	Buildings	Telecom- munication equipment	Transporta- tion means	Furniture and fixtures	Construc- tion in progress	Investment supplies	Total
<b>31/12/2006</b>							
Cost	29.3	7,515.8	38.5	178.5	169.9	103.8	8,035.8
Accumulated depreciation	(5.8)	(5,117.8)	(32.7)	(163.7)	-	-	(5,320.0)
<b>Net book value 31/12/2006</b>	<b>23.5</b>	<b>2,398.0</b>	<b>5.8</b>	<b>14.8</b>	<b>169.9</b>	<b>103.8</b>	<b>2,715.8</b>
<b>1/1/2007</b>							
Net book value 1/1/2007	23.5	2,398.0	5.8	14.8	169.9	103.8	2,715.8
Additions	1.7	227.9	2.2	7.6	243.8	81.2	564.4
Spin-off of OTE-GLOBE -cost	-	(203.1)	-	-	(5.1)	-	(208.2)
Disposal and transfers - cost	-	(10.5)	(1.6)	(5.3)	(190.8)	(74.5)	(282.7)
Disposals and transfers – accumulated depreciation	-	10.5	1.5	5.3	-	-	17.3
Depreciation charge for the year	(1.5)	(496.5)	(1.6)	(7.0)	-	-	(506.6)
Spin-off of OTE-GLOBE -accumulated depreciation	-	72.2	-	-	-	-	72.2
<b>Net book value 31/12/2007</b>	<b>23.7</b>	<b>1,998.5</b>	<b>6.3</b>	<b>15.4</b>	<b>217.8</b>	<b>110.5</b>	<b>2,372.2</b>
<b>31/12/2007</b>							
Cost	31.0	7,530.1	39.1	180.8	217.8	110.5	8,109.3
Accumulated depreciation	(7.3)	(5,531.6)	(32.8)	(165.4)	-	-	(5,737.1)
<b>Net book value 31/12/2007</b>	<b>23.7</b>	<b>1,998.5</b>	<b>6.3</b>	<b>15.4</b>	<b>217.8</b>	<b>110.5</b>	<b>2,372.2</b>
<b>1/1/2008</b>							
Net book value 1/1/2008	23.7	1,998.5	6.3	15.4	217.8	110.5	2,372.2
Additions	13.4	200.3	0.8	3.2	279.6	56.6	553.9
Disposal and transfers - cost	-	(95.2)	(0.8)	(9.2)	(204.3)	(65.6)	(375.1)
Other adjustments - cost	-	19.3	-	(19.3)	-	-	-
Disposals and transfers – accumulated depreciation	-	95.1	0.8	9.2	-	-	105.1
Depreciation charge for the year	(1.6)	(454.2)	(1.9)	(6.9)	-	-	(464.6)
Other accumulated depreciation adjustments	-	(17.5)	-	17.5	-	-	-
<b>Net book value 31/12/2008</b>	<b>35.5</b>	<b>1,746.3</b>	<b>5.2</b>	<b>9.9</b>	<b>293.1</b>	<b>101.5</b>	<b>2,191.5</b>
<b>31/12/2008</b>							
Cost	44.4	7,654.5	39.1	155.5	293.1	101.5	8,288.1
Accumulated depreciation	(8.9)	(5,908.2)	(33.9)	(145.6)	-	-	(6,096.6)
<b>Net book value 31/12/2008</b>	<b>35.5</b>	<b>1,746.3</b>	<b>5.2</b>	<b>9.9</b>	<b>293.1</b>	<b>101.5</b>	<b>2,191.5</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

There are no restrictions on title on property, plant and equipment.

Borrowing costs capitalized during fiscal years 2008 and 2007 amount to Euro 6.7 and Euro 5.2, respectively.



(Table 4 continuity)

<b>GROUP</b>	<b>Land</b>	<b>Buildings</b>	<b>Telecom- munication equipment</b>	<b>Trans- portation Means</b>	<b>Furniture and fixtures</b>	<b>Construc- tion in progress</b>	<b>Investment supplies</b>	<b>Total</b>
<b>31/12/2006</b>								
Cost	48.5	941.2	12,083.1	56.5	490.5	628.0	207.9	14,455.7
Accumulated depreciation	-	(304.4)	(7,186.2)	(43.7)	(337.9)	-	-	(7,872.2)
<b>Net book value 31/12/2006</b>	<b>48.5</b>	<b>636.8</b>	<b>4,896.9</b>	<b>12.8</b>	<b>152.6</b>	<b>628.0</b>	<b>207.9</b>	<b>6,583.5</b>
<b>1/1/2007</b>								
Net book value 1/1/2007	48.5	636.8	4,896.9	12.8	152.6	628.0	207.9	6,583.5
Additions	1.3	51.7	1,085.0	14.2	54.9	906.6	130.4	2,244.1
Disposal of subsidiary (cost)	(0.7)	-	(5.7)	-	(7.1)	(15.7)	-	(29.2)
Disposal of subsidiary (accumulated depreciation)	-	-	5.7	-	5.6	-	-	11.3
Other adjustments	-	(3.0)	10.6	-	(10.6)	-	-	(3.0)
Disposal and transfers - cost	-	(3.9)	(173.0)	(8.6)	(14.9)	(1,030.4)	(166.1)	(1,396.9)
Disposals and transfers – accumulated depreciation	-	1.1	165.2	7.7	13.2	-	-	187.2
Exchange differences - cost	(0.5)	(39.3)	(312.6)	(2.5)	(10.6)	(3.1)	(10.9)	(379.5)
Exchange differences – accumulated depreciation	-	22.1	208.0	2.4	7.3	-	-	239.8
Depreciation charge for the year	-	(35.3)	(1,012.1)	(5.5)	(36.0)	-	-	(1,088.9)
Other accumulated depreciation adjustments	-	3.0	(8.0)	-	8.0	-	-	3.0
<b>Net book value 31/12/2007</b>	<b>48.6</b>	<b>633.2</b>	<b>4,860.0</b>	<b>20.5</b>	<b>162.4</b>	<b>485.4</b>	<b>161.3</b>	<b>6,371.4</b>
<b>31/12/2007</b>								
Cost	48.6	946.7	12,687.4	59.6	502.2	485.4	161.3	14,891.2
Accumulated depreciation	-	(313.5)	(7,827.4)	(39.1)	(339.8)	-	-	(8,519.8)
<b>Net book value 31/12/2007</b>	<b>48.6</b>	<b>633.2</b>	<b>4,860.0</b>	<b>20.5</b>	<b>162.4</b>	<b>485.4</b>	<b>161.3</b>	<b>6,371.4</b>
<b>1/1/2008</b>								
Net book value 1/1/2008	48.6	633.2	4,860.0	20.5	162.4	485.4	161.3	6,371.4
Additions	2.4	26.9	812.5	5.6	30.7	383.3	84.0	1,345.4
Held for sale (cost)	(0.3)	(4.1)	(150.5)	(0.5)	(11.9)	-	-	(167.3)
Held for sale (accumulated depreciation)	-	1.0	60.5	0.3	6.6	-	-	68.4
Other adjustments	-	-	19.3	-	(19.3)	-	-	-
Disposal and transfers - cost	-	(0.2)	(273.7)	(6.6)	(13.3)	(317.2)	(101.6)	(712.6)
Disposals and transfers – accumulated depreciation	-	4.0	267.7	6.0	14.0	-	-	291.7
Exchange differences - cost	(0.6)	(55.8)	(449.8)	(3.7)	(16.0)	(17.2)	(6.9)	(550.0)
Exchange differences – accumulated depreciation	-	31.7	290.4	3.0	11.7	-	-	336.8
Depreciation charge for the year	-	(34.3)	(1,028.2)	(7.0)	(41.5)	-	-	(1,111.0)
Other accumulated depreciation adjustments	-	-	(17.5)	-	17.5	-	-	-
<b>Net book value 31/12/2008</b>	<b>50.1</b>	<b>602.4</b>	<b>4,390.7</b>	<b>17.6</b>	<b>140.9</b>	<b>534.3</b>	<b>136.8</b>	<b>5,872.8</b>
<b>31/12/2008</b>								
Cost	50.1	913.5	12,645.2	54.4	472.4	534.3	136.8	14,806.7
Accumulated depreciation	-	(311.1)	(8,254.5)	(36.8)	(331.5)	-	-	(8,933.9)
<b>Net book value 31/12/2008</b>	<b>50.1</b>	<b>602.4</b>	<b>4,390.7</b>	<b>17.6</b>	<b>140.9</b>	<b>534.3</b>	<b>136.8</b>	<b>5,872.8</b>

The amount of borrowing costs capitalized during fiscal years 2008 and 2007 by the Group was Euro 7.4 and Euro 5.2, respectively.

During 2008, OTE GLOBE revised its estimate of the useful life of certain network infrastructure which resulted in an increased depreciation charge in 2008 of Euro 33.7.

## 5. GOODWILL

Goodwill in the accompanying financial statements is analyzed in the following table 5.

(Table 5)

Carrying value 1/1/2007	540.8
Exchange differences	0.7
<b>Carrying value 31/12/2007</b>	<b>541.5</b>
Carrying value 1/1/2008	541.5
Absorption of OTENET	(10.1)
Exchange differences	(0.7)
<b>Carrying value 31/12/2008</b>	<b>530.7</b>

The annual impairment test of purchased goodwill and the brand name (Note 7) was carried out having allocated goodwill to the following cash generating units:

- *Greece*
- *Romania*
- *Bulgaria*
- *Albania*

The recoverable amount of the cash generating units was determined using the value in use method. The value in use was determined based on the projected cash flows derived from the three year plan approved

by management, these cash flows were then initially projected over ten years and then to infinity.

The basic assumptions used in determining the value in use of the cash generating units was as at 31 December 2008 is presented in the following table 6.

For the projection of cash flows over a ten year period a growth rate of 2% was assumed for all cash generating units.

The following are the main assumptions used by management in projecting cash flows as part of the annual impairment test of goodwill and intangible assets with indefinite useful life:

- *Risk-free return: The risk free return used to determine the cost of capital was derived from the 10 year Greek government bond rate as at the year end. The risk free return was derived from equivalent sources in the other countries.*
- *Budgeted profit margin: Budgeted operating profit and EBITDA were based on actual historical experience from the last few years adjusted to take into consideration expected variances in operating profitability.*

The basic assumptions used are consistent with independent external sources of information.

Based on the impairment test as at 31 December 2008, no impairment losses were identified in the recorded amounts of goodwill or the brand name.

(Table 6)

	Greece	Romania	Bulgaria	Albania
Discount rate	8%	14.3%	12%	14.65%
Rate of increase of revenue	0.5-2%	38 – 3%(*)	2-5%	1-3%
EBITDA margin	42%	30-40%	42-43%	50-60%

(\*) There is a downward rate of change of revenue

## 6. TELECOMMUNICATION LICENSES

Telecommunication Licenses are analyzed in the following table 7.

(Table 7)

	COMPANY	GROUP
<b>2007</b>		
Net book value 1/1/2007	3.8	384.2
Additions	-	59.8
Exchange differences, cost	-	(4.0)
Amortization charge for the year	(0.4)	(47.2)
Exchange differences, accumulated depreciation	-	3.4
Net book value 31/12/2007	<b>3.4</b>	<b>396.2</b>
<b>31/12/2007</b>		
Cost	6.2	567.0
Accumulated amortization	(2.8)	(170.8)
Net Book Value 31/12/2007	<b>3.4</b>	<b>396.2</b>
<b>2008</b>		
Net book value 1/1/2008	3.4	396.2
Additions	-	17.5
Write-offs, cost	-	(3.9)
Assets held for sale (cost)	-	(39.2)
Assets held for sale (accumulated depreciation)	-	8.0
Exchange differences, cost	-	(10.4)
Amortization charge for the year	(0.4)	(48.1)
Write-offs, accumulated depreciation	-	3.8
Exchange differences, accumulated depreciation	-	5.6
Net book value 31/12/2008	<b>3.0</b>	<b>329.5</b>
<b>31/12/2008</b>		
Cost	6.2	531.0
Accumulated amortization	(3.2)	(201.5)
Net Book Value 31/12/2008	<b>3.0</b>	<b>329.5</b>

Telecommunication licenses comprise of licenses acquired primarily from the Group's mobile operations, more specifically COSMOTE and GLOBUL. These li-

censes are amortized on a straight line basis over their useful lives being between 15 and 24 years.

## 7. OTHER INTANGIBLE ASSETS

Other intangible assets in the Group's balance sheet comprise mainly of the identifiable assets recognized as a result of the acquisition of GERMANOS during 2006. These identifiable assets recognized relate mainly to the brand name, franchise agreements and customer relationships and computer software. The movement is presented in table 8.

As described in Note 5, during 2008, the Group carried out an impairment test on the brand name from which no impairment losses were identified.

As referred to above, other intangible assets mainly relate to the brand name of Euro 417.3 which were

initially determined to have an indefinite useful life. During the fourth quarter of 2008, the Group revised its estimate of the GERMANOS brand name's useful life which it determined to be 15 years from the end of October 2008, the date of the reassessment. The related amortization of Euro 4.6 was charged to the 2008 income statement, and the net book value of the brand as at 31 December 2008, amounted to Euro 412.7.

## 8. INVESTMENTS

Investments are analyzed in the following tables 9, 10.

The movement of investments in subsidiaries is indicated in table 11.

(Table 8)

	<b>GROUP</b>		<b>GROUP</b>
<b>2007</b>		<b>2008</b>	
Net book value 1/1/2007	<b>630.9</b>	Net book value 1/1/2008	<b>582.7</b>
Additions	22.8	Additions	46.7
Disposals, cost	(30.5)	Disposals, cost	(18.2)
Exchange differences, cost	(7.1)	Exchange differences, cost	(8.4)
Amortization charge for the year	(35.7)	Amortization charge for the year	(53.9)
Exchange differences, accumulated depreciation	1.6	Exchange differences, accumulated depreciation	6.9
Disposals, accumulated depreciation	0.7	Disposals, accumulated depreciation	0.4
Net book value 31/12/2007	<b>582.7</b>	Net book value 31/12/2008	<b>556.2</b>
<b>31/12/2007</b>		<b>31/12/2008</b>	
Cost	666.5	Cost	686.6
Accumulated amortization	(83.8)	Accumulated amortization	(130.4)
<b>Net Book Value 31/12/2007</b>	<b>582.7</b>	<b>Net Book Value 31/12/2008</b>	<b>556.2</b>

(Table 9)

	<b>2008</b>		<b>2007</b>	
	<b>COMPANY</b>	<b>GROUP</b>	<b>COMPANY(*)</b>	<b>GROUP</b>
(a) Investments in subsidiaries	4,733.6	-	3,884.6	-
(b) Other investments	156.4	156.6	157.8	158.4
	<b>4,890.0</b>	<b>156.6</b>	<b>4,042.4</b>	<b>158.4</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(a) *Investment in subsidiaries:*

(Table 10)

	Country of incorporation	31/12/2008	31/12/2007 (*)
COSMOTE	Greece	3,505.7	2,654.3
OTE INTERNATIONAL INVESTMENTS LTD	Cyprus	497.9	497.9
HELLAS-SAT	Cyprus	194.7	194.7
COSMO-ONE	Greece	0.7	3.2
VOICENET	Greece	4.0	2.7
HELLASCOM	Greece	8.4	8.4
OTE SAT- MARITEL	Greece	11.2	11.2
OTE PLC	U.K.	-	-
OTE PLUS	Greece	3.8	3.8
OTE ESTATE	Greece	336.3	336.3
OTE-GLOBE	Greece	163.7	163.7
OTE INSURANCE	Greece	0.6	0.6
OTE ACADEMY	Greece	6.6	5.9
OTENET CYPRUS LTD	Cyprus	-	1.6
OTENET TELECOMMUNICATIONS LIMITED	Cyprus	-	0.3
		<b>4,733.6</b>	<b>3,884.6</b>

(\*) Adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

Participation in the share capital increase of subsidiary

(Table 11)

	COMPANY
Balance as at 1 January 2007	1,636.7
Acquisition of interest in subsidiary	2,105.0
Sale of investments	(12.4)
Participation in the share capital increase of subsidiary	162.8
Reduction of subsidiary's share capital	(12.0)
Liquidation of subsidiary (OTE AUSTRIA HOLDING GMBH)	(0.1)
Participation in the share capital of OTENET	4.6
Balance as at 31 December 2007 (*)	<b>3,884.6</b>
Balance as at 1 January 2008	3,884.6
Acquisition of interest in subsidiary	847.4
Participation in the share capital increase of subsidiary	3.5
Share-based payment to management of subsidiaries (Note 29)	5.5
Sale of investments	(1.9)
Impairment	(5.3)
Other	(0.2)
Balance as at 31 December 2008	<b>4,733.6</b>

The movement of investments during the year depicted in the table above can be summarized as follows:

#### **A. Public offer for the acquisition of COSMOTE's minority interests**

On 9 November 2007, following the approval by the Board of Directors, OTE announced the submission of a Public Tender Offer for the acquisition of the outstanding common shares of COSMOTE for a price of Euro 26.25 (in absolute amount) per share.

As at 31 December 2007, OTE owned 303,725,198 shares, which represented approximately 90.72% of COSMOTE's share capital and voting rights.

The tender offer's acceptance period for the acquisition of COSMOTE's shares ended on 29 January 2008. During January 2008 and with the submission of acceptance applications by 5,044 shareholders, OTE acquired 27,503,293 shares of COSMOTE representing 8.187% of COSMOTE's share capital. As a result, on 29 January 2008, OTE held 331,228,491 shares representing 98.592% of COSMOTE's share capital with the corresponding voting rights.

In accordance with Article 27 of Law 3461/2006 on 27 February 2008, OTE filed a request with the Hellenic Capital Market Commission seeking permission to exercise squeeze out rights on the remaining shares of COSMOTE at a price equal to that of the Public Offer, i.e. Euro 26.25 per share (in absolute amount) (Squeeze-Out Right). The remaining shareholders retained the right to sell their shares to the Proposing Party through the Stock Exchange within three months from the publication of the announcement (Sell-Out Right), which took place on 31 January 2008. After the end of the exercise period of the Squeeze-Out Rights and of the Sell-Out Rights, OTE began the procedure for the delisting of the COSMOTE's shares from the Athens Stock Exchange and Global Depository Receipts (GDRs) from the London Stock Exchange (L.S.E.).

Since 9 April 2008, following OTE's Public Tender Offer for the acquisition of COSMOTE's shares and after the completion of exercise of the Squeeze-Out Rights and of the Sell-Out Rights, OTE holds 335,957,300 COSMOTE shares, which represent 100% of the share capital and voting rights.

The total cost of the acquisition of the minority interests during 2008 was Euro 846.1. The difference arising from the acquisition of the above minority interests of Euro 780.3 was recognized directly in Equity in the consolidated financial statements (in the line "Net change of participation in subsidiaries"), as it relates to the acquisition of minority in an entity where control already exists.

On 11 April 2008, COSMOTE announced that pursuant to the decision of the Extraordinary General Assembly of its shareholders held on 10 April 2008, a request was submitted to the Hellenic Capital Market Commission, in accordance with par. 5 article 17 of Law 3371/2005, for the delisting of its shares from the Athens Stock Exchange. The request was approved by the Hellenic Capital Market Commission.

#### **B. Acquisition of VOICENET's minority interests**

In May 2008, OTE acquired the remaining interest in its subsidiary VOICENET from SANYO HELLAS S.A., for a consideration of Euro 1.3. Following the acquisition, OTE owns 100% of VOICENET's share capital and voting rights. The difference arising from the acquisition of the above minority interests of Euro 1.1 was recognized directly in Equity in the consolidated financial statements (in the line "Net change of participation in subsidiaries"), as it relates to the acquisition of minority in an entity where control already exists.

#### **C. Participation in OTE ACADEMY's share capital increase**

In July 2008, following approval by the Board of Directors, OTE participated in the share capital increase of Euro 3.5 of its subsidiary OTE ACADEMY. OTE purchased a further 1,200,000 shares with a nominal value of Euro 2.93 (absolute amount) thereby retaining its 100% holding in the subsidiary.

#### **D. SALE of OTENET Cyprus Ltd and OTENET Telecommunications Ltd**

In May 2008, OTE announced the sale of the Group's investment in OTENET CYPRUS LTD and OTENET TELECOMMUNICATIONS LTD, which operate in the telecommunication and internet services section, to Cyprus Trading Corporation Plc (CTC), for a total consideration of approximately Euro 3.9. The book value of the investment amounted to Euro 1.9.

## E. Impairment

During 2008, an impairment test was carried out on OTE's participation in COSMOONE and OTE ACAD-EMY as there were indications that the carrying values were not recoverable. The results of the impairment tests showed that the recoverable amounts were below the carrying amounts, therefore an impairment loss of Euro 2.5 and Euro 2.8 respectively, was recognized in the 2008 income statement in the line "Impairment of investments".

The following occurred during the year which impacted the Company's participation in its subsidiaries:

### 1. Completion of OTENET's merger with OTE by absorption

In May 2007, OTE's management announced its decision to merge OTENET and absorb its business activities. The absorption was approved by the Board of Directors of OTE on 18 December 2007 and by OTENET's Board of Directors on 28 December 2007. The date of the conversion balance sheet was set to be 31 December 2007. On 19 March 2008 OTE and its subsidiary OTENET signed a Draft Merger Agreement ("the Agreement") whereby OTE would absorb OTENET. The above Agreement was approved by the Board of Directors of both parties and pursuant to article 7b of L. 2190/20 was deposited with the Greek Register of Societe Anonymes (M.A.E.). On 27 June 2008 the relevant Ministerial Decision which approved and concluded the procedure of OTENET's absorption by its parent, was deposited with the Societe Anonymes Register of the Prefecture of Athens.

### 2. Dissolution of OTEPLUS ROMANIA – Liquidation of OTEPLUS BULGARIA

OTE PLUS'S 100% subsidiary, OTE PLUS ROMANIA, which has its headquarters in Bucharest Romania and provides consulting services was dissolved within 2008. Similarly, OTE PLUS's 100% subsidiary, OTE PLUS BULGARIA, has started liquidation proceedings.

### 3. Amendment of OTE ESTATES's Charter.

On 18 December 2008, the amendment to article 5 of OTE ESTATE's charter was financed following the decision by the General Assembly of Shareholders. Af-

ter the amendment OTE Estate's share capital was reduced by Euro 102.2 as a result of a reduction in the nominal amount of the shares from Euro 2.93 to Euro 2.43 (absolute amount). As at 31 December 2008, the return of capital had not yet taken place.

### 4. Incorporation of "OTE PROPERTIES – Real Estate Investment Company"

In April 2008, OTE's subsidiary OTE ESTATE filed a request with the Hellenic Capital Market Commission for a license for the operation of a Real Estate Investment Company. The Hellenic Capital Market Commission with its decision of 13 June 2008 provided OTE ESTATE with this license of operation. The new company which was incorporated is a 100% subsidiary of OTE ESTATE with a share capital of Euro 30.0 which was fully paid-up by OTE ESTATE during the year.

### 5. Changes in investments in the COSMOTE Group.

a. On 5 November 2008, the absorption of TEL SIM S.R.L. by GERMANOS TELECOM ROMANIA S.A. was completed following the relevant decision by the appropriate authorities.

b. On 13 October 2008, the absorption of ALBATROS & PARTNERS LTD by GERMANOS was completed, the latter having previously acquired all of the former's shares.

c. On 16 December 2008, the absorption of GRIGORIS MAVROMICHALIS & PARTNERS LTD by GERMANOS was completed the latter having previously acquired all of the formers' shares.

d. On 16 December 2008, the sale of GERMANOS's 51% holding in IOANNIS TSAPARAS & PARTNERS LTD was completed.

The total difference arising from the acquisition of minority interests in companies which the Company already controls and which have been recorded directly in equity can be analyzed in the following table 12.

(Table 12)

	2008	2007
COSMOTE	3,132.2	2,351.9
GERMANOS	171.7	171.7
OTENET	12.3	12.3
HELLASCOM	(3.3)	(3.3)
HELLAS-SAT	1.2	1.2
VOICENET	1.1	-
	<b>3,315.2</b>	<b>2,533.8</b>

### (b) Other investments

OTE's other investments can be analyzed as showing in the following table 13.

(Table 13)

	Cost of investment	
	2008	2007
TELEKOM SRBIJA	155.1	155.1
Other	1.3	2.7
	<b>156.4</b>	<b>157.8</b>

In 2007 and 2008, OTE reassessed its position regarding its investment in TELEKOM SRBIJA, taking into consideration the historical disputes on certain matters with the 80% shareholder, the Serbian Government, and the fact that the management roles with TELEKOM SRBIJA held by individuals appointed by OTE are largely administrative rather than decision making and that the two appointed board members cannot influence the board's decisions and, consequently, concluded that its investment in TELEKOM SRBIJA was to be continued to be accounted for at cost, since OTE does not exercise significant influence.

Movement in "other investments" can be analyzed according to table 14.

(Table 14)

	COMPANY	GROUP
As at 1 January 2008	157.8	158.4
Other movements	(1.4)	(1.8)
As at 31 December 2008	<b>156.4</b>	<b>156.6</b>

On 31 July 2008, OTE announced the sale of its entire participation in the share capital of LOFOS PALINI S.A. to REDS S.A. for a total consideration of Euro 18.4. A pre-tax gain of approximately Euro 17.0 was realized from this sale and is recorded in the line "Gains from investments" in the 2008 income statement.

Dividend income is derived as presented on table 15.

(Table 15)

Company	2008	2007
COSMOTE	245.2	163.2
OTE INTERNATIONAL INVESTMENTS LTD	-	57.3
OTE ESTATE	30.3	-
INFOTE	-	5.0
OTESAT – MARITEL	0.5	-
TELEKOM SRBIJA	11.2	15.7
Other available-for-sale investments	1.0	1.1
	<b>288.2</b>	<b>242.3</b>

Group	2008	2007
TELEKOM SRBIJA	11.2	15.7
Other available for sale investments	1.0	1.1
	<b>12.2</b>	<b>16.8</b>

## 9. ASSETS HELD FOR SALE

DEUTSCHE TELEKOM AG sought the approval from FYROM's Competition Committee for its participation in OTE based on the shareholders agreement with the Greek Government. After the implementation of the shareholders agreement DEUTSCHE TELEKOM AG and OTE would have a combined holding of more than 90% of the local market share via their subsidiaries T-MOBILE Macedonia AD Skopje and COSMOFON, respectively. Accordingly, DEUTSCHE TELEKOM AG committed to the sale of COSMOFON.

On 15 September 2008, OTE publicly announced that it had appointed financial advisors for the sale of COSMOFON, which is a mobile telephony provider in Skopje. GERMANOS Telecom Skopje S.A (GTS), a subsidiary of GERMANOS will be sold together with COSMOFON, the impact of the sale of GERMANOS Telecom Skopje S.A (GTS) is insignificant.



Taking into account the provisions of IFRS 5, COSMOFON meets the criteria for classification as held for sale and, therefore, in the consolidated balance sheet as of 31 December 2008, COSMOFON's assets and liabilities are presented separately from other assets and liabilities of the Group in line items "Assets classified as held for sale" and in "Liabilities directly associated with assets classified as held for sale", respectively. The afore-mentioned classification did not affect OTE's separate balance sheet, as of 31 December 2008.

The assets and liabilities of COSMOFON, after the elimination of inter company balances as of 31 December 2008, are analyzed in the following table 16.

(Table 16)

### ASSETS

#### Non -current assets

Property, plant and equipment	98.9
Telecommunication licenses	31.2
<b>Total non-current assets</b>	<b>130.1</b>

#### Current assets

Inventories	2.6
Trade receivables	17.4
Other current assets	4.6
Cash and cash equivalents	1.9
<b>Total current assets</b>	<b>26.5</b>

#### Assets classified as held for sale

156.6

### LIABILITIES

Trade accounts payable	10.2
Deferred tax liability	1.6
Other current liabilities	4.7

#### Total liabilities

16.5

#### Liabilities directly associated with the assets classified as held for sale.

16.5

Condensed income statements of COSMOFON for the periods presented are included in the table 17 below

for information purposes, amounts presented are before the elimination of inter company transactions:

(Table 17)

	Fiscal years	
	2008	2007
Revenue	66.2	62.2
Operating expenses	(64.5)	(59.4)
Operating income before financial activities	1.7	2.8
Total profit (loss) from financial activities	(1.5)	(2.7)
Profit before tax	0.2	0.1
Income tax	-	-
<b>Profit for the year</b>	<b>0.2</b>	<b>0.1</b>

### 10. OTHER NON-CURRENT ASSETS

Other non-current assets are analyzed as shown in table 18.

Loans and advances to employees comprise mainly of loans granted to employees with service period exceeding 25 years against the accrued indemnity payable to them upon retirement. The effective interest rate on these loans is 1.74% for fiscal year 2008 and 1.58% for fiscal year 2007. The discount factor is the rate used for the actuarial valuation of staff leaving indemnities which is 5.5% for 2008 and 4.8% for 2007 (See Note 19).

Loans to COSMOFON relate to two loans of Euro 22.0 and Euro 34.2 granted by OTE. The loans were granted at 6.5% fixed interest rate and they mature in 2010 and 2012 respectively. During 2008 and 2007, OTE collected Euro 5.0 per annum from the first loan.

### 11. TRADE RECEIVABLES

Trade Receivables are analyzed in the following table 19.

The movement in the allowance for doubtful accounts is as is shown in the following table 20.

As at 31 December 2008, the aging analysis of trade receivables in the following table 21.

(Table 18)

	2008		2007	
	COMPANY	GROUP	COMPANY(*)	GROUP
Loans and advances to employees	65.1	65.1	46.3	46.5
Loans to COSMOFON	46.2	-	51.2	-
Deferred expenses (long-term)	-	29.6	-	38.6
Other	1.1	26.0	0.9	10.8
	<b>112.4</b>	<b>120.7</b>	<b>98.4</b>	<b>95.9</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(Table 19)

	2008		2007	
	COMPANY	GROUP	COMPANY(*)	GROUP
Subscribers	1,165.6	1,855.5	1,113.5	1,666.8
International traffic	103.8	144.1	121.7	205.1
Due from subsidiaries	109.6	-	98.4	-
Unbilled revenues	19.6	82.0	34.4	91.6
	<b>1,398.6</b>	<b>2,081.6</b>	<b>1,368.0</b>	<b>1,963.5</b>
<b>Minus</b>				
Allowance for doubtful accounts	(701.1)	(887.4)	(625.6)	(791.5)
	<b>697.5</b>	<b>1,194.2</b>	<b>742.4</b>	<b>1,172.0</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(Table 20)

	COMPANY	GROUP
Balance at 1/1/2007	(570.6)	(711.4)
Charge for the year	(55.9)	(88.0)
Write-offs	0.9	4.5
Exchange differences	-	3.4
<b>Balance at 31/12/2007(*)</b>	<b>(625.6)</b>	<b>(791.5)</b>
Balance at 1/1/2008	(625.6)	(791.5)
Charge for the year	(75.5)	(119.8)
Write-offs	-	6.9
Exchange differences	-	5.6
Reversal of provision	-	5.0
Provision for trade receivables held for sale	-	6.4
<b>Balance at 31/12/2008</b>	<b>(701.1)</b>	<b>(887.4)</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(Table 21)

	COMPANY	GROUP
Not impaired and not past due	374.9	617.9
Not impaired and past due:		
Less than 30 days	117.9	264.3
Between 31 and 180 days	169.7	229.5
More than 180 days	35.0	82.5
<b>Total</b>	<b>697.5</b>	<b>1,194.2</b>

## 12. OTHER CURRENT ASSETS

Other current assets are analyzed according to table 22.

## 13. OTHER FINANCIAL ASSETS

Other financial assets are analyzed according to table 23.

Other financial assets comprise of shares listed on the Athens Stock Exchange, which are classified as availa-

ble-for-sale. In addition, other financial assets include Greek and German government bonds, which are classified as held to maturity.

## 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analyzed according to table 24.

(Table 22)

	2008		2007	
	COMPANY	GROUP	COMPANY(*)	GROUP
Advances to pension funds, short-term portion (See Note 19)	35.2	35.2	35.2	35.2
Short-term portion of loan to Auxiliary fund (See Note 19)	10.0	10.0	0.5	0.5
Inter company loan to OTE PLC	-	-	35.0	-
Due from OTE Leasing customers (See Note 30)	25.4	25.4	23.0	23.0
Loans and advances to employees	6.2	6.2	5.0	5.1
VAT recoverable	-	22.5	-	25.2
Other prepayments	2.5	59.0	10.7	78.4
Deferred expenses	2.0	9.5	3.0	19.1
Other	18.5	93.8	56.9	104.8
	<b>99.8</b>	<b>261.6</b>	<b>169.3</b>	<b>291.3</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(Table 23)

	2008		2007	
	COMPANY	GROUP	COMPANY	GROUP
Available-for-sale	13.0	26.2	47.8	56.0
Held to maturity –Bonds	106.6	109.7	-	25.2
	<b>119.6</b>	<b>135.9</b>	<b>47.8</b>	<b>81.2</b>

(Table 24)

	2008		2007	
	COMPANY	GROUP	COMPANY(*)	GROUP
Cash in hand	1.2	3.5	1.3	4.4
Short-term bank deposits	343.3	1,426.2	457.9	1,311.9
	<b>344.5</b>	<b>1,429.7</b>	<b>459.2</b>	<b>1,316.3</b>
Held for sale	-	(1.9)	-	-
	<b>344.5</b>	<b>1,427.8</b>	<b>459.2</b>	<b>1,316.3</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

## 15. SHARE CAPITAL – SHARE PREMIUM

OTE's share capital as at 31 December 2008, amounted to Euro 1,171.5, divided into 490,150,389 registered shares, with a nominal value of Euro 2.39 (absolute amount) per share and the respective share premium as at 31 December 2008 and 2007 amounted to Euro 497.9 and Euro 485.9, respectively.

As of 31 December 2007, the Hellenic State's direct participation was approximately 24.96% while together with D.E.K.A. S.A. its participation was 28.03%.

On 17 March 2008, MARFIN Investment Group announced that it had signed an agreement with DEUTSCHE TELEKOM AG for the sale of 98,026,324 shares for Euro 26.0 (absolute amount) per share, with a transaction deadline of 7 May 2008.

The above agreement was subject to the approval of the relevant request of DEUTSCHE TELEKOM AG by the Interministerial Privatization Committee of Greece the approval of the Board of Directors of MARFIN Investment Group as well as the approval of the Executory and Supervisory Boards of DEUTSCHE TELEKOM AG.

On 15 May 2008, following the completion of the approvals referred to above, DEUTSCHE TELEKOM A.G acquired from MARFIN Investment Group 19.999234% of OTE's share capital which corresponds to 98,026,324 shares with corresponding voting rights.

In due course and after further acquisitions of OTE's shares through the Athens Stock Exchange, DEUTSCHE TELEKOM AG's participation in OTE's share capital increased to 21.967% which corresponds to 107,671,713 shares with corresponding voting rights.

On 2 October 2008, the European Committee announced the approval under the E.U. Merger Regulation of the proposed acquisition of OTE by the German Telecommunications Organization DEUTSCHE TELEKOM AG. The Commission concluded that this transaction will not impede effective competition significantly.

On 15 October 2008, the Hellenic Telecommunications and Post Commission (HTPC) completed its approvals' procedure related to DEUTSCHE TELEKOM

AG's participation in OTE's share capital.

On 5 November 2008, DEUTSCHE TELEKOM AG acquired, through the Athens Stock Exchange 14,865,886 shares of OTE owned by the Greek State, representing 3.033% of OTE's share capital with corresponding voting rights.

From 31 December 2008 onwards, and after the share transfer of 3.033% referred to above, DEUTSCHE TELEKOM AG's participation in OTE's share capital amounted to 25.0000004%, which corresponds to 122,537,599 shares with corresponding voting rights, while the Greek States holding (direct and indirect) amounted to 25.0000004%, which corresponds to 122,537,599 shares with corresponding voting rights.

The following table 25 is an analysis of the ownership of OTE's shares as at 31 December 2008:

(Table 25)

Shareholder	Number of shares	Percentage %
Hellenic State	107,484,826	21.93%
D.E.K.A. S.A. (indirect participation of the Hellenic State)	15,052,773	3.07%
DEUTSCHE TELEKOM AG	122,537,599	25.00%
Institutional Investors	207,995,902	42.44%
Private Investors	37,079,289	7.56%
<b>Total</b>	<b>490,150,389</b>	<b>100.00%</b>

## 16. STATUTORY RESERVE - RETAINED EARNINGS

Under Greek Corporate Law, entities are required to transfer a minimum of five percent of their annual net profit to a statutory reserve, until such reserve equals one-third of the issued share capital. As at 31 December 2008 and 2007, this reserve amounted to Euro 330.2 and Euro 312.1 respectively. This statutory reserve cannot be distributed to shareholders. Retained Earnings include undistributed taxed profits as well as untaxed and specially taxed reserves which, upon distribution, will be subject to income tax.

## 17. DIVIDENDS

Under Greek Corporate Law, each year companies are required to distribute to their shareholders dividends of at least 35% of profits which result from

their accounting book and records (published financial statements), after allowing for the statutory reserve. However, companies can waive such dividend payment requirement with the unanimous consent of their shareholders.

On 26 June 2008, the General Assembly of OTE's Shareholders approved the distribution of a dividend from the 2007 profits of a total amount of Euro 367.6 or Euro 0.75 (in absolute amounts) per share. The amount of dividends payable as at 31 December 2008 amounted to Euro 3.8.

The Board of Directors of OTE will propose to the Annual General Assembly of the Shareholders the distribution of a dividend from the 2008 profits of a total amount of Euro 367.6 or Euro 0.75 (in absolute amount) per share.

Pursuant to Law 3697/2008, from 2009 onwards all distributions of dividends will be subject to 10% withholding tax which will be borne by the beneficiary, however the related law provides for certain exemptions.

## 18. LONG-TERM BORROWINGS

Long-term borrowings are analyzed according to table 26.

### COMPANY

#### (a) Loan from European Investment Bank/Hellenic State

The long-term loan to OTE by the European Investment Bank / Hellenic State was granted in 1995, is

denominated in ECU, bears interest at 8.30% and is repayable in annual installments through to 2009. During 2008, OTE paid Euro 17.5 (2007: Euro 16.1) of capital against the loan (the installment, including interest amounted to Euro 20.5). The amount last installment will be paid in July 2009 (Euro 18.9) has been transferred to short-term portion of long-term borrowings.

#### (b) Intercompany loans from OTE PLC

The intercompany loans from OTE PLC as at 31 December 2008 are analyzed as follows:

- Loan of Euro 1,209.0 with fixed interest rate of 5.22%, issued in August 2003 maturing in August 2013. The outstanding balance as of 31 December 2008 is Euro 1,120.3 (2007: Euro 1,120.8).
- Loan of Euro 650.0 with fixed interest rate of 3.80%, issued in November 2005 maturing in November 2011. The outstanding balance as of 31 December 2008 is Euro 146.7 (2007: Euro 145.5).
- Loan of Euro 600.0, with a fixed interest rate of 6.02% issued in February 2008 and maturing in February 2015. The outstanding balance as of 31 December 2008 is Euro 596.4.
- Loan of Euro 1,500.0, with a fixed interest rate of 5.395% issued in February 2008 and maturing in February 2011. On the 9 October 2008, OTE repaid Euro 70.0 of the loan to its subsidiary OTE PLC. The prepayment amounted to Euro 72.0 at a price of 99.40% (purchase price – clean price) and represents capital and accrued interest to the repayment date. The outstanding balance as of 31 December 2008 is Euro 1,424.8.

(Table 26)

	2008	2007		2008	2007
<b>COMPANY</b>			<b>GROUP</b>		
(a) Loan from European Investment Bank / Hellenic State	18.9	36.4	(a) Loan from European Investment Bank / Hellenic State	18.9	36.4
(b) Intercompany loans from OTE PLC	3,288.2	1,266.3	(b) Syndicated loans	500.0	500.0
<b>Total long-term debt</b>	<b>3,307.1</b>	<b>1,302.7</b>	(c) Global Medium-Term Note Programme	5,464.5	3,360.4
Short-term portion	(18.9)	(17.5)	(d) Other bank loans	59.2	133.6
<b>Long-term portion</b>	<b>3,288.2</b>	<b>1,285.2</b>	<b>Total long-term debt</b>	<b>6,042.6</b>	<b>4,030.4</b>
			Short-term portion	(633.0)	(83.3)
			<b>Long-term portion</b>	<b>5,409.6</b>	<b>3,947.1</b>

## GROUP

### *(a) Loan from European Investment Bank / Hellenic State*

See the above analysis for the Company.

### *(b) Syndicated Loans*

On 2 September 2005, OTE PLC signed a Euro 850.0 Syndicated Credit Facility with banks, guaranteed by OTE. The facility has a five year term with an extension option of 1+1 year subject to lenders' consent. The facility consists of: a) a Euro 500.0 Term Loan and b) a Euro 350.0 Revolving Credit Facility. The loan bears a "margin adjustment clause" whereby the margin is adjustable based on OTE's long-term credit rating. The loan agreement includes a change of control clause which is triggered when there is a change of control in OTE which will result in a credit rating of OTE or the new legal entity at a level lower of BBB/Baa2. In the case the clause is triggered, OTE PLC is obliged to notify the banks, which can request the immediate repayment of the loan. On 6 September 2005, OTE PLC drew Euro 500.0 under the Term Loan. Up to 31 December 2008, no draw-downs have been made from the Revolving Credit Facility.

At OTE PLC's request and following the banks' consent, the maturity of the loan was extended as follows:

- a) for Euro 25.8 (Term Loan) and Euro 18.0 (Revolving Credit Facility) to September 2010*
- b) for Euro 29.0 (Term Loan) and Euro 20.3 (Revolving Credit Facility) to September 2011 and*
- c) for Euro 445.2 (Term Loan) and Euro 311.7 (Revolving Credit Facility) to September 2012.*

In May 2008, Moody's down graded OTE's long-term rating from Baa1 to Baa2. According to several terms included in the agreement between the Greek State and DEUTSCHE TELEKOM AG, the Greek State's interest in OTE may potentially decrease below 20%. As a result, the Company's support by the Greek State was downgraded to "low" from "average". This modification resulted in the long-term rating being changed to Baa2. Since the Company's underlying business fundamentals and financial strength remain unchanged, the rest of the factors used to assess the Company's rating have remained unchanged.

The current credit rating of OTE has resulted in an adjustment to the margin as follows: for the Term

Loan to 0.25% and for the Revolving Credit Facility to 0.225%.

### **(c) Global Medium Term Note Programme**

OTE PLC has a Global Medium Term Note Program guaranteed by OTE, of Euro 6,500 with OTE as guarantor.

On 12 February 2008, OTE PLC completed the issuance of two bonds amounting to Euro 1,500.0 and Euro 600.0 under the Global Medium Term Note Programme, for the refinancing of the balance of the short-term loan which was obtained in November 2007 for the acquisition of COSMOTE's shares by OTE.

As at 31 December 2008, notes for a total of Euro 5,500.0 under the Global Medium Term Note Programme were issued, as follows:

- (i) Euro 1,250.0 notes at a fixed rate 5.0%, issued in August 2003, maturing on 5 August 2013.*
- (ii) Euro 650.0 notes fixed at a rate 3.75%, issued in November 2005 maturing on 11 November 2011.*
- (iii) Euro 900.0 notes at a fixed rate 4.625%, issued in November 2006 maturing on 20 May 2016.*
- (iv) Euro 600.0 notes with floating rate, issued in November 2006 maturing on 21 November 2009.*
- (v) Euro 1,500.0 notes issued in February 2008, maturing on 14 February 2011 with a fixed rate of 5.375% and*
- (vi) Euro 600.0 notes issued in February 2008, maturing on 12 February 2015, with a fixed rate of 6.0%.*

These bonds are traded on the Luxembourg Stock Exchange.

The Euro 900.0 and Euro 600.0 bonds issued in November 2006 and the Euro 1,500.0 and Euro 600.0 bonds issued in February 2008 also include a change of control clause applicable to OTE which is triggered if both of the following events occur:

- a) any person or persons acting in concert (other than the Hellenic Republic) at any time directly or indirectly come (s) to own or acquire (s) more than 50% of the issued ordinary share capital or of the voting rights of OTE, and*
- b) as a consequence of (a), the rating previously assigned to the bonds by any international rating agency is withdrawn or down graded to BB+/Ba1 or their respective equivalents (Sub-investment grade), within a specific period and under specific terms and conditions.*

In the event that the clause is triggered OTE PLC is obliged to notify the banks, which can request (within 45 days) the repayment of the loan.

The terms of the bonds (v) and (vi) include a step-up clause triggered by changes in the credit rating of OTE (“step up clause”). The bond coupon may increase by 1.25% in the event that:

- a) one or both of the two credit rating agencies (Moody’s and Standard and Poor’s) downgrades the rating to BB+, Ba1 and under (sub-investment grade), or
- b) both rating agencies (Moody’s and Standard and Poor’s) cease or are unable to perform the credit rating of OTE.

The coupon can increase once only during the whole bond duration and only for the period the credit rating of OTE remains at sub-investment grade.

#### **Derivatives**

On 21 July 2008, OTE PLC entered into an interest rate swap with Goldman Sachs that has a notional of Euro 65.0 and matures on 5 August 2013. The swap has been designated as the hedging instrument in the Fair Value hedge of a portion of OTE PLC’s Euro 1,250.0 bond, which bears a fixed rate of 5.0% and matures in 2013. OTE PLC will receive 5.0% annually from Goldman Sachs and pay three month Euribor less 0.05% every quarter. The gain from the change in the fair value of the swap has been recorded in the line “interest expense” and is offset by the loss from the change in fair value of the loan. Any ineffectiveness arising is immaterial.

On 1 October 2008, the Group designated an existing swap, with a notional of Euro 200.0 and which matures on 2 September 2010 as the hedging instrument in a cash flow hedge of the cashflows of a portion of a syndicated loan of Euro 500.0 which bears a variable interest rate. The Group receives Euribor and pays a fixed rate of 3.671% on a quarterly basis. The effective portion of the change in fair value of the swap is a loss of Euro 6.3 and has been recorded in equity, the ineffective portion of Euro 0.3 has been recorded in the income statement.

#### **(d) Other bank loans**

ROMTELECOM has obtained long-term loans in Euro and Korea Won, the outstanding balance of which

amount to Euro 54.8 as at 31 December 2008. Of these loans, two with outstanding balances of Euro 7.9 and Euro 16.1 are in Euro with fixed interest rates of 6.12% and 5.00% maturing in 2009 and 2012 respectively. The remaining three loans with outstanding balances of Euro 8.0, Euro 13.7 and Euro 9.1 are in Korean Won with a fixed interest rate of 4.20%, 2.50% and 2.50% and maturing in 2014, 2018 and 2020, respectively. During 2008, ROMTELECOM repaid an amount of Euro 13.4 out of its long-term debt.

On 10 May 2005, GLOBUL entered into a credit facility agreement with Bank Austria, with a three year credit facility of Euro 75.0 maturing in 2008, bearing interest at Euribor + 1.25%. Draw-downs under the facility through to 31 December 2007 amounted to Euro 50.0. The outstanding balance was repaid in full during 2008 with proceeds from an inter company loan from OTE PLC.

E-VALUE, a GERMANOS subsidiary, entered into a credit facility of Euro 3.0 with EFG Eurobank, maturing in 2008 with a floating interest of EURIBOR + 0.55%. During 2008, the company refinanced this loan, with a new loan of Euro 2.0 maturing in 2010 and bearing a variable rate of Euribor + 0.90%. As at 31 December 2008, the balance outstanding was Euro 2.0.

#### **19. PROVISIONS FOR PENSIONS, STAFF RETIREMENT INDEMNITIES AND OTHER EMPLOYEE BENEFITS**

OTE employees are covered by various pension, medical and other benefit plans as summarized below:

##### ***Defined Contribution Plans:***

##### **(a) Main Pension Fund (TAP-OTE):**

The TAP-OTE Fund, a multi-employer fund to which OTE contributes, is the main fund providing pension and medical benefits to OTE employees. The employees of the National Railway Company and the Greek Post Office are also members of this Fund.

According to Law 2257/1994, OTE was liable to cover the annual operating deficit of TAP-OTE up to a maximum amount of Euro 32.3, which could be adjusted with the Consumer Price Index. Pursuant to Greek legislation (Law 2768/1999), a fund was incorporated on 8 December 1999, as a société anonyme

under the name of EDEKT-OTE S.A. (“EDEKT”), for the purpose of administering contributions to be made by OTE, the Hellenic State and the Auxiliary Pension Fund, in order to finance the TAP-OTE deficit. The Hellenic State’s and the Auxiliary Pension Fund’s contributions to EDEKT were set to Euro 264.1 and Euro 410.9, respectively. Pursuant to Law 2937/2001, OTE’s contribution was set at Euro 352.2, representing the equivalent to the net present value of ten (10) years’ (2002-2011) contributions to TAP-OTE. This amount was paid on 3 August 2001 and is being amortized over the ten-year period, the annual amortization charge being Euro 35.2 and included in “Payroll and employee benefits”. Pursuant to Law 2843/2000, any deficits incurred by TAP-OTE are covered by the Hellenic State.

Pursuant to Law 3029/2002, the duration over which employers are obliged to cover the annual deficits of pension funds of employees will be determined by Ministerial Decision.

As a result of Law 3655/2008 (FEK 55 A/3.4.08) relating to the pension issue, the pension segment of TAP OTE was incorporated into IKA-ETEAM (the main social security of Greece) from 1 August 2008, with a gradual reduction of contributions from TAP OTE to those of IKA, which is expected to commence in 2013 and conclude in 2023 in three equal installments. At the same time, the Medical segment of TAP OTE as well as the two segments of the Auxiliary fund (the Lump – Sum Payment segment and the Additional Pension segment) were incorporated from 1 October 2008 into TAYTEKO.

In conjunction with the new Law, it is anticipated that the shares of TAP OTE in the share capital of EDEKT-OTE, will pass to IKA-ETEAM from the date this Section is transferred to IKA-ETEAM.

**(b) Auxiliary Pension Fund:**

- (i) *The Auxiliary Fund-Lump Sum segment provides members with a lump sum benefit upon retirement or death.*
- (ii) *The Auxiliary Pension Benefit Fund provides to those members, who were members prior to 1993, with a pension of 20% of salary after 30 years service. Law 2084/92 has fixed minimum contributions and maximum benefits, after 35 years of service, for new entrants from 1993.*

Based on actuarial studies performed in prior years and on current estimations, these pension funds show (or will show in the future) increased deficits. OTE does not have a legal obligation to cover any future deficiencies of these funds and, according to management; neither does it voluntarily intend to cover such possible deficiencies. However, there can be no assurance that OTE will not be required (through regulatory arrangements) to make additional contributions in the future to cover operating deficits of these funds.

Loans and advances to pension funds are analyzed in the following table 27.

(Table 27)

	<b>2008</b>	<b>2007</b>
Loans and advances to:		
EDEKT	105.6	140.9
Auxiliary Fund	2.6	4.0
Interest bearing loan to Auxiliary Fund	131.5	120.6
<b>Total</b>	<b>239.7</b>	<b>265.5</b>
Loans and advances to:		
EDEKT	35.2	35.2
Auxiliary Fund	0.5	0.5
Interest bearing loan to Auxiliary Fund	9.5	-
<b>Short-term portion</b>	<b>45.2</b>	<b>35.7</b>
<b>Long-term portion</b>	<b>194.5</b>	<b>229.8</b>

Loans to pension funds are reflected in the financial statements at amortized cost, having been discounted, using appropriate Greek market rates, on initial recognition to their present values.

Article 74 of Law 3371/2005 and the provisions of the related Ministerial Decision, provided that OTE should grant an interest bearing loan to the Auxiliary Fund in order to cover the Lump Sum benefits upon retirement due to participants of the Voluntary Retirement Program. On 23 October 2006, the loan agreement was signed and its main terms are as follows: the total amount of the loan is up to Euro 180.0, which will be granted partially in accordance with the Fund’s needs, as determined by the above mentioned Law and the related Ministerial Decision. If the Lump Sum benefits exceed the amount of Euro 180.0, OTE will grant the additional amount, which can not exceed the amount of Euro 10.0. In this case, the above



mentioned agreement will be amended in order to include the final amount of the loan and to update the repayment schedule. Following the above mentioned terms, on 30 October 2007 and on 21 May 2008 two amendments to the loan agreement were signed based on which additional amounts of Euro 8.0 and Euro 1.3 were granted and the repayment schedule was updated so that as at 31 December 2008, the total loan granted amounted to Euro 189.3. The loan is repayable in 21 years including a two year grace period, meaning that the repayment started on 1 October 2008 through monthly installments. The loan bears interest at 0.29%.

#### **Defined Benefit Plans:**

##### **(a) Provision for Staff Retirement Indemnities**

Under Greek labor law, employees are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the employee's compensation, length of service and manner of termination (dismissal or retirement). Employees who resign (except those with over fif-

teen years of service) 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. In the case of OTE employees, the maximum amount is limited to a fixed amount (Euro 0.02 and is adjusted annually according to the inflation rate), plus 9 months salary. In practice, OTE employees receive the lesser amount between 100% of the maximum liability and Euro 0.02 plus 9 months' salary. Employees with service exceeding 25 years are entitled to draw loans against the accrued indemnity payable to them upon retirement.

The provision for staff leaving indemnity is reflected in the financial statements in accordance with IAS 19 "Employee Benefits" and is based on an independent actuarial study.

The components of the staff retirement indemnity expense are as indicated in table 28.

Changes in the present value of the staff leaving indemnities are as indicated in table 29.

(Table 28)

	2008		2007	
	COMPANY	GROUP	COMPANY	GROUP
Current service cost	15.3	18.4	16.3	18.7
Interest cost on benefit obligation	14.9	15.5	13.5	14.5
Amortization of past service cost	7.8	6.7	7.8	7.8
Amortization of unrecognized actuarial loss	1.0	2.7	2.9	3.8
	<b>39.0</b>	<b>43.3</b>	<b>40.5</b>	<b>44.8</b>

(Table 29)

	2008		2007	
	COMPANY	GROUP	COMPANY	GROUP
Defined benefit obligation - beginning of the year	312.3	331.3	316.7	332.6
Current service cost	15.3	18.4	16.3	18.7
Interest cost	15.0	15.5	13.5	14.5
Actuarial loss/(gain)	12.2	11.1	-	(23.1)
Past service cost	1.0	2.5	(22.3)	4.1
Benefits paid	(17.4)	(19.6)	(27.5)	(32.0)
Termination benefits based on Voluntary Leave Scheme	-	-	16.5	16.5
<b>Defined benefit obligation - end of the year</b>	<b>338.4</b>	<b>359.2</b>	<b>313.2</b>	<b>331.3</b>
Unrecognised actuarial losses	(55.6)	(55.3)	(44.1)	(44.3)
Unrecognised past service costs	(49.0)	(49.0)	(56.7)	(56.7)
<b>Defined benefit liability - end of the year</b>	<b>233.8</b>	<b>254.9</b>	<b>212.4</b>	<b>230.3</b>

The assumptions underlying the actuarial valuation of the Company are as indicated in table 30.

(Table 30)

	2008	2007
Discount rate	5.5%	4.8%
Assumed rate of future salary increases	6.5%	5.5%

### (β) Youth Account

The Youth Account provides OTE's employees' children a lump sum payment generally when they reach the age of 25. The lump sum payment is made up of employees' contributions, interest thereon and OTE's contributions which can reach up to a maximum 10 months' salary of the total average salary of OTE employees depending on the number of years of contributions.

The provision for benefits under the Youth Account is based on an independent actuarial study.

The amount of the Youth Account provision recognized in income statement is represented in table 31.

(Table 31)

	2008	2007
Current service cost	19.9	21.8
Interest cost on benefit obligation	11.8	11.8
Amortization of unrecognized actuarial loss	31.8	10.7
Amortization of past service cost	5.8	3.2
	<b>69.3</b>	<b>47.5</b>

The following is a reconciliation of the projected benefit obligation to the liability recorded for the Youth Account benefits as shown in table 32.

(Table 32)

	2008	2007
Projected benefit obligation at beginning of year	202.5	206.5
Service cost-benefits earned during the year	19.9	21.8
Interest cost on projected benefit obligation	11.8	11.8
Amortization of unrecognized actuarial loss	31.8	10.7
Amortization of past service cost	5.8	3.2
Benefits paid	(56.2)	(51.5)
Projected benefit obligation at end of year	215.6	202.5
Employee's accumulated contributions	70.7	71.0
	<b>286.3</b>	<b>273.5</b>

The reconciliation of the total defined benefit obligation regarding the Account to the benefit liability is as shown in table 33.

(Table 33)

	2008	2007
Defined benefit obligation	277.7	286.4
Unrecognised actuarial losses	(56.1)	(72.1)
Unrecognised past service costs	(6.0)	(11.8)
Benefit liability	<b>215.6</b>	<b>202.5</b>

The assumptions underlying the actuarial valuation, of the Youth Account are as shown in table 34.

(Table 34)

	2008	2007
Discount rate	5.0%	4.5%
Assumed rate of future salary increase	4.5%	4.5%

### Voluntary Leave Scheme

On 25 May 2005, the management of OTE and OME-OTE (the personnel union body) signed a Collective Labor Agreement which stipulates the staff hiring procedures. In accordance with this agreement, all new recruits by OTE will be covered with indefinite service agreements.

The agreement became effective from the date the relevant law for the voluntary leave of OTE staff came into force.

The enactment of Article 74 of Law 3371/2005 (Government Gazette 178/14.7.2005) and the Collective Labor Agreement signed between OTE and OME-OTE on 20 July 2005, instituted the framework for the voluntary retirement scheme. Pursuant to this Law and the collective labor agreement, employees who would complete the number of years of service required for retirement up to 31 December 2012 would be entitled to full pension and other benefits.

Employees that desired to come under the provisions of the above mentioned Law, with the decision of TAP OTE, such factitious time insured as the one required for the vesting of the retirement right was recognized. The same decision for the recognition of factitious time was also taken by the Auxiliary Fund.

The cost components of the voluntary leave are as follows:

- *The cost of employer's and employees' contributions to TAP-OTE for the period required for the employees to be entitled to pension,*
- *The amount of pensions TAP OTE will be required to prepay to these employees,*
- *The total cost of employer's and employees' contributions to the Auxiliary Fund for the period required for the employees to be entitled to pension,*
- *The amount of pensions the Auxiliary Fund will be required to prepay to these employees,*
- *The total cost of employees' contributions to Auxiliary Fund for the Lump Sum benefit,*
- *The total cost of bonuses based on the collective labor agreement signed on 20 July 2005 and*
- *The termination payments upon retirement of the employees (staff retirement indemnities).*

Because of the periodical payments of the majority of the above mentioned costs (payments through to 2012), the nominal amounts of these liabilities were discounted at their present values.

The increase which resulted during 2008 due to the discounting of the provision from the passage of time amounted to Euro 8.1 (2007: Euro 12.3) and is included in the 2008 income statement under interest expense.

Based on the estimated period of payment, these obligations are classified according to table 35.

The movement of the provision for the cost of the Voluntary Leave Scheme is as shown in table 36.

Based on the provisions of Law 3371/2005, the Greek State will contribute a 4% stake in OTE's share capital to TAP-OTE for the portion of the total cost that relates to employer's and employees' contributions to TAP-OTE and to the amount of pensions TAP OTE will be required to prepay, subject to EU approval.

In May 2007, the European Commission by its relevant decision with reference number C 2/2006 (ex L 405/2005) judged that the Greek State's proposal to grant a 4% of its stake to TAP OTE, according to article 74 of L.3371/2005 was not against common market regulations as defined in article 87 paragraph 3. The total contribution of the Greek State to TAP OTE according to the above decision could not exceed the amount of Euro 390.4. The exact amount would depend on the timing and the procedures that will be followed by the Greek State for the implementation of the decision.

On 27 February 2008, the management of OTE and OME-OTE (the employee's union) signed a Collective Labor Agreement, according to which, employees who would complete the number of years required for retirement by 29 December 2008, would be entitled to benefits in order to retire the latest by 30 December 2008. The deadline for the applications for participating in this Voluntary Scheme was due on 21 March 2008. Applications were irrevocable. The respective

(Table 35)

	<b>2008</b>	<b>2007</b>
Short-term portion of the provision for Voluntary Leave Scheme	275.8	200.2
Long-term portion of the provision for Voluntary Leave Scheme	107.2	217.5
<b>Total</b>	<b>383.0</b>	<b>417.7</b>

(Table 36)

<b>Balance as of 1 January 2007</b>	<b>678.1</b>
Payments during year 2007	(256.2)
Adjustment due to re-estimation	(16.5)
Adjustment due to time value of money	12.3
<b>Balance as of 31 December 2007</b>	<b>417.7</b>
<b>Balance as of 1 January 2008</b>	<b>417.7</b>
Payments during year 2008	(42.8)
Adjustment due to time value of money	8.1
<b>Balance as of 31 December 2008</b>	<b>383.0</b>

cost amounted to Euro 12.2 and is included in the line “Cost of early retirement program” in the 2008 income statement.

In addition, included in the 2008 Group’s income statement is an amount of Euro 38.0 which is the cost of ROMTELECOM’s early retirement program and is included in the line “Cost of early retirement program”.

## 20. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are analyzed according to table 37.

## 21. SHORT-TERM BORROWINGS

The outstanding balance as of 31 December 2008 for the Group amounted to Euro 5.1. The weighted average interest rates on short-term borrowings for the years ended 31 December 2008 and 2007, was approximately 6.1% and 4.5% respectively. The outstanding balance of short-term loans is analyzed as follows:

- *On 9 November 2007, OTE PLC signed a short term credit facility agreement for an amount of Euro 2,700.0 with a consortium of banks, under the full guarantee of OTE, for the financing of the acquisition of minority shares of COSMOTE by OTE. The loan had a tenor of 1 year with a 3-month extension option and bears interest defined as Euribor plus a margin adjustable on the basis of the long-term credit rating of OTE. According to the current credit rating of OTE the margin was set at 0.30%. As at 31 December 2007, OTE PLC had drawn-down Euro 1,500.0.*

*The proceeds of the loan were lent to OTE through an intercompany loan of an equivalent amount, signed also on 9 November 2007, which includes similar terms and conditions.*

*During 2008, a further Euro 600.0 was drawn down which was repaid together with the initial draw down of Euro 1,500.0 with the proceeds from the issue of two bonds under the Global Medium Term Note Programme (Note 18) of Euro 1,500.0 and Euro 600.0.*

- *OTE PLUS and its subsidiaries loans of Euro 4.1*
- *VOICENET loans of Euro 0.7*
- *E-VALUE loans of Euro 0.3*

## 22. INCOME TAXES – DEFERRED TAXES

In accordance with the Greek tax regulations (Law 3296/2004), the income tax rate, was 25% for 2007 and onwards. In accordance with article 19 of Law 3697/2008 the income tax rate will gradually reduce as follows: 24% for 2010, 23% for 2011, 22% for 2012, 21% for 2013 and 20% for 2014 and onwards.

Greek tax regulations and related clauses are subject to interpretation by the tax authorities and administrative courts of law.

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 tax payer and a final assessment is issued. Net operating losses which are tax deductible, can be carried forward against taxable profits for a period of five years from the year they are generated.

(Table 37)

	2008		2007	
	COMPANY	GROUP	COMPANY	GROUP
Provision for employee’s contributions under early retirement programs	4.4	4.4	4.5	4.5
Asset retirement obligation	-	5.9	-	5.5
Provision for obligation of free units	37.0	37.0	36.9	36.9
Deferred revenue (long-term)	-	18.0	-	28.8
MICROSTAR (see Note 23)	-	-	-	153.3
Other	-	9.3	-	4.6
	<b>41.4</b>	<b>74.6</b>	<b>41.4</b>	<b>233.6</b>

Under Greek tax regulations, an income tax advance calculation on each year's current income tax liability is paid to the tax authorities. Such advance is then netted off with the following year's income tax liability. Any excess advance amounts are refunded to the companies following a tax examination.

(Table 38)

<b>Company</b>	<b>OPEN TAX YEARS</b>
<b>Direct ownership</b>	
OTE	From 2006
COSMOTE	From 2006
OTE INTERNATIONAL INVESTMENTS LTD	From 2003
HELLAS SAT	From 2008
COSMO-ONE	From 2002
VOICENET	From 2004
HELLASCOM	From 2007
OTE Plc	From 2005
OTE SAT-MARITEL	From 2004
OTE PLUS	From 2005
OTE ESTATE	From 2003
OTE-GLOBE	From 2007
OTE INSURANCE	From 2003
OTE ACADEMY	From 2007
HATWAVE	From 1996

(Table 39)

<b>Company</b>	<b>OPEN TAX YEARS</b>
<b>Indirect ownership</b>	
OTE INVESTMENTS SERVICES S.A.	From 2005
ROMTELECOM	From 2006
AMC	From 2006
COSMOFON	From 2001
GLOBUL	From 2005
COSMOTE ROMANIA	From 2007
GERMANOS	From 2004
E-VALUE S.A.	From 2003
GERMANOS TELECOM SKOPJE S.A.	From 2008
GERMANOS TELECOM ROMANIA S.A.	From 2003
SUNLIGHT ROMANIA S.R.L. -FILIALA	From 2003
GERMANOS TELECOM BULGARIA A.D.	From 2005
MOBILBEEEP LTD	From 2005
HELLAS SAT A.E	From 2008
OTE MTS HOLDING B.V	From 2005
CHA	From 2007
COSMO-HOLDING CYPRUS	From 2006
REAL ESTATE INVESTMENT COMPANY	From 2008 (incorporation)
OTE PLUS BULGARIA	Tax exempt

The tax audit of the Company for the fiscal years 2002-2005 was completed in early 2008. The authorities imposed additional taxes and fines amounting to Euro 84.4 for fiscal years 2002-2004 and reduced the 2005 tax losses carried forward which resulted to an increase of the 2006 taxable profits and a corresponding increase in taxes by Euro 6.4, after the recognition of the expenses in 2006 that were disallowed by the tax authorities in 2005. The Company had recognized a provision of Euro 42.0 in previous years. The difference of Euro 42.4 was charged to the 2007 income statement.

The tax examination of GERMANOS for the fiscal years 2004 and 2007 is in progress, and is expected to be completed within 2009.

The tax audit of ROMTELECOM for the fiscal years 2001-2005 was completed in March 2008. Additional taxes of Euro 20.2 were imposed, which were netted-off against the respective provision which had been established in previous years, with no impact to the 2008 income statement.

During 2008, the tax audit of OTE GLOBE for the fiscal years 2002-2006 was started and completed. Additional taxes of Euro 0.6 were imposed, which were netted-off against the respective provision which had been established in previous years, with no impact to the 2008 income statement.

During 2008, the tax audit of OTE ESTATE for the fiscal years 2001 and 2002 was completed and, although the additional taxes due, amounted to Euro 15.3, this was subsequently revised downwards by the tax authorities, to Euro 7.9. In addition, the tax authorities imposed additional taxes of Euro 16.8 relating to the share capital increase in 2001 against which the company has set up a provision of Euro 10.3 which was

charged to the 2008 income statement. The company has decided to file lawsuits against the tax authorities' decision, before the Administrative Courts.

In December 2008, the tax audit of the Cypriot company OTE INTERNATIONAL INVESTMENTS LTD for the years 1998-2002 was completed without any additional taxes being imposed.

The tax audit of OTE SAT - MARITEL for the fiscal years 2004 and 2005 is in progress and is expected to be completed within 2009.

During 2008, the tax audit of HELLAS SAT for the fiscal years 2002- 2007 was completed and additional taxes of Euro 0.5 were imposed.

During 2008, the tax audit for the fiscal years 2004-2006 in COSMOTE ROMANIA was completed, without any additional taxes being imposed.

The tax audit of E-VALUE S.A. for the fiscal years 2003-2005 is in progress and is expected to be completed within 2009.

The major components of income tax expense for the years ended 31 December 2008 and 2007 are as shown in table 40.

A reconciliation between tax expense and the accounting profit multiplied by tax rates in force (2008:25%, 2007:25%) is as shown in table 41.

Deferred taxes are recognized on the temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts recognized for taxation purposes and are analyzed as shown in table 42, 43.

The movement in deferred tax of the Company and the Group is as shown in table 44.

(Table 40)

	2008		2007	
	COMPANY	GROUP	COMPANY(*)	GROUP
Current income tax	112.5	311.7	166.3	341.5
Deferred income tax	(29.3)	(65.5)	46.1	40.3
<b>Total income tax</b>	<b>83.2</b>	<b>246.2</b>	<b>212.4</b>	<b>381.8</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(Table 41)

	2008		2007	
	COMPANY	GROUP	COMPANY(*)	GROUP
Profit before tax	446.5	844.0	792.1	1,154.8
Statutory tax rate	25%	25%	25%	25%
Tax at statutory rate	111.6	211.0	198.0	288.7
Non-taxable and specially taxed income	(69.3)	-	(43.0)	-
Effect of different rates in different countries	-	11.8	-	16.5
Effect of changes to tax rates	11.7	(9.8)	-	2.6
Expenses non-deductible for tax purposes	15.3	21.9	13.1	16.0
Losses from consolidated subsidiaries not deductible	-	11.9	-	19.2
Differences arising from tax audits	-	7.9	48.8	48.8
Untaxed reserve (Law 3299/2004)	-	(7.5)	(7.5)	(7.5)
Other	13.9	(1.0)	3.0	(2.5)
<b>Income tax</b>	<b>83.2</b>	<b>246.2</b>	<b>212.4</b>	<b>381.8</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(Table 42)

COMPANY	BALANCE SHEET		INCOME STATEMENT	
	2008	2007	2008	2007
Voluntary retirement scheme	95.6	106.8	(11.2)	(59.3)
Staff retirement indemnities	38.7	47.7	(9.0)	2.5
Youth Account	49.8	50.7	(0.9)	(0.9)
Employee benefits	44.5	44.4	0.1	5.7
Provisions	51.0	20.5	30.5	(10.5)
Deferred income	4.4	5.1	(0.7)	5.1
Other	-	3.3	(3.3)	(0.2)
<b>Deferred tax assets</b>	<b>284.0</b>	<b>278.5</b>		
Offset of Deferred tax liabilities	(96.0)	(119.8)		
<b>Deferred tax assets, net</b>	<b>188.0</b>	<b>158.7</b>		
Property, plant and equipment	(64.5)	(85.8)	21.3	7.6
Capitalized interest	(25.9)	(32.2)	6.3	5.1
Unbilled revenue	(3.3)	-	(3.3)	-
Loan fees	(2.3)	(1.8)	(0.5)	(1.2)
<b>Deferred tax liabilities</b>	<b>(96.0)</b>	<b>(119.8)</b>		
To be offset against deferred tax asset	96.0	119.8		
<b>Deferred tax income/(expense)</b>			<b>29.3</b>	<b>(46.1)</b>
<b>Deferred tax assets, net</b>	<b>188.0</b>	<b>158.7</b>		

(Table 43)

GROUP	BALANCE SHEET		INCOME STATEMENT	
	2008	2007	2008	2007
<b>Deferred tax assets</b>				
Voluntary retirement scheme	95.6	106.8	(11.2)	(61.1)
Staff retirement indemnities	42.8	51.0	(8.2)	5.7
Youth Account	49.8	50.7	(0.9)	(0.9)
Employee benefits	44.9	44.4	0.5	5.3
Property, plant and equipment	83.9	63.5	10.3	6.7
Provisions	75.7	33.3	42.4	(16.4)
Carry forward tax losses	5.4	5.9	(0.5)	4.7
Deferred income	7.9	8.6	(0.7)	(1.1)
Fair value adjustment on acquisition	53.9	56.3	(2.4)	(2.4)
Other	14.1	24.0	(9.8)	(2.3)
	<b>474.0</b>	<b>444.5</b>		
Offset of deferred tax liabilities	(187.2)	(183.7)		
<b>Deferred tax asset</b>	<b>286.8</b>	<b>260.8</b>		
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(166.3)	(196.2)	29.9	3.9
Capitalized interest	(27.1)	(33.7)	6.6	5.3
Unbilled revenue	(5.6)	(0.2)	(5.4)	0.4
Loan fees	(3.5)	(3.5)	-	(0.8)
Fair value adjustment on acquisition	(89.0)	(110.2)	21.2	3.7
Other	(12.4)	(6.1)	(6.3)	9.0
	<b>(303.9)</b>	<b>(349.9)</b>		
To be offset against deferred tax asset	187.2	183.7		
<b>Deferred tax liabilities,</b>	<b>(116.7)</b>	<b>(166.2)</b>		
<b>Deferred tax income/(expense)</b>			<b>65.5</b>	<b>(40.3)</b>
<b>Deferred tax assets, net</b>	<b>170.1</b>	<b>94.6</b>		

*COSMOTE ROMANIA has carried forward tax losses as of 31 December 2008 of Euro 181.6. A deferred tax asset has not been recognised in respect of these losses due to the uncertainty of the timing of available profits against which the losses could be offset.*

(Table 44)

	2008		2007	
	COMPANY	GROUP	COMPANY(*)	GROUP
Deferred tax (net) – beginning of year	158.7	94.6	204.8	127.4
Tax charged to the income statement	29.3	65.5	(46.1)	(40.3)
Foreign exchange differences	-	10.0	-	7.5
<b>Deferred tax (net)- end of year</b>	<b>188.0</b>	<b>170.1</b>	<b>158.7</b>	<b>94.6</b>



### 23. OTHER CURRENT LIABILITIES

Other current liabilities are analyzed as shown in table 45.

On 15 January 2007, Mr. Panos Germanos acquired a participation of 10% in the share capital of COSMOTE's subsidiary COSMOHOLDING CYPRUS LTD, by subscribing to 100 registered shares (Class B) for a total amount of Euro 144.5, through the 100% controlled by him Cypriot holding company, MICROSTAR Ltd. Therefore, as of 31 December 2007 and 2008, COSMOTE's participation in COSMOHOLDING CYPRUS LTD, amounted to 90.0%, and COSMOTE indirect participation in GERMANOS via COSMOHOLDING CYPRUS LTD, amounted to 90.0%.

The Group consolidates COSMOHOLDING CYPRUS LTD, on a 100% basis since in accordance with the terms of the class B shares, the terms of whom are guaranteed by COSMOTE, do not have a right to a dividend, return of capital, profits or other form of distribution. These shares are redeemable by COSMOHOLDING CYPRUS LTD or any other party indicated

by COSMOTE on 31 December 2009 or on 31 December 2011, if the controlling shareholder MICROSTAR Ltd so chooses, at a price which depends on the achievement of certain corporate targets until the purchase date. In addition, the Class B shares could be prematurely purchased after the request (a) of the holder in the case of change of control of COSMOTE or OTE, or (b) if either COSMOHOLDING CYPRUS LTD or the holder in the case COSMOTE, decides to sell its stake in COSMOHOLDING CYPRUS to third parties not under its direct or indirect control.

As of 31 December 2008, COSMOHOLDING CYPRUS LTD held a 100% share in GERMANOS. The amount of Euro 144.5 plus Euro 15.8 which relates to accrued interest (total Euro 160.3) is presented in the consolidated balance sheet under other current liabilities as it is estimated that these shares will be purchased by 31 December 2009, at a price depending on the achievement of specified targets.

The movement in the provision for litigation and other liabilities is as shown in table 46.

(Table 45)

	2008		2007	
	COMPANY	GROUP	COMPANY(*)	GROUP
MICROSTAR (See Note 20)	-	160.3	-	-
Employer contributions	44.9	63.6	55.1	74.3
Payroll	23.3	34.0	18.1	27.5
Other taxes - duties	39.7	102.4	29.4	79.5
Interest payable	125.8	164.0	30.6	66.2
Provision for employees contributions under early retirement programs	3.4	3.4	5.0	5.0
Provisions for litigation and other liabilities	109.4	110.5	121.3	126.8
Customer advances	49.7	55.6	38.8	40.4
Other	8.9	144.4	11.7	168.1
	<b>405.1</b>	<b>838.2</b>	<b>310.0</b>	<b>587.8</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(Table 46)

	COMPANY	GROUP
Balance 1/1/2008	121.3	126.8
Addition during the year	0.8	2.1
Utilized	(5.2)	(10.9)
Unused amounts reversed	(7.5)	(7.5)
<b>Balance 31/12/2008</b>	<b>109.4</b>	<b>110.5</b>

## 24. REVENUE

Revenue is analyzed as shown in table 47.

(Table 47)

	2008		2007	
	COMPANY	GROUP	COMPANY(*)	GROUP
<b>(i) Domestic Telephony</b>				
Monthly network service fees	621.0	910.7	674.8	988.1
Local and long-distance calls				
- Fixed to fixed	434.3	481.9	485.1	565.5
- Fixed to mobile	229.4	325.3	262.8	378.3
	663.7	807.2	747.9	943.8
Other	70.8	96.3	72.5	90.3
	<b>1,355.5</b>	<b>1,814.2</b>	<b>1,495.2</b>	<b>2,022.2</b>
<b>(ii) International Telephony</b>				
International traffic	63.0	93.8	71.0	108.1
Dues from international operators	86.8	136.6	79.8	146.8
Dues from mobile operators	52.6	56.5	46.9	49.6
	<b>202.4</b>	<b>286.9</b>	<b>197.7</b>	<b>304.5</b>
	<b>COMPANY</b>	<b>GROUP</b>	<b>COMPANY(*)</b>	<b>GROUP</b>
<b>(iii) Mobile Telephony</b>	-	<b>2,470.8</b>	-	<b>2,210.0</b>
<b>(iv) Other revenue</b>				
Prepaid cards	45.1	52.2	63.4	76.2
Directories	3.9	3.9	1.3	55.1
Leased lines and Data ATM communications	211.9	336.6	198.5	272.1
Integrated Services Digital Network	135.4	147.5	154.4	166.1
Sales of telecommunication equipment	54.2	617.2	68.6	679.8
Internet/ ADSL	173.8	226.9	172.7	225.7
Co-location / Local Loop	86.2	91.7	26.3	30.8
Metro Ethernet & IP CORE	17.8	23.6	9.6	11.0
Provision for services	165.7	120.4	146.8	68.3
Interconnection charges	112.3	119.4	115.5	108.2
Miscellaneous	25.5	96.0	32.7	89.8
<b>Total other revenue</b>	<b>1,031.8</b>	<b>1,835.4</b>	<b>989.8</b>	<b>1,783.1</b>
<b>Total revenue</b>	<b>2,589.7</b>	<b>6,407.3</b>	<b>2,682.7</b>	<b>6,319.8</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

## 25. OTHER OPERATING EXPENSES

Other operating expenses are analyzed as shown in table 48.

## 26. EARNINGS PER SHARE

Earnings per share (after income taxes,) are calculated by dividing the profit attributable to the shareholders of the Company by the weighted average number of shares outstanding during the period, excluding the average number of own shares that the Company possessed during the period and including (for the diluted earnings per share) the number of shares corresponding to the stock option rights granted.

Earnings per share are analyzed according to table 49.

## 27. SEGMENT INFORMATION

The following information is provided for the reportable segments, which are separately disclosed in the financial statements and which is regularly reviewed by the Company's chief operating decision makers.

(Table 48)

	2008		2007	
	COMPANY	GROUP	COMPANY(*)	GROUP
Third party fees	131.0	208.4	139.3	183.5
Cost of telecommunication materials, repairs and maintenance	63.8	191.5	68.3	201.8
Advertising and promotion costs	46.6	212.9	49.4	208.3
Utilities	60.0	114.9	55.6	93.6
Provision for doubtful accounts	75.5	119.8	55.9	88.0
Other provisions	0.8	2.1	15.7	18.1
Travel costs	7.9	18.1	8.1	18.9
Commissions to independent commercial distributors	-	253.4	-	244.1
Payments to Audiotex providers	5.8	8.7	10.3	14.3
Rents	73.7	90.9	72.0	88.0
Taxes, other than income tax	9.9	51.7	14.8	56.3
Transportation costs	6.4	11.8	5.9	13.0
Other	12.1	44.5	14.1	65.3
	<b>493.5</b>	<b>1,328.7</b>	<b>509.4</b>	<b>1,293.2</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

Segments were determined based on the Group's legal structure, as the Group's chief operating decision makers review financial information separately reported by the parent company (OTE) and each of the Group's consolidated subsidiaries, or the sub groups included in the consolidation.

Using the quantitative thresholds OTE, COSMOTE GROUP and ROMTELECOM have been determined as reportable segments. Information about operating segments that do not constitute reportable segments has been combined and disclosed in an "All Other" category.

Accounting policies of the operating segments are the same as those followed for the preparation of the financial statements. Management evaluates segment performance based on operating income before depreciation, operating income and net income.

Segment information and reconciliation to the Group's consolidated figures are as shown in tables 50, 51.

(Table 49)

	<b>GROUP</b>	
	<b>2008</b>	<b>2007</b>
Profit attributable to shareholders of the parent	601.8	662.6
Weighted average number of shares for basic earnings per share	490,150,389	490,150,389
Share options	6,008,060	-
Weighted average number of shares adjusted for the effect of dilutions	496,158,449	490,150,389
Basic earnings per share	1.2278	1.3518
Diluted earnings per share	1.2129	1.3518

(Earnings per share are in absolute amounts)

(Table 50)

<b>2008</b>	<b>OTE</b>	<b>COSMOTE</b>	<b>ROMTELECOM</b>	<b>OTHER</b>	<b>TOTAL</b>	<b>Eliminations</b>	<b>GROUP</b>
Revenue from external customers	2,362.1	3,064.5	850.5	130.2	6,407.3	-	6,407.3
Intersegment revenue	227.6	197.2	19.3	252.5	696.6	(696.6)	-
Interest income	36.3	29.9	16.2	308.4	390.8	(318.5)	72.3
Interest expense	(194.8)	(145.8)	(7.6)	(301.3)	(649.5)	305.8	(343.7)
Depreciation and amortization	(465.0)	(416.6)	(253.6)	(77.9)	(1,213.1)	0.1	(1,213.0)
Investment income	12.2	-	-	-	12.2	-	12.2
Income tax expense	(83.2)	(148.5)	9.6	(24.1)	(246.2)	-	(246.2)
Operating income	312.2	725.6	-	21.6	1,059.4	(1.7)	1,057.7
Net income	363.3	470.6	(10.8)	20.9	844.0	(242.2)	601.8
Investments	156.4	0.1	-	0.1	156.6	-	156.6
Segment assets	8,873.0	4,806.2	1,873.2	7,742.3	23,294.7	(11,869.5)	11,425.2
Segment liabilities	5,349.0	3,844.9	302.7	6,509.8	16,006.4	(6,770.8)	9,235.6
Expenditures for segment assets	300.7	499.6	125.7	38.0	964.0	-	964.0

(Table 51)

<b>2007</b>	<b>OTE (*)</b>	<b>COSMOTE</b>	<b>ROMTELECOM</b>	<b>OTHER</b>	<b>TOTAL</b>	<b>Eliminations</b>	<b>GROUP</b>
Revenue from external customers	2,452.9	2,878.6	843.3	145.0	6,319.8	-	6,319.8
Intersegment revenue	229.8	181.7	28.6	226.1	666.2	(666.2)	-
Interest income	47.5	21.6	10.1	191.3	270.5	(192.7)	77.8
Interest expense	(98.6)	(145.3)	(5.4)	(185.0)	(434.3)	195.6	(238.7)
Depreciation and amortization	(507.0)	(367.9)	(255.8)	(42.5)	(1,173.2)	1.4	(1,171.8)
Investment income	16.8	-	-	-	16.8	-	16.8
Income tax expense	(212.4)	(145.6)	(2.4)	(21.4)	(381.8)	-	(381.8)
Operating income	314.3	618.0	44.8	71.7	1,048.8	(1.9)	1,046.9
Net income	579.7	361.3	15.5	55.2	1,011.7	(238.7)	773.0
Investments	157.8	-	-	0.6	158.4	-	158.4
Segment assets	8,360.7	4,428.2	2,140.2	7,089.2	22,018.3	(10,485.3)	11,533.0
Segment liabilities	4,811.7	3,680.3	376.2	5,749.6	14,617.8	(6,139.4)	8,478.4
Expenditures for segment assets	297.0	564.5	207.2	32.6	1,101.3	-	1,101.3

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

## 28. RELATED PARTY DISCLOSURES

OTE's related parties have been identified based on the requirements of IAS 24 and comprise of its subsidiaries, its associates, the entities which have a significant influence on OTE, the members of the Board of Directors and the key management personnel.

The Company purchases goods and services from these related parties, and provides services to them. Furthermore, OTE grants and receives loans to / from its subsidiaries and receives dividends.

OTE's purchases and sales with related parties are analyzed according to table 52.

OTE's financial activities with its related parties comprise interest on loans granted and received and can be analyzed according to table 53.

OTE's dividend income from its related parties is analyzed according to table 54.

Amounts owed to and by related parties as a result of current transactions between them are analyzed according to table 55.

Amounts owed by and to OTE relating to loans advanced, are analyzed according to table 56.

The Group's transactions with related parties for 2008 that are not eliminated in consolidation are according to table 57.

There are no Group's transactions with related parties for 2007 that are not eliminated in consolidation.

The main transactions between Group companies are described below:

### a. OTE-GLOBE

- i. *OTE-GLOBE provides international telephony services on behalf of OTE to international provides and invoices OTE with its fees.*
- ii. *OTE-GLOBE invoices OTE, and OTE invoices OTE-GLOBE for the telecommunication traffic which passes through international networks of OTE-GLOBE or international telephone networks of OTE as the case may be. In addition, the two entities have commercial transactions in relation to leased lines.*

(Table 52)

	2008		2007 (*)	
	Sales OTE	Purchases OTE	Sales OTE	Purchases OTE
COSMOTE	184.1	123.4	192.9	125.6
OTE INTERNATIONAL INVESTMENTS LTD	0.5	4.9	0.4	5.5
HELLAS-SAT	0.6	1.7	0.6	1.7
COSMO-ONE	0.1	0.9	-	1.0
VOICENET	5.4	2.9	4.7	0.4
HELLASCOM	0.2	8.5	0.1	6.6
OTE SAT – MARITEL	1.0	2.1	0.9	2.1
OTE PLUS	0.4	36.7	0.3	30.4
OTE ESTATE	1.3	62.2	2.3	59.7
INFOTE	-	-	4.7	3.7
OTE-GLOBE	33.9	74.3	22.4	64.3
OTE ACADEMY	0.1	4.2	0.3	5.1
DEUTSCHE TELEKOM AG (**)	5.9	4.2	-	-
	<b>233.5</b>	<b>326.0</b>	<b>229.6</b>	<b>306.1</b>

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(\*\*): Includes OTE's sales and purchases to and from DEUTSCHE TELEKOM AG for the second half of 2008, when the latter is considered to be a related party of the former.

(Table 53)

	2008		2007	
	Finance income OTE	Finance expense OTE	Finance income OTE	Finance expense OTE
COSMOFON	3.3	-	3.6	-
OTE PLC	1.3	176.7	2.1	73.7
	<b>4.6</b>	<b>176.7</b>	<b>5.7</b>	<b>73.7</b>

(Table 54)

	2008	2007
COSMOTE	245.2	163.2
OTE INTERNATIONAL INVESTMENTS LTD	-	57.3
INFOTE	-	5.0
OTE ESTATE	30.3	-
OTE SAT – MARITEL	0.5	-
	<b>276.0</b>	<b>225.5</b>

(Table 55)

	2008		2007(*)	
	Amounts owed to OTE	Amounts owed by OTE	Amounts owed to OTE	Amounts owed by OTE
COSMOTE	37.9	50.4	39.4	34.4
OTE INTERNATIONAL INVESTMENTS LTD	0.3	1.0	0.2	1.4
HELLAS-SAT	0.5	0.3	4.6	0.6
COSMO-ONE	-	0.7	-	0.2
VOICENET	1.7	0.9	0.1	0.1
HELLASCOM	-	2.9	-	1.4
OTE SAT – MARITEL	0.3	0.6	0.3	0.5
OTE PLUS	0.2	15.9	0.8	12.8
OTE AKINHTA	0.7	0.4	3.1	31.7
OTE-GLOBE	68.0	91.8	49.4	73.2
OTE ACADEMY	-	0.1	0.5	0.8
DEUTSCHE TELEKOM AG	6.3	7.2	-	-
	<b>115.9</b>	<b>172.2</b>	<b>98.4</b>	<b>157.1</b>

(Table 56)

	2008		2007	
	Receivable OTE	Payable by OTE	Receivable OTE	Payable by OTE
COSMOFON	46.8	-	51.8	-
OTE PLC	-	3,423.1	35.4	2,787.0
	<b>46.8</b>	<b>3,423.1</b>	<b>87.2</b>	<b>2,787.0</b>

(Table 57)

	2008		2008	
	Amounts owed to the Group	Amounts owed by the Group	Sales of the Group	Purchases of the Group
DEUTSCHE TELEKOM AG	6.5	7.5	7.6	4.3

**b. VOICENET**

- i. OTE invoices VOICENET for the lease of its lines
- ii. OTE and VOICENET have income and expenses for interconnection depending on which of the two entities network the calls terminate including international telephony traffic which passes through the two networks.

**c. OTE ESTATE**

- i. OTE ESTATE earns rental income from OTE and its subsidiaries.
- ii. OTE invoices OTE ESTATE for additions or improvements made to the land and buildings that belong to OTE ESTATE. The related costs of these additions, representing labor and materials costs, are included in OTE's income statement.

**d. OTE INTERNATIONAL INVESTMENTS LTD**

OTE INTERNATIONAL INVESTMENTS LTD invoices OTE and its subsidiaries for the administration services provided to foreign subsidiaries.

**e. COSMO-ONE**

COSMO-ONE invoices OTE and its subsidiaries for e-commerce services.

**f. OTE SAT – MARITEL**

- i. OTE invoices OTE SAT- MARITEL for the usage of OTE's facilities for INMARSAT services.
- ii. OTE SAT - MARITEL invoices OTE for fixed to mobile connection, which is invoiced by INMARSAT to OTE SAT - MARITEL.

**g. OTE PLUS**

OTE PLUS provides consulting services to OTE.

**h. COSMOTE**

- i. OTE invoices COSMOTE with commissions for mobile connections made through OTE.
- ii. OTE invoices COSMOTE for leased lines.
- iii. OTE and COSMOTE have income and expenses for interconnection depending to which of the two entities network the codes terminate, including international telephony traffic which passes through the two networks.
- iv. COSMOTE provides OTE with mobile equipment.

**i. OTE ACADEMY**

- i. OTE ACADEMY subleases to OTE its training center facilities in Athens and Thessaloniki. OTE ACADEMY leases the premises from OTE ESTATE.
- ii. OTE ACADEMY provides training services to the employees of OTE and its subsidiaries.

**j. HELLASCOM**

Hellascom provides consulting services of technical nature to OTE and construction studies to its subsidiaries.

**k. HELLAS SAT**

- i. HELLAS SAT invoices OTE for transmitter's rental and the provision of satellite capacities.
- ii. OTE invoices HELLAS SAT with a commission on the rental of satellite capacities.

**l. OTE PLC**

OTE PLC has granted interest bearing long-term loans to OTE and subsidiaries.

**m. COSMOFON**

OTE has granted an interest bearing long-term loans to COSMOFON.

**n. DEUTSCHE TELEKOM AG**

OTE has income and expenses which arise from transactions with incoming, outgoing and transit traffic to and from DEUTSCHE TELEKOM AG's network.

Key Management Personnel and those closely related to them are defined in accordance with IAS 24 "Related Party Disclosures". Compensation includes all employee benefits (as defined in IAS 19 "Employee Benefits") including employee benefits to which IFRS 2 "Share-based Payment" applies.

Fees paid to the members of the Board of Directors and key management personnel for 2008 and 2007 amounted to Euro 4.7 and Euro 3.5 respectively.

808,620 options under OTE's share based payment plan (Note 29) have been granted to the Company's key management personnel.

**29. SHARE OPTION PLAN**

During financial year 2008, a share option plan was offered to executives of OTE and its subsidiaries. In July 2008, the General Assembly introduced a plan to unify the OTE plan and the active Cosmote Group plans.

**INITIAL OTE SHARE OPTION PLAN**

Based on OTE's repeating General Assembly of 3 April 2007, the Board of Directors' of 20 December 2007 approved the adoption of a management share option plan (the "Option Plan") based on performance

conditions for OTE's management personnel and Directors of subsidiaries.

The Option Plan permits the Board of Directors to grant Option Rights to eligible employees on an annual basis. Upon their initial participation in the Option Plan, eligible employees become entitled to a number of initial options ("Basic Option Rights"), while, in subsequent years, the Board may also grant to eligible employees further option ("Additional Option Rights") on an annual basis.

Basic Option Rights vest in stages over a three-year period (40%, 30% and 30% upon the first, second and third anniversaries, respectively, on the commencement of the Plan), while Additional Option Rights vest 100%, upon the third anniversary of the commencement of the Plan. The options vest if the employee achieves its personal targets 50% of the department targets are achieved and EBITDA is above budget for the previous two years.

Each Option Right represents the right to one share. Beneficiaries may exercise vested Option Rights within the first four years from the vesting date of such rights for the first vested Option Rights under the Option Plan. The options may be exercised in January of each year following the vesting date except for the last exercise period which is December 2011.

The exercise price of the options that vest during the first year (2008) will be equal to the average closing price of OTE's shares in the second half of the year immediately preceding the date on which the Board of Directors recommended the Option Plan to the General Assembly for approval, being Euro 19.49 (absolute amount) being the average share price for the second half of 2006. The exercise price after the first year is the average price in the month prior to vesting.

#### **INITIAL COSMOTE SHARE OPTION PLAN**

COSMOTE has established a Management Share Option Plan for the purchase of COSMOTE's shares at discounted price. The Plan was approved by the resolution of the General Assemblies held on 31 July 2000 and 6 September 2000 and amended by the resolutions of the General Assemblies held on 12 June 2001, 21 February 2002, 27 January 2006 and 28 February 2007.

The Plan, provides that the Board of Directors would grant options to participants every year, which gradually (40% upon the completion of a year of the grant, 30% upon the completion of the second year and 30% upon the completion of the third year) would be converted to final grant for the acquisition of ordinary shares with an aggregate value of, at maximum, 1-5 times annual gross salaries, depending on the position and the company, provided that the participants continue to work efficiently for the Company (Basic Option Rights). Further options may be granted by the Board of Directors to participants at the end of each year, for the acquisition of ordinary shares with an aggregate value of, at maximum, one annual gross salary, depending on the position, for the executives of the Company in Greece and, at maximum, 0.75 annual gross salary for the subsidiaries' executives abroad (Additional Option Rights). The Basic Option Rights granted to the Chairman of the Company vest in full after one year. Additional Option Rights vest after 3 years.

Basic Option Rights, once vested, can be exercised in whole or in part until the fourth year from their grant, while the Additional Option Rights, once vested, can be exercised in whole or in part during their maturity year or the following year. Share options expire if the beneficiary leaves the company or is fired before the options vest, irrespective of their exercise date, or the individual performance of the beneficiary is assessed in the year that the stock option was granted (for 2007 and after) to be lower than a specified lead.

The total number of the COSMOTE shares, which may be acquired under this Plan or under any other ongoing plan, cannot exceed 5% of its share capital on a five-year period on a rotation basis, and, in any case, the maximum number of shares, which may be issued if the participants exercise their options, cannot exceed 10% of the number of shares existing at the time of the approval of the Plan.

#### **OTE's MODIFIED SHARE OPTION PLAN**

On 9 July 2008, OTE held the Repeating 56th Ordinary General Assembly. During the meeting the shareholders approved the adoption of a Share Option Plan for executives of the Company and affiliated companies, according to article 42e of the Codified Law 2190/1920. In particular, this plan replaces the



pre-existing Share Option Plan of OTE and also includes COSMOTE's management personnel and directors, due to the delisting of its shares from the Athens Exchange. Basic and additional share options already granted by COSMOTE in 2005, 2006 and 2007 based on COSMOTE's existing plan are replaced by options to by OTE's shares under the modified plan.

In accordance with the approval by the General Assembly a discount is calculated on the exercise price, being Euro 19.49 (absolute amount). The discount depends on EBITDA of the Company and the Group. The Discount varies from 0% to 20% for middle management and from 0% to 25% for top management.

The holders of the options may exercise them in the months of April and October of each year following vesting date.

The fair value is reflected in the income statement during the vesting period. An amount of Euro 6.5 was charged to the Company's income statement in 2008 and Euro 12.0 for the Group. The amounts are recorded in the line "Payroll and employee benefits" with a corresponding entry in the Share Premium.

Further details of the plan are according to table 58.

The fair value was determined by using a Monte Carlo simulation option pricing model taking into account

the effects of early exercise. Key inputs and calculations results of the model are presented in the table 59.

The modification of the OTE plan increased the fair value of the options, the difference in the fair value of the original and replacement equity instruments is recognised as an expense from the modification date up to the vesting date. The incremental fair values of the modifications to the existing COSMOTE plans were not positive so the Group continues to account for these plans as if the modification has not happened.

### 30. LITIGATION AND CLAIMS - COMMITMENTS

(a) **The most significant outstanding legal cases as at 31 December 2008, were as follows:**

(i) *Lease agreements (OTE Leasing):* On 11 December 2001, OTE disposed of its wholly owned subsidiary, OTE Leasing, to Piraeus Financial Leasing S.A., a subsidiary of Piraeus Bank S.A. for a consideration of Euro 21.0. From the sale proceeds, Euro 5.9 was collected in cash and the balance of Euro 15.1 in the form of shares in Piraeus Bank S.A., based on their fair value at that date. As prescribed in the agreements signed for the sale of OTE Leasing, OTE is committed to indemnify Piraeus Financial Leasing S.A. up to an amount of approximately Euro 28.0, for pos-

(Table 58)

		<b>2008</b>
	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding at the beginning of period	3,440,290	15.20
Granted	3,141,620	16.10
Forfeited	(573,850)	15.26
Exercised	-	-
Expired at end of period	-	-
Outstanding at end of period	<b>6,008,060</b>	15.66
Exercisable at end of period	2,315,920	15.14

(Table 59)

	<b>2008</b>
Weighted average share price	21.38
Weighted average exercise price	22.05
Weighted average expected volatility	24%
Weighted average exercise period	2.5 χρόνια
Weighted average risk free rate	4.06%
Weighted average expected dividend	0.75
Weighted average option value	2.20

sible losses to be incurred from the non-performance of lessees for contracts signed through to the date of sale of OTE Leasing. The conditions under which a lessee's contract will be characterized as non-performing are described in detail in the sale agreements. OTE's obligation is in force for a period between 3-5.5 years, depending on the nature of the lease contracts. On 28 September 2007, Piraeus Financial Leasing S.A filed a law suit against OTE, claiming Euro 3.4 from OTE. The hearing which had been scheduled for 26 February 2009, in the Athens Multi-Member Court was postponed.

- (ii) **Alpha Digital Synthesis S.A.:** On 7 May 2003, Alpha Digital Synthesis S.A. submitted a request for arbitration according to the Greek Civil Procedure Code, claiming an amount of approximately Euro 254.2 plus interest for alleged damages incurred as a result of an alleged breach by OTE of the terms of a memorandum of understanding to provide subscribers television services. The Athens Arbitration Court in 2006 ruled in favor of Alpha Digital Synthesis S.A., and ordered OTE to pay an amount of approximately Euro 13.0. OTE's appeal against this decision before the Athens Court of Appeals, was rejected and OTE paid the above amount plus interest. OTE appealed for conclusion of the decision before the Supreme Court which was also rejected.
- (iii) **Hellenic Radio and Television S.A. ("ERT"):** During May 2002, ERT filed a law suit against OTE before the Athens Multi-Member Court, claiming an amount of Euro 42.9 plus interest for damages incurred by it as a result of an alleged infringement by OTE of the terms of a memorandum of understanding signed by the two parties. The Court judged in 2005 that the case should be referred to arbitration. To date ERT has not yet submitted a request for arbitration proceedings. In November 2003 ERT filed a law suit against OTE claiming Euro 1.5 for alleged damages incurred by it due to a circuit cut which will be heard by the Athens Multi-Member Court on 3 June 2010.
- (iv) **Forthnet S.A.:** In 2002, Forthnet S.A. filed a civil claim, claiming an amount of Euro 26.7 plus interest for damages incurred by it due to loss of customers as a result of OTE's allegedly discriminatory policy in favor of OTENET. The hearing which was scheduled for 19 April 2007, was suspended and rescheduled for 5 June 2008 and was again suspended and resched-

uled for 28 January 2010. Furthermore, Forthnet S.A. filed a lawsuit against OTE before the Athens Multi-Member of First Instance Court, claiming Euro 4.1 in damages, due to suspension of its subscriber's number portability. The hearing scheduled for 3 May 2006 was suspended.

- (v) **Greek Telecom S.A.:** In 2004, Greek Telecom S.A. filed a lawsuit against OTE before the Athens Multi Member of First Instance Court, claiming Euro 45.4 plus interest in damages, due to alleged breach of contractual obligations arising out of disconnection of telecommunication services. The hearing was held on 22 March 2006 and Court by its decision rejected Greek Telecom S.A.'s claim. Greek Telecom S.A. appealed against this decision before the Athens Court of Appeals. The case was heard on 4 October 2007 and the claim was rejected.
- (vi) **Teledome S.A.:** Teledome S.A. filed five lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of Euro 8.1 plus interest for alleged damages incurred by it as a result of OTE's delay in delivering to it leased lines and the application of non cost oriented interconnection charges by OTE. The hearings of the above lawsuits were scheduled for various dates in 2007. The first lawsuit (Euro 1.6) was heard before the Court on 6 June 2007 and the hearing was postponed, the second lawsuit (Euro 1.0) was rescheduled for 17 September 2008 and then rescheduled again for 21 January 2009, regarding the third lawsuit (Euro 0.3) the Court postponed the hearing, the fourth lawsuit (Euro 1.6) was heard on 7 February 2007 and the Court rejected it and for the fifth lawsuit (Euro 3.6) the Court ordered factual investigation. Furthermore, Teledome S.A. filed six lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming approximately Euro 11.1 plus interest in damages, due to suspension of its subscriber's number portability and due to alleged breach of contractual obligations arising out of disconnection of telecommunication services. For two lawsuits totaling Euro 4.7, the Court rejected Teledome's claims. Teledome appealed the decision before the Court of Appeals, which rejected them. A lawsuit of Euro 0.9 was rejected by the Courts on 25 January 2007. The lawsuit of Euro 4.4 was heard on 6 March 2008 and was rejected by the court. Regarding the lawsuit of Euro 0.5 the Courts ordered factual investigation and

- the lawsuit of Euro 0.6 was heard on 26 September 2007 and which concluded that the claim up to an amount of Euro 0.3 was valid. However, both OTE and Teledome S.A have appealed against the decision, which appeal, was heard on 4 December 2008 and the court decision is pending. Finally, Teledome filed a law suit against OTE to be heard by the Athens Multi Member Court claiming Euro 54.1 plus interest for damages for so called unlawful termination of its leased lines by OTE which resulted in Teledome S.A's bankruptcy. This claim will be heard by the Athens Multi Member Court on 18 March 2009.
- (vii) **Newsphone Hellas S.A.:** Newsphone Hellas S.A. filed a lawsuit against OTE before the Athens Multi Member Court of First Instance, claiming an amount of Euro 7.2 plus interest for alleged damages incurred by it as a result of OTE's refusal to include in its recorded message that directories information services, except from OTE, are also provided by Newsphone Hellas S.A. The hearing was held on 17 May 2006 and the Court rejected Newsphone Hellas S.A's claims.
- (viii) **TELLAS S.A.:** TELLAS S.A. filed four lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of Euro 20.8 plus interest in damages due to suspension of its subscriber's number portability. TELLAS S.A. resigned from the lawsuit of Euro 4.2 prior to the hearing while the hearings of the remaining lawsuits were heard on 2 May 2007 and rejected. TELLAS filed two new claims against OTE totaling Euro 6.3 for the triggering of penalty clauses for the loss suffered for the delayed delivery of leased lines and for claims relating to non compliance of OTE with costing obligations. The cases will be heard by the Athens Multi Member Court on 16 September 2010.
- (ix) **LAN-NET S.A.:** LAN-NET S.A. filed two lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of approximately Euro 2.2 plus interest in damages due to suspension of its subscriber's number portability. The Court rejected the first lawsuit for the amount of Euro 1.5 and LAN-NET appealed. The appeal was heard on 1 November 2007 by the Court of Appeals and its decision is pending. The second lawsuit of Euro 0.7 was heard on 21 March 2007 and was rejected by the Court.
- (x) **ALGO-NET S.A.:** ALGO-NET S.A. filed two lawsuits against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of approximately Euro 0.9 plus interest in damages due to suspension of its subscriber's number portability. The hearing of the first lawsuit for the amount of Euro 0.4 was held and the Court rejected the claim, while the hearing of the second lawsuit initially scheduled for 8 February 2006, has been suspended.
- (xi) **FASMA ADVERTISING TECHNICAL AND COMMERCIAL S.A.:** FASMA ADVERTISING TECHNICAL AND COMMERCIAL S.A. filed a lawsuit against OTE before the Athens Multi Member Court of First Instance, claiming an aggregate amount of Euro 9.1 plus interest for breach of contract. The effort to settle the dispute outside the Court scheduled on 24 May 2007 failed and the hearing was scheduled for 8 November 2007. Subsequently, the company filed with the First Instance Multi Member Courts a new lawsuit against OTE for Euro 8.7 plus interest withdrawing from the previous lawsuit. The new effort of out-of-court settlement, which was scheduled on 27 September 2007, failed again and the hearing by the Court, initially scheduled for 8 November 2007 was rescheduled to 23 October 2008, and the decision is pending.
- (xii) **Franchisees lawsuits:** Helias Koutsokostas & Company Limited Partnership filed a lawsuit against OTE claiming alleged damages for an amount of Euro 7.9. OTE filed a lawsuit against this company before the Multi-Member First Instance Court for an amount for Euro 0.7. The hearing, initially scheduled for 13 October 2005 was suspended and a new hearing was scheduled for 21 February 2008, but was adjourned. K. Prinianakis filed a lawsuit against OTE claiming Euro 10.9 in damages. The hearing of 15 November 2007 heard the Company's claim which the Court partially accepted by the amount of Euro 0.1. DEP INFO Limited filed a lawsuit against OTE claiming Euro 6.8 for damages. OTE has filed its own lawsuit against this company claiming Euro 1.7 in damages. Both hearings were held on 9 March 2006 and the court rejected DEP INFO Limited lawsuit, while it accepted OTE's lawsuit. DEP INFO Limited filed an appeal against this decision which was heard on 24 January 2008 and the court rejected the company's appeal and ordered a factual investigation for the ac-

curate determination of OTE's claim. Infoshop S.A. filed a lawsuit against OTE claiming alleged damages for the amount of Euro 7.0. A hearing scheduled for 15 November 2007 was suspended and a new hearing was scheduled for 13 November 2008 and the court decision is pending.

- (xiii) **Employees' Claims:** OTE's current employees and pensioners have filed a number of lawsuits against OTE with a wide variety of claims.
- (xiv) **PERIVALLO S.A.:** Perivallon S.A. filed a lawsuit before the Multi-Member First Instances Court requesting Euro 1.2 plus interest. The hearing was scheduled for 28 March 2007 and was suspended.
- (xv) **EFG EUROOBANK ERGASIAS S.A.:** EFG Eurobank Ergasias S.A. filed a lawsuit before the Multi-Member First Instance Court against OTE for Euro 5.9 plus interest for receivables pledged by Perivallon S.A. relating to a supply agreement with OTE. The effort for an out-of-court settlement which was scheduled on 11 October 2007 failed and the hearing before the Court was scheduled for 11 December 2008 but was suspended as EFG Eurobank Ergasias S.A. resigned from the case.
- (xvi) **Payphones Duties:** From 1999 to 2007, the Municipality of Thessaloniki charged OTE with duties and penalties of a total amount of Euro 15.0 for the installation and operation of payphones within the area of its responsibility. OTE strongly disputed the above assessments and filed appeals before the Thessaloniki Administrative Court of First Instance and prepaid 40% of the above duties and penalties, amount that will be refunded to OTE if the outcome of that case will be favorable to the Company. With its first two decisions, the Thessaloniki Administrative Court of First Instance has accepted OTE's appeals and the Municipality of Thessaloniki has filed appeals to the Supreme Court
- (xvii) **Hellenic Telecommunications and Post Commission:** On 26 July 2007, the Hellenic Telecommunications & Post Commission (HTPC) imposed a series of fines on OTE, for a total amount of Euro 27.4. OTE has filed lawsuits before the Athens Administrative Court of Appeals against these decisions demanding their annulment and the hearing of the lawsuits was scheduled for various dates in 2008 and the related court decisions are pending. The payment of fines amounting to Euro 25.9 have been suspended by a ruling of the Administrative Court of Appeal, pending

the Court's decision on OTE's appeal. The Athens Administrative Court of Appeals has partially accepted two of the OTE's appeals reducing the related fines from Euro 1.5 to Euro 1.0. Against these decisions, OTE is going to appeal before the Supreme Court.

On 29 November 2006, HTPC imposed a fine on OTE of total amount of Euro 3.0. OTE has filed an appeal before the Athens Court of Appeals against this decision which partially accepted it reducing the fine to Euro 1.0. OTE has appealed against this decision before the Supreme Court.

On 5 October 2007, HTPC imposed a fine for a total amount of Euro 3.0. Against this decision OTE has filed an appeal demanding its annulment which was scheduled to be heard before the Athens Administrative Court of Appeals on 20 January 2009. The payment to the fine has been suspended by a ruling of the Athens Administrative Court of Appeals pending the court's decision on OTE's appeal.

On 4 July 2008, HTPC with its relevant decisions imposed a series of fines on OTE, aggregating to Euro 3.0, for alleged denial of providing information related to ADSL market control and supervision and for not providing data concerning the combined service 'All in 1'. OTE appealed against these decisions before the Athens Administrative Court of Appeals requesting their annulment which appeal was however denied.

On 25 July 2008, HTPC imposed a fine on OTE for an amount of Euro 9.0 for alleged obstacles to the business promotion of the "Double play" service by TELLAS S.A. (fixed telephony with fast Internet combination). OTE appealed against this decision before the Athens Administrative Court of Appeals requesting its annulment which appeal was however, rejected.

On 3 October 2008, HTPC imposed a series of fines to OTE amounting to approximately Euro 11.0, alleging that OTE has only partially conformed with regard to its obligations relating to the Local Loop Unbundling (L.L.U). OTE intends to file lawsuits before the Athens Administrative Court of Appeal demanding their suspension.

OTE has made appropriate provisions in relation to litigations and claims, when it is probable an outflow of recourses will be required to settle the obligations and it can be reasonably estimated.

(b) *Commitments*

(i) *Capital commitments*

The capital commitments at the balance sheet date which have not been recorded in the financial statements are according to table 60.

(ii) *Operating commitments*

Operating commitments at the balance date for rentals, rights of use, repair and maintenance services and other services which have not been recorded in the financial statements are according to table 61.

### 31. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

IFRS 7 “Financial Instruments: Disclosures” introduces additional disclosures in order to improve the quality of information provided in order to assess the im-

portance of the financial instruments on the financial position of the Company and the Group. The Group and Company are exposed to the following risks from the use of its financial instruments:

1. *Credit risk*
2. *Liquidity risk*
3. *Market risk*

The following tables 62, 63 compare the carrying amount of the Company’s and Group’s financial instruments to their fair value.

The fair value of cash and cash equivalents, trade receivables and trade accounts payable approximate their carrying amounts. The fair value of quoted shares and bonds is based on price quotations at the balance sheet date. The fair value of unlisted financial instruments, is determined by discounting future cash flows.

(Table 60)

	2008		2007	
	COMPANY	GROUP	COMPANY	GROUP
Property, plant and equipment	98.1	149.7	97.4	169.0

(Table 61)

	2008		2007	
	COMPANY	GROUP	COMPANY	GROUP
Up to 1 year	9.5	113.5	7.3	109.4
1 to 5 years	38.0	239.6	29.2	300.5
Over 5 years	47.5	290.9	36.5	334.1

(Table 62)

COMPANY	Carrying Amount		Fair value	
	2008	2007(*)	2008	2007
<b>Financial Assets</b>				
Available-for-sale	13.0	47.8	13.0	47.8
Held to maturity	106.6	-	107.8	-
Trade receivables	697.5	742.4	697.5	742.4
Loan to Auxiliary Fund	134.1	124.6	120.7	124.6
Other loans	117.5	137.5	117.5	137.5
Cash and cash equivalents	344.5	459.2	344.5	459.2
<b>Financial liabilities</b>				
Long term borrowings	3,288.2	1,285.2	3,143.9	1,258.1
Short term borrowings	18.9	1,511.7	18.9	1,511.7
Trade accounts payable	526.1	596.1	526.1	596.1

(\*): Amounts adjusted due to the merger, by absorption, of OTENET by OTE (see Note 32)

(Table 63)

GROUP	Carrying Amount			Fair value
	2008	2007	2008	2007
<b>Financial Assets</b>				
Available-for-sale	26.2	56.0	26.2	56.0
Held to maturity	109.7	25.2	110.9	25.2
Trade receivables	1,194.2	1,172.0	1,194.2	1,172.0
Loan to Auxiliary Fund	134.1	124.6	120.7	124.6
Other loans	71.3	51.6	71.3	51.6
Cash and cash equivalents	1,427.8	1,316.3	1,427.8	1,316.3
Derivative financial instruments	6.2	3.7	6.2	3.7
<b>Financial liabilities</b>				
Long term borrowings	5,409.6	3,947.1	5,094.3	3,834.4
Short term borrowings	638.1	1,580.7	628.3	1,580.7
Trade accounts payable	943.9	931.5	943.9	931.5
Derivative financial instruments	3.9	-	3.9	-

#### a) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations.

Maximum exposure to credit risk at the reporting date to which the Group and the Company are exposed is the carrying value of financial assets.

Trade receivables could potentially adversely affect the liquidity of the Group. However due to the large number of customers and their diversification of the customer base however there is no concentration of credit risk with respect to these receivables. Concentration of risk is considered to exist for amounts receivable from the telecommunication service providers, due to their relatively small number and the high level of transactions they have with the Company and the Group.

The Company and the Group have established specific credit policies under which customers are analyzed for creditworthiness and there is an effective management of receivables in place both before and after they become overdue and doubtful. In monitoring credit risk, customers are grouped according to their credit risk characteristics, aging profile and existence of previous financial difficulties. Customers that are characterized as doubtful are reassessed at each balance sheet date for the estimated loss that is expected and an appropriate impairment allowance is established.

Cash and cash equivalents are considered to be exposed to a low level of credit risk. The Company has adopted a “deposits policy” whereby funds are only deposited with banks which have a specified minimum rating by International Rating Agencies as to their creditworthiness; in addition limits are set on the amounts deposited depending on the rating. To avoid concentrations of risks, the Company does not deposit more than 30% of available funds in any one bank.

Financial instruments classified as available-for-sale include listed shares, while financial instruments held to maturity include government bonds and other securities. These two categories are not considered to expose the Company and the Group to a significant credit risk.

Loans include loans to employees which are collected either through the payroll or are netted-off with their retirement indemnities (Notes 10, 12 and 19), loans and advances to Auxiliary Pension Fund mainly due to the Voluntary Leave Scheme (Note 19) and at Company level loan to COSMOFON (Note 10). The above mentioned loans are not considered to expose the Company and the Group to a significant credit risk.

Trade receivables, which include receivables from telecommunication operators, is the category with the higher credit risk. For this category the Company and the Group assesses the credit risk following the established policies and procedures described above and

has set made the appropriate provision for impairment (Note 11).

**b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is kept at low levels by ensuring that there is sufficient cash on demand and credit facilities to meet the financial obligations when due. The Group's and the Company's available cash as at 31 December 2008 amounts to Euro 1,427.8 and Euro 344.5 respectively, their loans amounts to

Euro 6,047.7 and Euro 3,307.1 respectively while the Group has a long-term credit (committed) line of Euro 350.0.

For the monitoring of liquidity risk, the Group prepares annual cash flows when drafting the annual budget and monthly rolling forecasts for three months' cash flows, in order to ensure that it has sufficient cash reserves to service its financial obligations.

Below is an analysis of the undiscounted contractual payments of the Company and Group as indicated in tables 64, 65.

(Table 64)

**COMPANY**

<b>31 December 2008</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Intercompany loans (OTE PLC)	177.7	177.7	3,064.6	672.2	4,092.2
European Investment Bank	20.5	-	-	-	20.5
Suppliers	526.1	-	-	-	526.1
<b>Total</b>	<b>724.3</b>	<b>177.7</b>	<b>3,064.6</b>	<b>672.2</b>	<b>4,638.8</b>
<b>31 December 2007</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Intercompany loans (OTE PLC)	1,578.4	64.4	337.1	1,176.4	3,156.3
European Investment Bank	20.5	20.5	-	-	41.0
Suppliers	596.1	-	-	-	596.1
<b>Total</b>	<b>2,195.0</b>	<b>84.9</b>	<b>337.1</b>	<b>1,176.4</b>	<b>3,793.4</b>

(Table 65)

**GROUP**

<b>31 December 2008</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Medium term bonds OTE PLC	872.3	245.1	3,925.4	1,696.9	6,739.7
Syndicated loan OTE PLC	21.4	46.8	508.3	-	576.5
Borrowings - Rom Telecom	16.8	8.2	21.5	15.1	61.6
European Investment Bank	20.5	-	-	-	20.5
Other Borrowings	5.3	2.0	-	-	7.3
Trade accounts payable	943.9	-	-	-	943.9
	<b>1,880.2</b>	<b>302.1</b>	<b>4,455.2</b>	<b>1,712.0</b>	<b>8,349.5</b>
<b>31 December 2007</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Medium term bonds OTE PLC	158.9	755.3	1,011.1	2,379.0	4,304.3
Short term borrowings OTE PLC	1,514.0	-	-	-	1,514.0
Syndicated loan OTE PLC	25.3	21.3	554.8	-	601.4
Borrowings- Globul	50.9	-	-	-	50.9
Borrowings - Rom Telecom	16.8	17.9	29.2	25.1	89.0
European Investment Bank	20.5	20.5	-	-	41.0
Other Borrowings	5.4	-	-	-	5.4
Trade accounts payable	931.5	-	-	-	931.5
<b>Total</b>	<b>2,723.3</b>	<b>815.0</b>	<b>1,595.1</b>	<b>2,404.1</b>	<b>7,537.5</b>

Ο Όμιλος εξαιρεί παράγωγα χρηματοοικονομικά μέσα από την ανάλυση.

The Group has excluded derivative financial instruments from the above analysis.

OTE has guaranteed its subsidiary's, OTE PLC, borrowing as follows:

- *As at 31 December 2008: Euro 6.0 billion.*
- *As at 31 December 2007: Euro 5.4 billion.*

*c) Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's and the Company's results or the value of their financial instruments. The objective of market risk management is to manage and control exposure within acceptable levels.

The individual risks that comprise market risk are described in further detail and the Group's policies for managing them are as follows:

*i. Interest rate risk*

Interest rate risk is the risk that payments for interest on loans fluctuate due to changes in interest rates. Interest rate risk mainly applies to long-term loans with variable interest rates.

The hedging of interest rate risk is managed through having a combination of fixed and floating rate borrowings as well as with the use of interest rate swap agreements.

As at 31 December 2008, the ratio of fixed loans to floating loans for the Group was 81%/19%, (2007:52%/48%). The analysis of borrowings depending on the type of the interest rate is indicated in table 66.

The following tables demonstrate the sensitivity to a reasonable possible change in interest rates on the income statement and equity through the impact of loans, deposits and derivatives.

Sensitivity to an interest rates increase of 100 basis points is shown in table 67.

If interest rates would decrease by 100 basis points, the impact would be similar and opposite to the analysis above.

*ii. Foreign currency risk*

Currency risk is the risk that the fair values or the cash flows of a financial instrument fluctuate due to foreign currency changes.

The Group operates in many Southeastern European countries and as a result is exposed to currency risk due to changes between the functional currencies and other currencies.

The main currencies within the Group is the Euro, Ron (Romania) and the Lek (Albania). The table 68 below presents the Group's foreign currency risk, be-

(Table 66)

	2008		2007	
	COMPANY	GROUP	COMPANY	GROUP
Variable interest rate	-	1,099.3	1,494.2	2,647.2
Fixed rate interest rate	3,307.1	4,948.4	1,302.7	2,880.6
<b>TOTAL</b>	<b>3,307.1</b>	<b>6,047.7</b>	<b>2,796.9</b>	<b>5,527.8</b>

(Table 67)

			GROUP	COMPANY	
Profit before tax			Equity	Profit before tax	
2008	2007	2008	2007	2008	2007
3.3	4.2	3.0	-	3.5	2.4



(Table 68)

<b>GROUP</b>					
<b>31 December 2008</b>	<b>Euro</b>	<b>Ron</b>	<b>LEK</b>	<b>WON</b>	<b>TOTAL</b>
Customers	1,135.0	41.2	18.0	-	1,194.2
Borrowings	(5,986.6)	(30.2)	-	(30.9)	(6,047.7)
Trade accounts payable	(845.3)	(89.1)	(9.5)	-	(943.9)
Cash and cash equivalents	1,372.5	21.2	34.1	-	1,427.8
<b>Total</b>	<b>(4,324.4)</b>	<b>(56.9)</b>	<b>42.6</b>	<b>(30.9)</b>	<b>(4,369.6)</b>
<b>31 December 2007</b>	<b>Euro</b>	<b>Ron</b>	<b>LEK</b>	<b>WON</b>	<b>TOTAL</b>
Customers	1,083.6	39.2	49.2	-	1,172.0
Borrowings	(5,449.4)	(36.0)	-	(42.4)	(5,527.8)
Trade accounts payable	(883.0)	(37.6)	(10.9)	-	(931.5)
Cash and cash equivalents	1,200.7	29.1	86.5	-	1,316.3
<b>Total</b>	<b>(4,048.1)</b>	<b>(5.3)</b>	<b>124.8</b>	<b>(42.4)</b>	<b>(3,971.0)</b>

ing the exposure to foreign (non functional) currencies which impact profit and loss.

The currency risk for the Group is not significant.

#### **Capital Management**

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

An important means of managing capital is the use of the gearing ratio (ratio of net debt to equity) which is monitored at a Group level. Net Debt includes interest bearing loans, less cash and cash equivalents, financial assets available-for-sale and held to maturity.

The table 69 below shows an increase in the gearing ratio in 2008 compared to 2007 due to an increase in borrowings used for the acquisition of COSMOTE's minority interests as well as the reduction in equity as the difference arising from the acquisition of minority interests was debited to equity (see Note 8).

(Table 69)

<b>GROUP</b>		
<b>Net debt</b>	<b>31/12/2008</b>	<b>31/12/2007</b>
Borrowings	6,047.7	5,527.8
Cash and cash equivalents	(1,427.8)	(1,316.3)
Financial assets available-for-sale and held to maturity	(135.9)	(81.2)
<b>Net debt</b>	<b>4,484.0</b>	<b>4,130.3</b>
Equity	2,173.2	3,054.6
<b>Gearing ratio</b>	<b>2.06x</b>	<b>1.35x</b>

## **32. RECLASSIFICATIONS**

In the Company's balance sheet as of 31 December 2007, an amount of Euro 35.0 concerning a loan granted by OTE to its subsidiary OTE PLC was reclassified from the line "Investments" to the line "Other Current Assets" for comparability purposes with the Company's balance sheet as at 31 December 2008.

In the consolidated balance sheet as of 31 December 2007, an amount of Euro 94.6, which resulted from the netting off of deferred tax assets and liabilities has been presented for comparability purposes with the consolidated balance sheet as at 31 December 2008 as follows: asset of Euro 260.8 and liability of Euro 166.2.

In the consolidated balance sheet as of 31 December 2007, an amount of Euro 582.7 included in "Other

non-current assets”, was related to intangible assets and has been reclassified to the line item “Other intangible assets” for comparability purposes with the consolidated balance sheet as at 31 December 2008.

In the separate and consolidated balance sheets at 31 December 2007, amounts of Euro 47.8 and Euro 81.2 respectively which were included in “Other Current Assets” have been reclassified to “Other Financial Assets” for comparability purposes with the separate and consolidated balance sheets at 31 December 2008.

In the separate and consolidated balance sheets at 31 December 2007, amounts of Euro 36.2 and Euro 258.3 respectively which were included in “Retained Earnings” have been reclassified to “Foreign Exchange and Other Reserves” for comparability purposes with the separate and consolidated balance sheets at 31 December 2008. Accordingly, “Foreign Exchange and Other Reserves” are separately reflected in the separate and consolidated statements of changes in equity for the year ended 31 December 2007.

In the separate and consolidated income statements for the year ended 31 December 2007, amounts of Euro 88.0 and Euro 92.3, respectively which were included in “Payroll and Employee benefits” have been reclassified to “Provisions for Staff Retirement Indemnities and Youth Account ” for comparability purposes

with the separate and consolidated income statements for the year ended 31 December 2008.

In the separate and consolidated cash flow statements for the year ended 31 December 2007, the amount reflected in “Provisions” has been analyzed and reflected in “Provisions for Staff Retirement Indemnities and Youth Account” and “Other Provisions”. In addition, in the separate and consolidated cash flows for the year ended 31 December 2007, the amount reflected in “Results from Investing Activities” has been analyzed and reflected in “Interest Income” and “Dividend Income, Gains and Impairment of Investments”.

In addition, due to OTENET’s merger by absorption by OTE, which was concluded on 27 June 2008, (Note 8), the comparative company’s financial statements have been adjusted in order to be comparable with the company’s financial statements as of 31 December 2008.

These adjustments did not have a significant effect on the company’s financial statements, while there was no equivalent change to the comparable Consolidated Financial Statements, as OTENET was already consolidated as subsidiary.

Changes due to the adjustments that have occurred in basic lines of the comparable financial statements are presented at the tables 70a, 70b, 70c below.

(Table 70a)

**Company’s Balance Sheet as of 31/12/2007**

	<b>REPORTED DATA</b>	<b>ADJUSTED DATA</b>
Non - current assets	6,956.3	6,904.9
Current assets	1,427.2	1,455.8
<b>TOTAL ASSETS</b>	<b>8,383.5</b>	<b>8,360.7</b>
Equity	3,566.4	3,549.0
Non – current liabilities	2,029.1	2,030.0
Current liabilities	2,788.0	2,781.7
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,383.5</b>	<b>8,360.7</b>

(Table 70b)

**Company’s Income Statement**

	<b>REPORTED DATA</b> <b>01.01-31.12.2007</b>	<b>ADJUSTED DATA</b> <b>01.01-31.12.2007</b>
Revenue	2,656.9	2,682.7
Operating expenses	(2,346.2)	(2,368.4)
Operating income before financial results	310.7	314.3
Financial activities	477.6	477.8
Profit before tax	788.3	792.1
Profit for the period	576.5	579.7

**Company's Cash Flow Statements**

	<b>REPORTED DATA</b> <b>01.01-31.12.2007</b>	<b>ADJUSTED DATA</b> <b>01.01-31.12.2007</b>
Net cash from operating activities	425.0	423.2
Cash flows from investing activities	(2,001.2)	(2,003.2)
Net increase in cash and cash equivalents	(361.6)	(365.4)
Cash and cash equivalents at beginning of period	814.7	824.6
Cash and cash equivalents at end of period	453.1	459.2

**33. POST BALANCE SHEET EVENTS**

The most significant post balance sheet events as of 31 December 2008 are as follows

1. On 6 February 2009, the Extraordinary General Assembly took place, having been postponed from 8 January 2009. The following items were discussed and approved the amendments to the following in the Articles of Incorporation: article 8 (Board of Directors), article 9 (election, composition and term of the Board of Directors), article 10 (gathering and operation of the Board of Directors) and article 12 (Chairman).
2. On 14 January 2009, the tax authorities concluded their audit of OTE's subsidiary, OTE PLUS without impact. The tax audit covered the open tax years 2005 to 2007.
3. On 12 February 2009, OTE announced that its 100% subsidiary COSMOTE, had acquired, after participating in an international competition, a further 12.6% of AMC. The holding was purchased from the Albanian State for Euro 48.2. Following the transaction COSMOTE holding in AMC, direct and indirect, via its 97% subsidiary COSMOHOLDING ALBANIA, 95% AMC. The transaction is subject to the approval of the relevant Albanian governmental and regulatory authorities.
4. On 28 January 2009, OTE's management and OME-OTE (the employee's union) signed a Collective Labor Agreement according to which employees who will have completed the number of years of service required for retirement by 30 December 2009 will be entitled to benefits providing they leave by this date. Applications by eligible employees should have submitted their irrevocable applications by 16 February 2009. The estimated total cost amounts to approximately Euro 11.0 and will be included in the

2009 income statement in the line item "Cost of early retirement program"

5. On 4 March 2009, an agreement was signed between the Greek Government and IKA (which has absorbed TAP OTE), regarding the transfer of 4% of OTE's shares currently held by the Greek Government, to IKA in accordance with Law 3371/2005 for Euro 10.30 (absolute amount) per share.
6. The tax audit of the Company for the open tax years 2006 and 2007 commenced on 19 February 2009.
7. On 13 March 2009, OTE's Board of Directors decided to call on Extraordinary Meeting of Shareholders for 7 April 2009 to decide on the following items:
  - i) Amendment of certain paragraphs of the current Articles of Incorporation
  - ii) Determine members of the Audit Committee in accordance with article 37 of Corporate Law 3693/2008.
  - iii) Approval for the purchase of own shares by OTE in accordance with article 16 of Corporate Law 2190/1920 and,
  - iv) Announcement of members of the Board of Directors who replaced members who have resigned.
8. On 3 February 2009, HTPC imposed a fine of Euro 2.0 to OTE, for the alleged non provision of information relating of control over the application of competition rules and particularly the control over the price margins for voice telephony. OTE intends to appeal against this decision, before the Athens Administrative Court of Appeals requesting for its annulment.
9. On 20 February 2009 OTE's Board of Directors, decided on and approved the introduction of new beneficiaries to the existing Share Option Plan (Note 29), with the simultaneous granting of 1,107,780 Basic Options to them, of which 590,000 are to be granted to executives of OTE and 517,780 to execu-

*tives of OTE' s subsidiaries. Furthermore, the Board of Directors, decided on and approved the granting of 2,117,890 Additional Options to existing beneficiar-*

*ies, of which 927,110 are to be granted to executives of OTE and 1,190,780 to executives of OTE' s subsidiaries.*

# ***Financial Data and Information***

**HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.**

**REGISTRATION No S.A. 347/06/B/86/10**

**REGISTERED OFFICE: 99 KIFFISIAS AVE - 15124 MAROUSI, ATHENS**

**CONDENSED FINANCIAL DATA AND INFORMATION FOR THE YEAR FROM  
1 JANUARY 2008 TO 31 DECEMBER 2008**

**(Published in accordance with law 2190/1920, art.135 for Companies preparing annual stand-alone and consolidated financial statements, in accordance with I.F.R.S.)**

The purpose of the following data is to provide users with general financial information about the financial condition and the results of operations of HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. and the Group of companies. We recommend users that, before proceeding to any kind of investing activity or transaction with the Company, to access the company's website where the financial statements under the provisions of International Financial Reporting Standards and the certified auditor report are published.

**Composition of the Board of Directors:**

Supervising Authority:  
Ministry of Development,  
Societe Anonyme and Credit Division

Date of Approval of Financial Statements  
from the Board of Directors: 26 March 2009

Certified Auditors:  
Chris Pelendridis - Themis Lianopoulos

Auditing Company: ERNST & YOUNG (HELLAS)  
Certified Auditors S.A.

Type of Auditor's Opinion: Unqualified

Company's Web Site: [www.ote.gr](http://www.ote.gr)

Panagis Vourloumis,  
Chairman and Managing Director -  
Executive Member

Haralambos Dimitriou,  
Vice-Chairman, Non - Executive Member

Hamid Akhavan,  
Non - Executive Member

Kevin Copp,  
Non - Executive Member

Karl-Gerhard Eick,  
Non - Executive Member

Walter Martin,  
Non - Executive Member

Leonidas Evangelidis,  
Independent, Non - Executive Member

Konstantinos Michalos,  
Independent, Non - Executive Member

Xeni Skorini,  
Independent, Non - Executive Member

Yannos Benopoulos,  
Independent, Non - Executive Member

Panagiotis Tabourlos,  
Independent, Non - Executive Member

**BALANCE SHEET DATA**  
(Amounts in millions of Euro)

ASSETS	GROUP		COMPANY	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
Property, plant and equipment	5,872.8	6,371.4	2,191.5	2,372.2
Intangible assets	1,416.4	1,520.4	3.0	3.4
Other non current assets	758.6	744.9	5,384.9	4,529.3
Inventories	201.3	201.7	32.2	37.1
Trade receivables	1,194.2	1,172.0	697.5	742.4
Other current assets	397.5	372.5	219.4	217.1
Assets classified as held for sale	156.6	-	-	-
Cash and cash equivalents	1,427.8	1,316.3	344.5	459.2
<b>TOTAL ASSETS</b>	<b>11,425.2</b>	<b>11,699.2</b>	<b>8,873.0</b>	<b>8,360.7</b>
<b>EQUITY AND LIABILITIES</b>				
Share Capital	1,171.5	1,171.5	1,171.5	1,171.5
Other Equity items	140.4	860.0	2,352.5	2,377.5
Equity attributable to shareholders of the parent (a)	1,311.9	2,031.5	3,524.0	3,549.0
Minority interest (b )	861.3	1,023.1	-	-
<b>Total equity (c) = (a) + (b)</b>	<b>2,173.2</b>	<b>3,054.6</b>	<b>3,524.0</b>	<b>3,549.0</b>
Long-term borrowings	5,409.6	3,947.1	3,288.2	1,285.2
Provisions / Other non current liabilities	839.7	1,121.1	668.7	744.8
Short-term borrowings	638.1	1,580.7	18.9	1,511.7
Other current liabilities	2,348.1	1,995.7	1,373.2	1,270.0
Liabilities directly associated with the assets classified as held for sale	16.5	-	-	-
<b>Total liabilities (d)</b>	<b>9,252.0</b>	<b>8,644.6</b>	<b>5,349.0</b>	<b>4,811.7</b>
<b>TOTAL EQUITY AND LIABILITIES (c) + (d)</b>	<b>11,425.2</b>	<b>11,699.2</b>	<b>8,873.0</b>	<b>8,360.7</b>

**INCOME STATEMENT DATA (Amounts in millions of Euro)**

	GROUP		COMPANY	
	01.01- 31.12.2008	01.01- 31.12.2007	01.01- 31.12.2008	01.01- 31.12.2007
<b>Total revenues</b>	<b>6,407.3</b>	<b>6,319.8</b>	<b>2,589.7</b>	<b>2,682.7</b>
<b>Profit before taxes, investment and financial activities</b>	<b>1,057.7</b>	<b>1,046.9</b>	<b>312.2</b>	<b>314.3</b>
Profit before tax	844.0	1,154.8	446.5	792.1
<b>Net profit</b>	<b>597.8</b>	<b>773.0</b>	<b>363.3</b>	<b>579.7</b>
Attributable to:				
Shareholders of the parent	601.8	662.6	363.3	579.7
Minority interest	(4.0)	110.4	-	-
	<b>597.8</b>	<b>773.0</b>	<b>363.3</b>	<b>579.7</b>
<b>Basic earnings per share (in €)</b>	<b>1.2278</b>	<b>1.3518</b>	<b>0.7412</b>	<b>1.1827</b>
<b>Proposed dividend per share (in €)</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>	<b>0.75</b>
<b>Profit before tax, financial and investment activities, depreciation and amortization</b>	<b>2,270.7</b>	<b>2,218.7</b>	<b>777.2</b>	<b>821.3</b>

**STATEMENT OF CHANGES IN EQUITY DATA (Amounts in millions of Euro)**

	GROUP		COMPANY	
	31.12.2008	31.12.2007	31.12.2008	31.12.2007
<b>Total equity at beginning of the year (01.01.2008 and 01.01.2007)</b>	<b>3,054.6</b>	<b>4,888.7</b>	<b>3,549.0</b>	<b>3,229.1</b>
<b>Profit for the year, after tax</b>	<b>597.8</b>	<b>773.0</b>	<b>363.3</b>	<b>579.7</b>
	<b>3,652.4</b>	<b>5,661.7</b>	<b>3,912.3</b>	<b>3,808.8</b>
Dividends declared	(367.6)	(350.8)	(367.6)	(269.6)
Net income / (loss) recognized directly in equity	(34.8)	9.8	(34.8)	9.8
Share-based payments	12.0	-	12.0	-
Net loss on cash-flow hedge	(6.3)	-	-	-
Foreign currency translation differences	(235.3)	(167.3)	-	-
Net change of participation in subsidiaries	(847.2)	(2,098.8)	-	-
Other equity items	-	-	2.1	-
<b>Total equity at end of the year (31.12.2008 and 31.12.2007)</b>	<b>2,173.2</b>	<b>3,054.6</b>	<b>3,524.0</b>	<b>3,549.0</b>



**CASH FLOW STATEMENT DATA (Amounts in millions of Euro)**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>01.01- 31.12.2008</b>	<b>01.01- 31.12.2007</b>	<b>01.01- 31.12.2008</b>	<b>01.01- 31.12.2007</b>
<b>Cash flows from operating activities</b>				
Profit before tax	844.0	1,154.8	446.5	792.1
Adjustments for:				
Depreciation and amortization	1,213.0	1,171.8	465.0	507.0
Share-based payment	12.0	-	6.5	-
Provision for early retirement program	50.2	22.1	12.2	22.1
Provisions for staff retirement indemnities and youth account	112.6	92.3	108.3	88.0
Other provisions	121.9	106.2	76.3	71.5
Foreign exchange differences, net	(11.8)	4.8	6.0	0.5
Interest income	(72.3)	(77.8)	(36.3)	(47.5)
Dividend income, gains and impairment of investments	(45.9)	(273.6)	(298.8)	(529.4)
Release of EDEKT fund prepayment	35.2	35.2	35.2	35.2
Interest expense	343.7	238.7	194.8	98.6
Working capital adjustments:				
Decrease / (increase) in inventories	(9.2)	(2.0)	4.8	1.4
Increase in accounts receivables	(123.4)	(127.9)	(42.8)	(107.3)
Decrease in liabilities (except bank liabilities)	(259.3)	(292.6)	(159.0)	(271.6)
Minus:				
Interest and related expenses paid	(212.9)	(216.4)	(103.1)	(78.9)
Income taxes paid	(240.2)	(384.9)	(82.8)	(158.5)
<b>Total cash flows from operating activities (a)</b>	<b>1,757.6</b>	<b>1,450.7</b>	<b>632.8</b>	<b>423.2</b>
<b>Cash flows from investing activities</b>				
Acquisition of minority interest and participation in subsidiaries share capital increase	(849.4)	(2,119.0)	(852.4)	(2,137.3)
Purchase of financial assets	(138.0)	-	(132.3)	-
Sale or maturity of financial assets	46.8	-	25.7	-
Loans advanced	(1.3)	(121.6)	(1.3)	(181.6)
Loans proceeds	-	-	-	30.0
Other long term liabilities	-	144.5	-	-
Purchase of property, plant and equipment and intangible assets	(964.0)	(1,101.3)	(300.7)	(297.0)
Proceeds from sale of investments	24.0	352.8	20.9	313.8
Interest received	66.7	52.1	27.6	39.4
Dividends received	9.2	12.3	285.3	229.5
<b>Total cash flows used in investing activities (b)</b>	<b>(1,806.0)</b>	<b>(2,780.2)</b>	<b>(927.2)</b>	<b>(2,003.2)</b>
<b>Cash flows from financing activities</b>				
Proceeds from minority shareholders for their participation in subsidiary's share capital increase	16.9	12.6	-	-
Proceeds of loans granted and issued	2,705.5	1,500.0	2,735.0	1,500.0
Repayment of loans	(2,183.4)	(558.4)	(2,187.5)	(16.1)
Dividends paid to Company's shareholders	(367.8)	(269.3)	(367.8)	(269.3)
Dividends paid to minority interests	(5.9)	(81.6)	-	-
<b>Total cash flows from financing activities (c)</b>	<b>165.3</b>	<b>603.3</b>	<b>179.7</b>	<b>1,214.6</b>
<b>Net increase / (decrease) in cash and cash equivalents (a) + (b) + (c)</b>	<b>116.9</b>	<b>(726.2)</b>	<b>(114.7)</b>	<b>(365.4)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>1,316.3</b>	<b>2,042.5</b>	<b>459.2</b>	<b>824.6</b>
<b>Net foreign exchange differences</b>	<b>(3.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents classified as held for sale</b>	<b>(1.9)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents, at end of the year</b>	<b>1,427.8</b>	<b>1,316.3</b>	<b>344.5</b>	<b>459.2</b>

## ADDITIONAL DATA AND INFORMATION

- 1) The companies which are included in the consolidated financial statements, their country of incorporation, the Group's participating interest (direct and indirect) and the method of consolidation, are presented analytically in Note 1 of the financial statements.
- 2) In the year ended 31 December 2008, INFOTE S.A. is not consolidated, as it was sold in December 2007.
- 3) The fiscal years that are unaudited by the tax authorities for the Company and the Group's subsidiaries are presented analytically in Note 22 of the financial statements.
- 4) The main Group restructuring events that occurred during 2008 are presented below:
  - (a) On 9 April 2008, OTE after the completion of exercise of the Squeeze-Out Rights and of the Sell-Out Rights, holds 100% of the share capital and voting rights of COSMOTE, following the Public Tender Offer which had been submitted on 9 November 2007.
  - (b) In May 2008, OTE announced the sale of the Group's investment in OTENET CYPRUS LTD and OTENET TELECOMMUNICATIONS LTD to Cyprus Trading Corporation Plc (CTC) for an amount of approximately € 3.9 million.
  - (c) In May 2008 OTE acquired the remaining interest in its subsidiary VOICENET from SANYO HELLAS INVESTMENT S.A., for a consideration of € 1.3 million. Following that acquisition, OTE owns 100% of VOICENET's share capital and the corresponding voting rights.
  - (d) The Hellenic Capital Market Commission with its decision of 13 June 2008 provided OTE ESTATE with the license for the operation of a Real Estate Investment Company. The new company which was incorporated is a 100% subsidiary of OTE ESTATE was fully consolidated for the first time in 2008.
  - (e) On 27 June 2008 the relevant ministerial decision which approved and concluded the procedure of OTENET's absorption by its parent company (OTE), was registered in Societe Anonymes Records of the Prefecture of Athens.
  - (f) In the fourth quarter of 2008 the absorptions of TEL SIM S.R.L, ALBATROS LTD and GRIGORIS MAVROMICHALIS LTD by Germanos Group companies were completed. Furthermore on 16 December 2008 the sale of Group's holding in IOANNIS TSAPARAS was completed. The above events are presented analytically in Note 8 of the financial statements.
- 5) The Group financial statements have been consolidated with the equity method by DEUTSCHE TELEKOM AG, the participation of which in OTE Group as of 31 December 2008 amounted to 25%. More information is presented analytically in Note 15 of the financial statements.
- 6) In the company's financial statements adjustments have been made due to OTENET's merger by absorption by OTE in order for the figures to be comparable. These adjustments did not have a significant effect on the company's financial statements. For better presentation certain reclassifications have been made which did not have a significant effect on the financial statements. More details are presented in Note 32 of the financial statements.
- 7) The outcome of pending litigation and claims is not expected to have a material impact on the financial statements. The amount of provisions that have been established as of 31 December 2008 for litigations and other risks, as well as for unaudited tax years are as follows: a) for the Company € 109.4 million and € 4.3 million respectively and b) for the Group € 110.5 million and € 16.0 million respectively.
- 8) Number of employees at the end of the year: Group 33,610 (31.12.2007: 34,350), Company 12,056 (31.12.2007: 11,754).
- 9) The net loss recognized directly in equity relates to the fair value difference between 31 December 2008 and 31 December 2007, of available for sale marketable securities (listed on the Athens Stock Exchange).
- 10) The Company's transactions with its related parties as defined in IAS 24, are analyzed as follows: Sales and purchases of goods and services for the year 2008, amounted to € 233.5 million and € 326.0 million, respectively. Interest income and interest expense for the year 2008 amounted to € 4.6 million and € 176.7 million respectively. Dividends income from related parties amounted to € 276.0 million. The outstanding balance of receivables and payables from/to related parties as of 31 December 2008 derived from operating transactions amounted to € 115.9 million and € 172.2 million, respectively. The outstanding balance of

receivables and payables from/to related parties from the loans granted and received amount to € 46.8 million and € 3,423.1 million respectively.

Fees paid to the members of the Board of Directors of the Company and key management personnel compensation charged to the Income Statement of the year 2008, amount to € 4.7 million. Based on OTE's share option plan, 808,620 stock options have been granted to key management personnel. In Group level sales and purchases of goods and services, between related parties which are not eliminated, for the year 2008 amounted to

€ 7.6 million and € 4.3 million, respectively. The outstanding balance of receivables and payables, between related parties which are not eliminated, as of 31 December 2008 derived from operating transactions amounted to € 6.5 million and € 7.5 million, respectively.

- 11) Basic earnings per share were calculated based on the weighted average number of shares outstanding.
- 12) The most significant events that have occurred after 31 December 2008 are presented in the Note 33 of the financial statements.

Maroussi, 26 March 2009

CHAIRMAN  
AND MANAGING DIRECTOR

VICE  
CHAIRMAN

CHIEF  
FINANCIAL  
OFFICER

CHIEF  
ACCOUNTING  
OFFICER

PANAGIS  
VOURLOUMIS  
I.D. Number N 032981

HARALAMBOS  
DIMITRIOU  
I.D. Number M 092359

CHRISTINI  
SPANOUDAKI  
I.D. Number I 966760

KONSTANTINOS  
VASILOPOULOS  
I.D. Number II 529399  
License Number 032033

***Information  
Pursuant  
to Article 10  
of Law 3401/2005***

The table below incorporates by reference the information of Article 10 of Law 3401/2005 regarding the company, its shares and the securities market, which have been published and made available to the public during year 2008, as well as during the first months of 2009, in compliance with its obligations under Community and National Legislation.

#### **General Shareholder Assemblies' Resolutions**

6/2/2009	Additional announcement regarding the EGM.
6/2/2009	Resolutions of Extraordinary General Assembly of 6th February 2009.
9/7/2008	Repeated 56th Ordinary General Assembly- resolutions.
27/6/2008	56th Annual General Assembly of Shareholders.

**Location on the company's website:** [www.ote.gr](http://www.ote.gr)/ Investor Relations/ Newsroom

#### **Invitations to General Shareholder Assemblies**

16/3/2009	Invitation of Extraordinary General Assembly of shareholders.
14/1/2009	Extraordinary General Assembly Invitation.
16/12/2008	Invitation to the Extraordinary General Assembly of Shareholders.
27/6/2008	Invitation for the repeated Ordinary General Assembly.
4/6/2008	Agenda of the Ordinary General Assembly of Shareholders.

**Location on the company's website:** [www.ote.gr](http://www.ote.gr)/ Investor Relations/ Newsroom

#### **Dividend**

27/6/2008	Announcement of Dividend for fiscal year 2007.
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**Location on the company's website:** [www.ote.gr](http://www.ote.gr)/ Investor Relations/ Newsroom

#### **Corporate Actions**

12/2/2009	Cosmote acquires an additional 12.6% stake in AMC.
27/1/2009	Announcement- The Hellenic Telecommunications Organization announces that the Regulated information announcement on January 26, 2009 is not correct.
26/1/2009	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Mr Nikolaos Pyrgelis member of the management of OTE SA, purchased 500 shares of OTE SA on January 22, 2009.
11/11/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Mr George Bitros Vice-president of the Board of Directors of OTE SA, sold 1,000 shares of OTE SA on Nov 7, 2008.
10/11/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, on November 5, purchased 14,865,886 shares of OTE SA.
10/11/2008	Announcement of regulated information according to law 3556/2007-Deutsche Telekom- Deutsche Telekom's participation in OTE SA's share capital and total voting rights stands at 25.0000004%, following an acquisition of voting rights on November 5, 2008.
7/11/2008	Announcement of regulated information according to law 3556/2007-HELLENIC REPUBLIC's participation in OTE SA's share capital and total voting rights stands at 25.0000004%, following a disposal of voting rights on November 5, 2008.
29/10/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Mr George Bitros Vice-Chairman of the Board of Directors of OTE S.A, purchased 1,000 shares of OTE SA on October 24, 2008.

17/10/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Mr Nikolaos Pyrgelis, member of the management of OTE S.A. purchased 1,000 shares of OTE SA on October 16, 2008.
17/10/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Mr Konstantinos Kappos, member of the management of OTE S.A., purchased 3,000 shares of OTE SA on October 16, 2008.
14/10/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Mr Konstantinos Ploumpis, member of the management of OTE S.A. purchased 3,800 shares of OTE SA on October 13, 2008-.
1/8/2008	Announcement regarding OTE Group's participation in the share capital of Lofos Pallini SA- OTE announces that on July 31, 2008 OTE GROUP sold its total participation in the share capital of Lofos Pallini SA.
22/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007 -Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 530,139 shares of OTE SA on July 17, 2008.
18/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007 -Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 460,000 shares of OTE SA on July 16, 2008.
17/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007 -Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 700,000 shares of OTE SA on July 15, 2008.
16/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007 -Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 380,000 shares of OTE SA on July 14, 2008.
15/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007 -Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 680,000 shares of OTE SA on July 11, 2008.
14/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 149,750 shares of OTE SA on July 9, 2008.
14/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 282,000 shares of OTE SA on July 10, 2008.
11/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 520,000 shares of OTE SA on July 8, 2008.
10/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 237,000 shares of OTE SA on July 7, 2008.

9/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 456,500 shares of OTE SA on July 4, 2008.
7/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 1,005,500 shares of OTE SA on July 3, 2008.
7/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 1,130,000 shares of OTE SA on July 2, 2008.
7/7/2008	Announcement regarding OTENET - Approval of the merger of OTE SA with OTENET S.A. by the Deputy Minister of Development.
3/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 600,000 shares of OTE SA on July 1, 2008.
3/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 450,000 shares of OTE SA on June 30, 2008.
2/7/2008	Announcement of regulated information in accordance with law 3340/2005 and law 3556/2007- Deutsche Telekom where Dr Eick and Mr Akhavan members of the Board of Directors of OTE SA are members of the Board of Management, purchased 650,000 shares of OTE SA on June 27, 2008.
2/7/2008	Announcement of regulated information- Deutsche Telekom- The participation of DEUTSCHE TELEKOM AG's in OTE S.A.'s share capital stands at 20.155308% following an acquisition on June 25, 2008.
26/6/2008	Ratification of Shareholders agreement and share purchase agreement-On June 18, 2008 the Greek Parliament ratified the Shareholder's agreement and the share purchase agreement between the Hellenic Republic and Deutsche Telekom AG concerning OTE S.A.
29/5/2008	OTENET S.A.'s participation in Voicenet SA's Share Capital-OTENET SA now holds the 100% of Voicenet SA's share capital.
21/5/2008	Announcement regarding Royal Bank of Scotland group plc's participation in OTE SA's share capital- The Royal Bank of Scotland group's participation in OTE SA's share capital has fallen below 5%, following a disposal of voting rights on May 15, 2008.
21/5/2008	Announcement regarding Deutsche Telekom AG's participation in OTE SA's Share Capital- Deutsche Telekom AG's participation in OTE SA's Share Capital stands at 19.999234% following an acquisition of voting rights on May 15, 2008.
20/5/2008	Announcement- Marfin Investment Group's participation in OTE SA's share capital has fallen below 5%, following a disposal of voting rights on May 15, 2008.
7/2/2008	OTE issues eur.2.1 billion in fixed coupon bonds-OTE announces that its 100% subsidiary OTE plc successfully completed the book building process for the issues of a 3-year Fixed Rate Note and a 7-year Fixed Rate Note.
31/1/2008	Announcement of results of the voluntary tender offer of OTE for the acquisition of shares of Cosmote.
28/1/2008	Announcement-The Royal Bank of Scotland holds 6.49% of the total of OTE voting rights as of January 22, 2008.

**Location on the company's website:** [www.ote.gr/](http://www.ote.gr/) Investor Relations/ Newsroom

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**Press Releases**

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23/3/2009	OTE announces new time for its full year 2008 results conference call on March 27, 2009.
18/3/2009	Q408 Results announcement Details.
12/3/2009	Financial Calendar 2009.
25/2/2009	2008 Fourth Quarter Results under IFRS m to be released on March 27, 2009.
6/2/2009	Composition of the Board of Directors.
9/1/2009	Cancellation of EGM 8/1/2009.
17/11/2008	Q308 Results announcement details.
5/11/2008	2008 Third Quarter Results under IFRS released on November 26, 2008.
7/10/2008	Announcement of fines imposed by EETT-Hellenic Capital Markets Commission-.
6/10/2008	EU approval of the proposed acquisition of OTE by DT.
15/9/2008	Announcement regarding Cosmofon.
26/8/2008	Announcement regarding Altec Telecoms.
20/8/2008	Q208 Results announcement details- on August 28, 2008, Conference call details.
29/7/2008	Q208 announcement date-OTE will release its 2008 second quarter results under IFRS on August 28, 2008.
17/7/2008	Announcement on OTE CEO's meeting with representatives of the Serbian Government in Belgrade.
2/7/2008	Announcement on Lannet SA regarding the temporary halt of certain interconnection circuits.
23/5/2008	First quarter 2008 results Date announcement – Conference call on May 29, 2008.
20/5/2008	Announcement- Lower of OTE's Long term ratings from Baa1 to Baa2 by Moody's Investor Service.
8/5/2008	2008 First Quarter Results under IFRS to be released on May 29, 2008.
16/4/2008	Announcement in response to HCMC's question- OTE responds to HCMC's question relating to press articles citing OTE's entry in the real Estate market.
9/4/2008	Information memorandum full year 2007.
9/4/2008	Announcement-OTE SA now holds 100% of Cosmote.
1/4/2008	Announcement-OTE is obliged to acquire the remaining shares of Cosmote SA by March 31, 2008.
20/3/2008	Squeeze & out procedure and cessation of trading- Announcement regarding the squeeze-out procedure and cessation of trading of Cosmote shares.
13/3/2008	2007 fourth quarter results-Conference call details to be released on March 20, 2008.
11/3/2008	Financial Calendar 2008.
6/3/2008	2007, Fourth Quarter Results under IFRS to be released on March 20, 2008.
28/2/2008	Announcement concerning OTENET CYPRUS.
28/2/2008	New Employee Exit.
28/1/2008	Romtelecom press release-Romtelecom Board of Directors has approved the Business Plan for 2008.

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Location on the company's website: [www.ote.gr](http://www.ote.gr)/ Investor Relations/ Newsroom

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**Insiders' Transactions according to L3340/2005 and 3/347/12.7.2005 Decision of the Hellenic Capital Market Commission**

Location on the company's website: [www.ote.gr](http://www.ote.gr)/ Investor Relations/Corporate Governance/Transparency and Information Disclosure/ Transactions Notification

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**Financial Results**

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26/11/2008	OTE announces Q308 Financial Results under IFRS- OTE Group reports 2008 Third Quarter results under IFRS.
28/8/2008	OTE announces Q208 Financial Results under IFRS- OTE Group reports 2008 Second Quarter results under IFRS.
29/5/2008	Q108 Financial Results- OTE Group reports 2008 First Quarter results under IFRS.
20/3/2008	OTE Q4 07 and Full Year Financial Results under IFRS- OTE Group reports 2007 Fourth Quarter and Full Year results under IFRS.

**Location on the company's website:** [www.ote.gr](http://www.ote.gr)/ Investor Relations/ Newsroom

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**IFRS Reports- Figures and Information**

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26/11/2008	Financial Data and Information in accordance with IFRS- Third Quarter 2008.
26/11/2008	Financial Statements in accordance with IFRS – Third Quarter 2008 -Interim Condensed Financial Statements –Separate and consolidated as of 30 September 2008, in accordance with IFRS.
28/8/2008	Financial Data and Information in accordance with IFRS-Second Quarter 2008.
28/8/2008	Financial Statements in accordance with IFRS –Second Quarter 2008 - Six months Financial Report for the period from 1 January 2008 to 30 June 2008, in accordance to article 5 of Law 3556/2007.
29/5/2008	Financial Data and Information in accordance with IFRS-First Quarter 2008.
29/5/2008	Financial Statements in accordance with IFRS –First Quarter 2008 - Interim Financial Statements –Separate and consolidated as of 31 March 2008, in accordance with IFRS.
20/3/2008	Financial Data and Information in accordance with IFRS- Fourth Quarter 2007.
20/3/2008	Financial Statements in accordance with IFRS – Full Year 2007 - Annual Financial Statements –Separate and consolidated for the Year ended December 31, 2007 in accordance with IFRS.

**Location on the company's website:** [www.ote.gr](http://www.ote.gr)/ Investor Relations/ Financial Results/ Financial Statements of OTE Group and OTE S.A.

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**Note:** The Financial Statements, The Independent Auditor's Reports and the Annual Reports of the Board of Directors can be found at the web page: [www.ote.gr](http://www.ote.gr)/ Investor Relations/ Financial Results/ Financial Statements of OTE Group Companies and are available both in English and Greek

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## **NOTES**

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