The creativity of numbers / the precision of words

1	2	3	4	5	6	7	8	9	0
oo	abc	def	ghi	jkl	mno	pqrs	tuv	wxyz	␣

TIM Hellas Telecommunications S.A. Annual Report 2004

TIM Hellas Annual Report 2004

Numbers speak louder than words.

The Company

The Company
Part I

012

345

6789


Numbers are small incidents.
They are the facts of life.
Some say that even we are made
of numbers.

Dear Fellow Shareholder,

Year 2004 was a challenging period for TIM Hellas as the company continued to face many hurdles related to competition, pricing, regulation and technology while at the same time transforming itself in many fundamental ways.

Clearly, the definitive events of this past year were the company's re-branding to adopt the "TIM" name in the first half of the year, the UMTS launch in the Greek market as well as the necessary preparations for the 2004 Summer Olympics. Although these events factored into the company's results for the past year-keeping profitability at levels lower than those we have delivered in the past, they also in-part paved the way for our sustainable operational and financial strength.

2004 Financial Performance

Increasing competitive and regulatory pressure-illustrated by the approximate 31% year-on-year decrease in fixed-to-mobile interconnection tariffs, challenged our top-line growth in 2004 but TIM Hellas managed to prevent any major slides, delivering slight revenue growth of 2.5% year-on-year, with revenues rising to €829.1 million.

Increased usage helped to counterbalance the slides seen in fixed-to-mobile and mobile-to-mobile interconnection rates for the year, with blended Average Minutes of Use (AMOU) growing to 106.4 minutes during the period, up from 84.8 minutes in 2003. In our contract segment even greater improvement was seen with contract AMOU growing to 238.7 minutes, up by 18.8% year-on-year.

In 2004, our profitability was affected by singular events specific to the company, like the recent re-branding campaign, the substantial Mobitel-case related settlement payment and the extra compensation expense related to the company's share capital increase following the exercise of a stock option plan by TIM Hellas' key employees, as well as industry-wide events like the slashes seen in interconnection rates in addition to the extra investment incurred to roll-out our UMTS network, in-line with our license requirements. As a result, our EBITDA for the year was €32 million less than that generated in 2003, while our net income also came in at lower levels than last year.

Nonetheless, we distributed a stable dividend of €0.10 per share, thus providing a tangible return for our shareholders. I am also pleased to mention that our shareowners have once more benefited significantly from our share price performance over the past year. Supported by the continued positive performance of the US stock market, we witnessed significant capital appreciation of our stock, closing the year with a share price of $18.75-up 44.2% year-on-year thus significantly outperforming the NASDAQ Composite Index.

Although TIM Hellas' financial results suffered a blow in the past year, we recognize that the structural issues that have negatively impacted the health of the company in recent quarters are transitory and they will be corrected over time.

TIM Hellas in 2005

In today's challenging market environment, as the pace of industry change continues to pick up speed, to remain static means to fall behind. Therefore, in 2005 TIM Hellas has re-vamped its strategic goals and targets to ultimately consolidate its position as a strong and profitable player in the Greek mobile market.

One main area for strategic growth is to take the re-branding of 2004 one step further, by effectively promoting the new image of TIM Hellas and improving TIM's brand preference in the Greek market. To this end, we have already geared up our advertising campaign, turning more proactive on this front to attract high-yielding customers and retain existing ones. Additionally, we will reinforce our effective distribution platform by slightly expanding our own "TIM" shops, continuing to pursue our multidimensional distribution approach to ensure coordination and efficiency, as well as fully reviewing our entire dealer network, securing presence in prime locations.

Finally, we will reinforce our current products and services for both the prepaid and the postpaid market segments in order to attract new customers to our current base. Our efforts in this area have already begun, with the re-launch of the company's Free2Go product under the new F2G brand. This campaign has generated a significant amount of interest in the local market and has already begun delivering positive results.

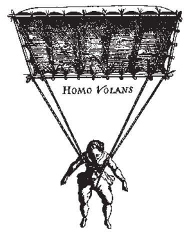
As I write this letter, I assume that you have already heard about the news of the sale of our majority shareholder's stake in TIM Hellas to an acquisition company owned by private equity funds advised by Apax Partners and Texas Pacific Group. As you read this, the necessary approvals by the appropriate Greek and international authorities have already been provided and our long-standing ownership relationship with the Telecom Italia Group has come to a close and our business relationship has entered a new phase. Therefore let me take a moment to thank the TI Group for their consistent support in the past-without which we would not have come so far, and also warmly welcome our new majority shareholder together with whom we will successfully meet the challenges of a rapidly changing telecommunications industry in Greece. Additionally, I feel that I owe it to you to relay our new shareholder's announced intention to acquire the remaining shares of TIM Hellas through a cash merger under Greek law-a development which will understandably initiate a new era for the company.

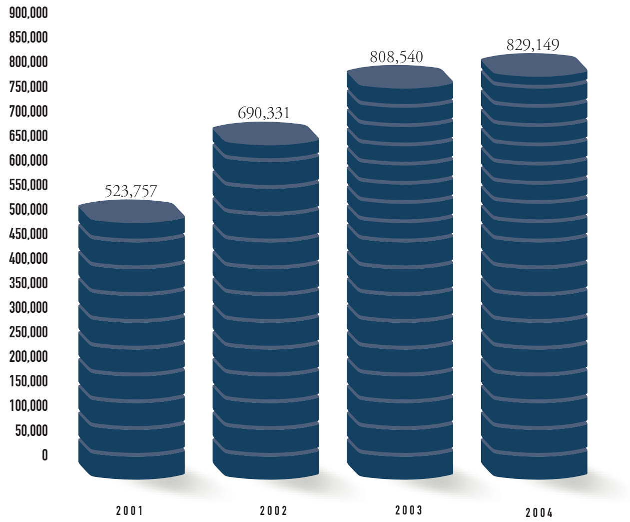
Looking Ahead

TIM Hellas' long-term prospects are indeed bright. As I look ahead and assess our company's assets and capabilities, I like what I see. I see opportunities stemming from the continued migration towards mobile usage as well as the continued uptake in next-generation wireless services. I see a company with great talent and resources. I see energy and enthusiasm for balancing disciplined financial management with smart strategic investments. I see a company with a clear plan and a willingness to deliver positive results in a time of change. Of course the road ahead will not be easy but I believe in TIM Hellas' future, and am certain that our best days are yet to come.

Socrates Kominakis
Chief Executive Officer

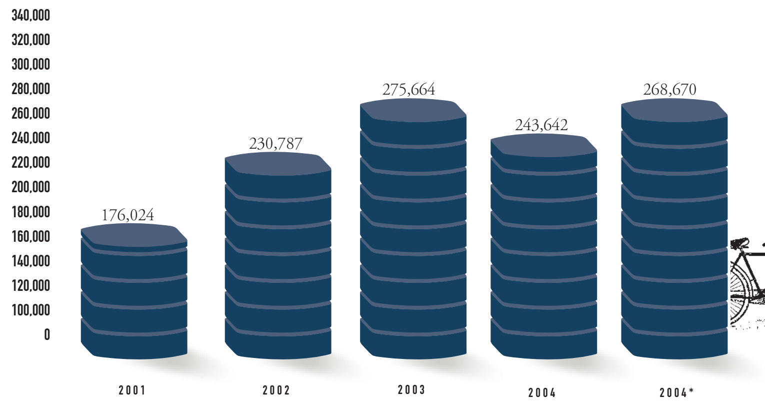
Financial Highlights
Part I

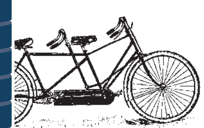




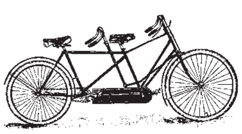
Total Operating Revenues
(in thousands of Euro)

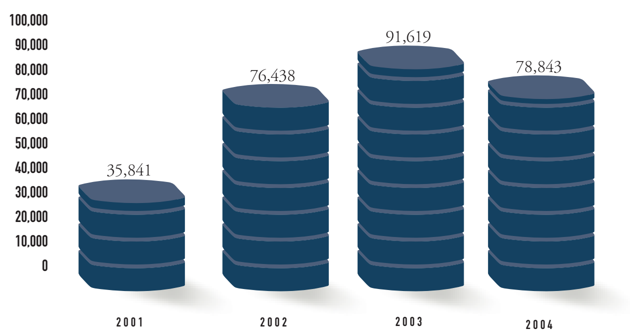
Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA)
(in thousands of Euro)





*excluding the effect of of the re-branding related advertising expenses, the Mobitel case related extra provision and the stock option plan exercise related compensation expense

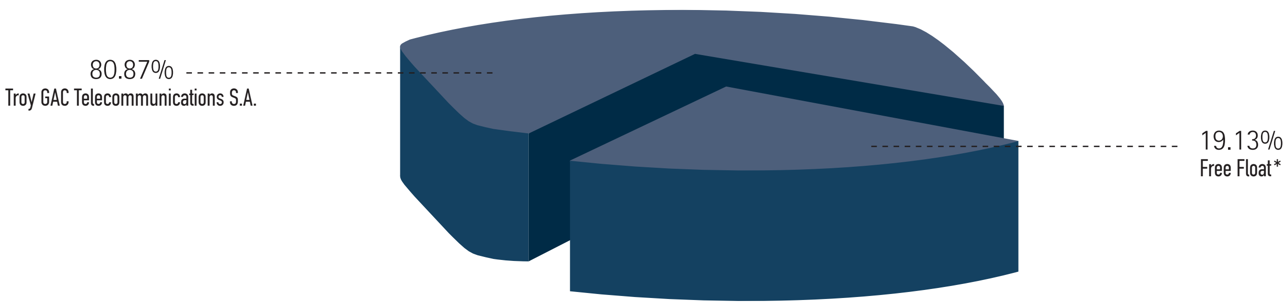




Net Income
(in thousands of Euro)

TIM Hellas Telecommunications S.A., formerly known as STET Hellas Telecommunications S.A., was founded in 1992 and has been providing mobile telecommunications services in the Greek market since June 1993. Following its re-branding in early 2004, the company operates under the "TIM" brand name and offers network access and related value-added services in the GSM 900 MHz, DCS 1800 MHz and UMTS 2100 MHz bands. One of four operators licensed to provide GSM mobile telecommunication services in Greece, and one of three operators licensed to provide UMTS services, the company focuses on innovation and quality service, and offers various prepaid and contract products and services, covering the needs of all the different market segments. TIM Hellas introduced prepaid telephony to Greece in 1997, and was the first operator to offer WAP services in May 2000. TIM Hellas has been offering full commercial GPRS services since June 2001, and obtained a UMTS license in July 2001. In August of 2002, the company launched Multimedia Messaging Services (MMS), first in Greece with automatic terminal settings activation over the air, facilitating each customer's experience with this new technology. At the end of 2002, TIM Hellas signed a commercial agreement leasing a Wireless Local Loop license to enable the bundling of mobile and Fixed Wireless Access service elements and offer combined fixed and mobile voice and data products and services. Finally, the company soft-launched UMTS services near the tail end of 2003, while a full commercial UMTS launch took place in the beginning of 2004—introducing the new era of mobile telephony to the Greek market. In 2004, the company undertook a massive re-branding campaign to adopt the well-established and internationally-recognized brand name of its majority shareholder at that time, and continued to roll out a series of innovative products and services, leveraging on the close relationship with the Telecom Italia Group.

Until June 15, 2005, TIM Hellas' majority shareholder was TIM International N.V., a Dutch corporation wholly owned by TIM Italia S.p.A., a leading operator of mobile telecommunications in Italy and Europe. However, on April 3, 2005 TIM International N.V. executed a conditional acquisition agreement for the sale of its 80.87% equity stake in TIM Hellas to Troy GAC Telecommunications S.A., an acquisition company owned by private equity funds advised by Apax Partners and Texas Pacific Group, for a price of €16.42475 per share or approximately €1.114 billion, and the completion of the acquisition agreement took place on June 15, 2005. Troy GAC Telecommunications S.A. has stated that it intends to acquire the company's remaining shares at the same price of €16.42475 per share through a cash merger under Greek law. As of year-end 2004, the total number of TIM Hellas registered shares authorized, issued and outstanding is 83,876,720.



* N.V. Algemeen Nederlands Trustkantoor ANT is the custodian representing the TIM Hellas ADRs and DDRs traded on the NASDAQ and Euronext Amsterdam stock exchanges.

About Apax Partners:

Apax Partners is one of the world's leading private equity investment groups, operating across the United States, Europe and Israel. Apax Partners has raised or advised approximately $20 billion around the world. With more than 30 years of direct investing experience, Apax Partners' Funds provide long-term equity financing to build and strengthen world-class companies. It pursues a multi-stage equity investment strategy, investing in late venture, growth capital and buyouts. Apax Partners' Funds invest in companies across its 6 chosen global sectors of telecommunications, IT, retail and consumer, media, healthcare and financial/business services. Apax Partners' Funds investments include Inmarsat, Intelsat, Audible, Dialog Semiconductor, Frontier Silicon, Jamdat, Kabel Deutschland, Sonim Technologies and Yell.

About Texas Pacific Group:

Texas Pacific Group (TPG) is a leading global private equity firm. TPG manages over $15 billion in committed equity capital, and in the course of its history, has completed more than 65 transactions. TPG recently raised TPG Partners IV LP, a $5.8 billion private equity fund. TPG was one of the first major US-based private equity firms to establish a European business and in recent months TPG has invested over $1 billion of equity in transactions with an aggregate enterprise value of $15 billion, including Debenhams, Scottish & Newcastle Retail (Pubs), Grohe, Isola (from Rutgers/RAG) and Eutelsat. TPG's European investments also include Ducati, Findexa and Spirit Group. TPG holds investments in the technology and telecommunications sector with investments in Eutelsat, Findexa, MEMC Electronic Materials (WFR), Seagate Technology (STX), ON Semiconductor (ONNN), Paradyne Networks (PDYN), GlobeSpanVirata (GSPN), Crystal Decisions/Business Objects (BOBJ).

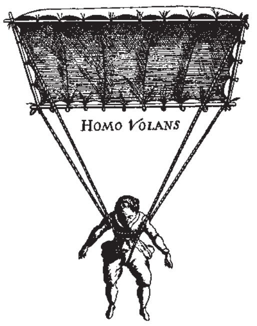
Selected Financial Data

Part I

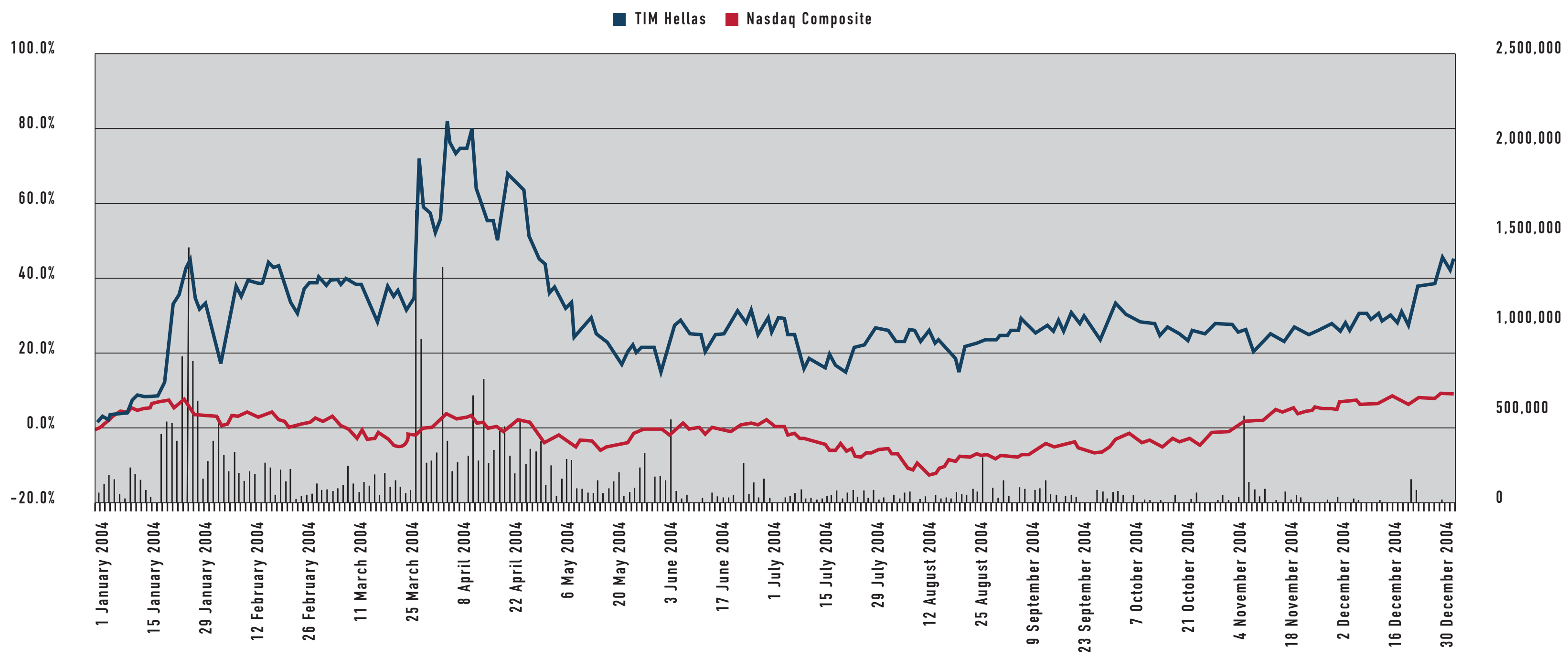
	Year ended December 31,					
	2000	2001	2002	2003	2004	2004
	€	€	€	€	€	U.S.$[1]
	(in thousands, except per share amounts)					
Statement of Income Data						
Operating revenue:						
Revenues from telecommunications services	477,961	504,801	666,453	761,934	785,545	1,063,470
Revenues from sales of handsets and accessories	41,934	18,956	23,878	46,606	43,604	59,031
Total operating revenues	519,895	523,757	690,331	808,540	829,149	1,122,501
Cost of sales and services provided	(199,052)	(195,392)	(252,752)	(331,420)	(385,581)	(522,001)
Gross profit	320,843	328,365	437,579	477,120	443,568	600,500
Provision for doubtful accounts	(6,124)	(5,693)	(5,081)	(7,100)	(5,290)	(7,162)
Selling, general and administrative expenses	(241,561)	(234,953)	(298,240)	(303,137)	(317,212)	(429,442)
Operating income	73,158	87,719	134,258	166,883	121,066	163,896
Interest and other financial expense, net	(20,869)	(16,637)	(14,471)	(10,818)	(9,928)	(13,440)
Income before income taxes	52,289	71,082	119,787	156,065	111,138	150,456
Income taxes provision	(25,611)	(35,241)	(43,349)	(63,446)	(32,295)	(43,721)
Net income before cumulative effect of change in accounting principle for SFAS 143, net of tax	26,678	35,841	76,438	92,619	78,843	106,735
Cumulative effect of change in accounting principle for SFAS 143, net of tax	-	-	-	(1,000)	-	-
Net Income	26,678	35,841	76,438	91,619	78,843	106,735
Amounts per common share:						
Income before cumulative effect of change in accounting principle for SFAS 143	0.37	0.48	0.92	1.11	0.95	1.28
Cumulative effect of change in accounting principle for SFAS 143, net of tax	-	-	-	(0.01)	-	-
Net Income per share – basic and diluted	0.37	0.48	0.92	1.10	0.95	1.28
Dividend per share	-	0.09	0.10	0.10	0.10	0.14
Weighted average shares outstanding – basic and diluted	72,600,000	74,979,847	83,193,220	83,193,220	83,239,907	83,239,907

	Year ended December 31,					
	2000	2001	2002	2003	2004	2004
	€	€	€	€	€	U.S.$[1]
	(in thousands)					
Balance Sheet Data						
Total assets	654,988	868,553	944,592	1,026,328	1,004,350	1,359,691
Long-term debt, net of current maturities	231,182	122,067	222,067	100,000	100,000	135,380
Long-term debt due to related companies	-	60,000	60,000	60,000	60,000	81,228
Total long-term liabilities less long-term debt	7,520	52,846	57,535	78,648	62,681	84,858
Total liabilities	527,924	619,285	626,373	624,809	524,205	709,672
Shareholders' equity	127,064	249,268	318,219	401,519	480,145	650,019

[1] Solely for the convenience of the reader, euro amounts have been translated into dollars at the rate of $1.3538 per €1.00, the noon buying rate on December 31, 2004.



TIM Hellas and the NASDAQ relative performance



TIM Hellas' shares successfully continued their upwards trend in 2004, supported by the continued positive momentum of the U.S. market: TIM Hellas' share price closed the year at $18.75 — up 44.2%, significantly outperforming the NASDAQ Composite Index that gained 8.59% year-on-year.

The company is administered by its Board of Directors which is responsible for its management and administration.

Following the close of the sale of TIM International N.V.'s 80.87% equity stake in TIM Hellas to Troy GAC Telecommunications S.A., an acquisition company owned by private equity funds advised by Apax Partners and Texas Pacific Group, and as stated in the acquisition agreement, five Board members have been replaced, on June 15, 2005. In relation to the sale, it is expected that the company's board of directors will undergo a number of changes.

As of June 15, 2005, TIM Hellas' Board of Directors is as follows:

Stylianos Argyros | Socrates Kominakis | Giancarlo Aliberti | Matthias Calice | Philippe Costeletos | Katerina Karatza | Salim Nathoo

Stylianos Argyros has been chairman of the board of directors of TIM Hellas since 1999. Mr. Argyros is currently chairman of the board and chief executive officer of Preveza Mills S.A., vice-president of Aspis Bank and is a member of the board of directors of Elan Ventures S.A., S&B Minerals S.A., Delta Holding S.A. and P.G. Nikas S.A. He is also a member of the executive committee of the Trilateral Commission. Prior to joining TIM Hellas, he served from 1994 to 1999 as a Member of the European Parliament. From 1988 to 1994, Mr. Argyros was President and Chairman of the Board of the Federation of Greek Industries. From 1994 to 1998 he was Vice President of UNICE. From 1996 to 1998 he was World President of the Textile Institute (U.K.) and from 1992 to 1997, as well as from 2003 to 2005 he was a member of the Board of Directors of ALBA (Athens Laboratory of Business Administration). He received a Bachelor of Science degree from Amherst College and a Masters in Science and a Ph.D in Materials Science from the Massachusetts Institute of Technology.

Socrates Kominakis has been the managing director and chief executive officer of TIM Hellas since September 2004. Mr. Kominakis began his career in 1992 with Procter & Gamble Hellas as a brand manager. From 1996 to 1998, he was with Kraft Jacobs Suchard as a marketing manager. In 1998, Mr. Kominakis joined Vodafone Greece as marketing manager responsible for the formulation and execution of the marketing strategy of the company's distribution network. Mr. Kominakis was promoted to Commercial Director of Vodafone Greece, in 2002 and served as an executive member of its board of directors. Mr. Kominakis holds a Bachelor of Science degree in Business Administration from the American College of Greece, Deree College in Athens and obtained his Masters in Business Administration from Edinburgh University.

Giancarlo Aliberti has been a member of the board of directors of TIM Hellas since June 2005. Mr. Aliberti joined Apax Partners in 2000, specializing in the telecommunications, information technology and fast moving consumer goods industries and is currently leading the development of Apax Partners' activities in Italy. In 1987 Mr. Aliberti worked with Montedison in a staff position to the CEO. From 1989 to 2000, Mr. Aliberti worked with Monitor Company, where he was senior vice president of Monitor Company Europe, Eurasia and South Africa and manager of the Milan office. Mr. Aliberti holds a degree in economics from the University of Rome "La Sapienza" and obtained his Masters of Business Administration from Harvard Business School.

Matthias Calice has been a member of the board of directors of TIM Hellas since June 2005. Prior to joining Texas Pacific Group in February 2003, Mr. Calice worked in the private equity division of Apax Partners from 1999 to 2003. Mr. Calice holds a Magister Juris and a PhD in law from the University of Vienna and obtained his Masters of Business Administration from INSEAD.

Philippe Costeletos has been a member of the board of directors of TIM Hellas since June 2005. Mr Costeletos is a Partner at Texas Pacific Group. Prior to joining Texas Pacific Group, Mr Costeletos was a Member of the Management Committee at Investcorp where he was involved in a number of buyouts in Switzerland, Norway, the Netherlands and the UK. Prior to joining Investcorp, Mr Costeletos was with JP Morgan Capital where he was involved in private equity investments across Europe and Latin America. Previously, Mr Costeletos worked with Morgan Stanley in London and New York. Mr Costeletos holds a Bachelor of Arts degree in Mathematics from Yale University and a Masters of Business Administration from Columbia Business School. Mr Costeletos is Board director of Debenhams.

Katerina Karatza has been a member of the board of directors of TIM Hellas since June 2005. She is and has been, as of 1992, the managing partner of Karatzas & Partners Law Firm. Prior to this she had worked for four years with Shearman and Sterling in New York. She specialises in corporate and financial law, and has been involved as a legal advisor in almost all the major IPOs and takeovers of listed companies in Greece. She holds an LL.B. from the National and Kapodistrian University of Athens and an LL.M. from Columbia University.

Salim Nathoo has been a member of the board of directors of TIM Hellas since June 2005. Prior to joining Apax Partners in 1999, Mr. Nathoo worked at McKinsey & Company where he focused extensively on telecommunications. He held sales, marketing and technical positions at NYNEX CableComms and IBM. At Apax Partners, Mr. Nathoo focuses on telecommunications ventures. Mr. Nathoo has received a Masters of Arts degree in mathematics from St. John's College, Cambridge and a Masters of Business Administration from INSEAD.

The Business

Company Evolution – Milestones

Market Overview

Customers

Products and Services

Distribution

Network and Information Systems

Regulatory Achievements

012
345
6789

The Business
Part II

alex
bianca
christian

1 2 3

damien
esther
funk

great
hotel
idol

4 5 6

me
nobody
oh!

james
kilo
love

pls
queue
r
surf

7 8 9

www
xxx
y?
zzzz

tea
u
vip

0


Numbers become a personality.
Words speak your mind.

05

April 2005
TIM Hellas launches "3G Data Card" facilitating broadband wireless communication

04

January 2004
TIM Hellas is first in Greece to commercially launch UMTS

03

January 2003
Bundled - minutes based packages introduced

May 2003
"For All"- new prepaid product launched

02

August 2002
TIM Hellas launches MMS - first in Greece with automatic terminal settings activation "over the air"

01

June 2001
TIM Hellas launches full GPRS services

July 2001
UMTS license acquired

00

May 2000
WAP services introduced

June 2000
Greece's first m-commerce application launched

99

July 1999
On - Line Stock Services available

October 1999
Total customers reach 1,000,000

98

June 1998
Initial public offer of TIM Hellas on the NASDAQ National Market and the Euronext Amsterdam stock exchanges

97

May 1997
Launch of prepaid telephony first in Greece

96

95

June 1995
Total customers reach 100,000

94

93

June 1993
TIM Hellas Telecommunications S.A. commences commercial operations

Key Milestones in the Company's Evolution
Part II

June 2005
Troy GAC Telecommunications S.A. becomes majority shareholder of TIM Hellas

05

February 2004
Company re-brands from TELESTET to TIM

July 2004
TIM Hellas launches "Mobile TV" another first in Greek market

November 2004
Legal name changes from STET Hellas Telecommunications S.A. to TIM Hellas Telecommunications S.A.

04

03

September 2002
First 3G video call in Greece via TIM Hellas' UMTS infrastructure

02

December 2001
Total customers reach 2,000,000

01

00

December 1999
International roaming for prepaid customers launched

99

98

97

96

95

94

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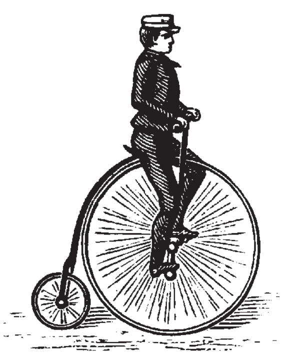


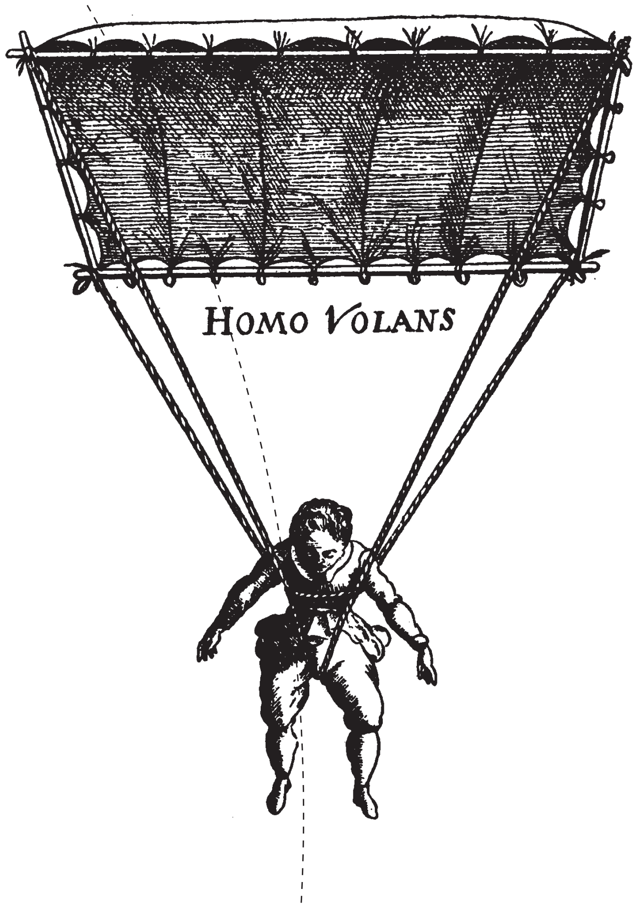
The Greek mobile market continued to see some growth in 2004, bringing total mobile customers to almost 10.9 million at the end of the year, which indicates a nominal penetration level of around 97%, a level well into maturity. However, small room for growth remains, considering the combination of the relatively high inactivity level in the Greek mobile market, the tendency towards multiple SIM card ownership, as well as the traffic upside potential in voice — stemming from the already evident trend of fixed-to-mobile substitution, as well as data — demonstrated by the increasing demand for advanced data services.

The market saw heightened competition over the past year, as the Greek mobile operators shifted their customer acquisition and retention strategies towards the highest yielding market segments and as they became more aggressive on the mobile data front, in their common pursuit of sustainable growth. In addition to heightened competition, the Greek mobile market continued to witness increased regulatory activity with operators further cutting fixed-to-mobile interconnection rates to meet the National Regulator's guidelines for convergence of mobile termination interconnection rates — thus placing further pressure on operators' profitability. Moreover, the launch of Number Portability lowered the barriers for subscribers to switch between operators, further amplifying competition. Nonetheless, a relatively low number of mobile subscribers actually utilized this service, resulting in an insignificant impact of subscriber reshuffling, despite the fact that 2004 was the service's first year in operation.

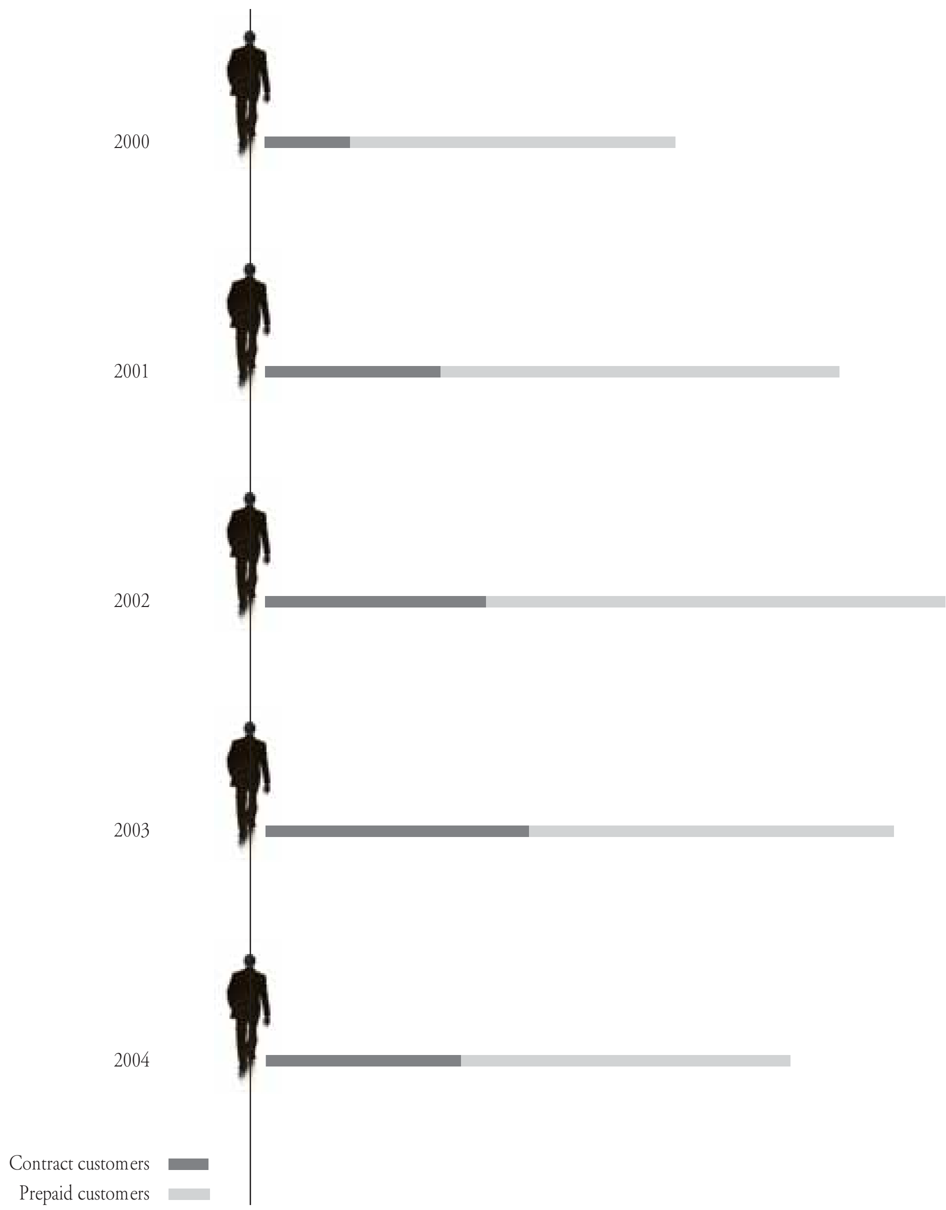
2004 proved to be a pivotal year for the Greek mobile market as Greece played host to the Summer Olympics and as 3rd generation mobile telephony was launched in the country — two significant events that necessitated substantial investment though yielded disproportionate returns in the short-term. More specifically on the Olympics, Greece received tremendous international attention for successfully hosting the Summer Games and mobile operators were adequately prepared for the once-in-a-lifetime event, offering both domestic users and foreign roamers uninterrupted high-quality mobile services. TIM Hellas ushered in 3G to Greece, re-affirming its innovation supremacy, being the first operator to commercially launch UMTS services with one peer following soon thereafter.

Within this market context, TIM Hellas experienced one of its most challenging and transformative years to date, and undertook a major strategic initiative of adopting the "TIM" brand to leverage on its wide-spread awareness and on the advanced technical know-how and innovation associated with the wider Telecom Italia Group. Though sound strategically, this decision amongst other singular events of 2004, limited TIM Hellas' short-term profitability.

Market Overview
Part II



TIM Hellas' total customer base reached 2,323,866 at the end of 2004, with prepaid customers totaling 1,520,560 or 65.4% of the total customer base, while contract customers numbered 803,306. ▎ In line with its customer-centric approach, TIM Hellas continued during 2004 to provide quality services to its customers and focus on a segmented customer service approach, balancing customer needs and cost of service. ▎ The company's ongoing customer focus and commitment is reflected by the high levels of customer satisfaction in the periodic surveys performed by the independent research firm, MRB Hellas S.A. which found that in 2004, 93% of the total customer base was satisfied with the level of customer care, with even higher satisfaction levels in high-value customers reporting 96% satisfaction rates with the company's customer care. ▎ Leveraging on call center technology, customer segmentation tactical priorities were applied to the company's customer care policy, resulting in high quality support and exceptional access levels for high-end business and consumer customers. In addition, the company offered to all its customers' specialized support on new technologies through a dedicated team, which effectively handled all inquiries and educated customers on the use of new innovative value-added services. ▎ During 2004, the company continued to implement a set of targeted and innovative activities aimed at increasing loyalty and lifetime value of its customers: The "Written Correspondence Management" group was formed, focusing on the effective resolution of all customer written complaints, and tailor-made outbound call campaigns were conducted aiming to increase and optimize the traffic patterns of select target groups, as well as ensure greater uptake of the company's value-added services. ▎ Regarding Customer Relationship Management (CRM) initiatives, TIM Hellas introduced the "Proactive Campaign Management" project—directly contacting high-value customers through the Company's call center, in order to ensure their satisfaction and optimize resources. Moreover, the combination of the "Avantage" loyalty point scheme with a proactive upgrade campaign contributed to increased customer satisfaction and retention, thus securing more revenues from the customers retained. ▎ Throughout the year, the company continued to focus on achieving higher operating efficiency and cost-control through new technological solutions and the automation of manual activities, thus redeploying resources for use in other Customer Service operations. Moreover, economies of scale and improved agent occupancy were achieved through the introduction of a unified group for the support of the business and consumer segments, following a carefully designed training plan. As a result, increased call volumes and call duration were effectively controlled resulting in reduced average waiting time for the customer. ▎ From a Customer Credit Management ("CCM") viewpoint, the company has focused on increasing billing and collection practices which resulted in an almost 41% year-on-year increase in 2004 in the average monthly amounts collected from customers in danger of contract cancellation due to non-payment. At the same time, earlier fraud identification has been achieved by reducing the average "activation to deactivation" period by 30 days less than last year.



	2000	2001	2002	2003	2004
Customers at the beginning of year	1,182,751	1,645,392	2,135,338	2,513,642	2,402,777
Net additions	462,641	489,946	378,304	(110,865)	(78,911)
Customers at end of year	1,645,392	2,135,338	2,513,642	2,402,777	2,323,866
Contract Customers	517,378	662,763	767,916	817,914	803,306
Prepaid Customers	1,128,014	1,472,575	1,745,726	1,584,863	1,520,560

TIM Hellas offers a broad range of customized products and services for both the contract and the prepaid market segments, fully covering the communication needs of the entire market spectrum.

Contract Products

TIM Hellas currently offers its contract customers a range of tariff plans that permit customers to choose a combination of monthly service fees, which may include the use of up to a certain amount of minutes for a fixed fee and airtime tariff rates that best suit their anticipated use of available services. Each tariff plan consists of a monthly service fee, airtime tariff rates and additional monthly charges for the use of certain value-added services and is offered on the basis of a twelve-month contract.

TIM Hellas currently offers the following tariff plans to Greek mobile consumers who opt for a contract subscription:

- **TIM 20 — TIM 1000**, a range of ten competitive, bundled-minutes based tariff plans, addressing the changing needs of a wider market spectrum. These packages offer bundled amounts of airtime ranging from 20 to 1000 minutes per month, common rates for calls to all networks and reduced monthly fees for all customers, who stay with the company for more than a year. Moreover, in mid- 2005, TIM Hellas introduced the "rollover" option whereby customers can transfer any unused bundled minutes towards the following month's account balance;

- **TIM Talk n' Text**, a combined tariff for the consumer contract market, which combines bundled airtime and SMS, as well as two add-on options offering either 60 or 120 bundled SMS messages per month;

- **TIM 3G 70**, a 3G tariff plan with 70 minutes of bundled airtime per month, common rates for calls to all destinations, 40MB of web and WAP browsing, 15 MMS and a video-calling package for new customers that wish to subscribe to TIM Hellas' UMTS services; and

- **TIM 3G Choice**, an add-on option for existing 2G subscribers that wish to complement their 2G package with 3G capabilities, this package includes bundles minutes, video calls, 40 MB of web and WAP browsing and 15 MMS.

Prepaid Products

In the pre-paid segment, TIM Hellas offers the Free2Go and TIM For All products. Prepaid services require no contract and no monthly fee, and customers purchase a prepaid voucher that provides services equivalent to the amount paid for the voucher. The customer can easily access further services by purchasing additional prepaid vouchers at kiosks and retail stores or adding value to their account through electronic means such as by SMS, or at ATMs. Prepaid airtime tariffs are incurred on a per-second basis with minimum call duration of 30 seconds.

Free2Go is a pre-activated connection pack that includes a SIM card valid for one year which can be extended through further purchases, and prepaid airtime. This pack is available throughout Greece in thousands of kiosks and mini-markets, making it the most accessible way to become a mobile telecommunications user. Free2Go was re-launched in mid-2005 under the F2G brand. In conjunction with this plan, TIM Hellas offers several value-added services including TIM Dating, Free2Chat, Free2Flirt, Free2PlayGalaxy and TIM Sharing.

TIM For All is a voice-oriented prepaid plan that combines competitive flat rates (irrespective of call termination), automatic activation from the first call and access to all of the company's technologically advanced, value-added services, primarily aimed at the adult market. TIM For All is available through the TIM stores as well as through the company's dealer network.

Business Products

TIM Hellas also offers customized packages tailored to the specific needs of the different types of business customers in the Greek market—including corporations, small-and medium-enterprises (SMEs), and small office home office companies (SOHOs). Monthly service fees and airtime tariff rates applicable to the company's business customers are based on the customers' specific needs in line with TIM Hellas' B BEST branded offering. There are different business packages for different customer profiles and for different number of phone lines.

TIM Hellas currently offers:

- **B BEST Benefit**, the company's basic service package with a low monthly service fee;
- **B BEST 60 – B BEST 550**, an integrated mobile telecommunications service that addresses high-value business market segments, including the corporate segment and SMEs. These tariff plans include a range of combinations of Internet, bundled-minutes and value-added services for the business customer with the incentive of reduced monthly fees for customers who stay with the company more than one year;
- **GPRS Basic, GPRS 10 and GPRS 40**, three Internet access tariff plans for data users; and
- **Corporate Connect**, a plan which provides integrated mobile telecommunication solutions for larger corporations, offering business customers mobile telephony at competitive rates, and with the company's leased-lines offer, allows them to interconnect their sites wirelessly and to build data and voice VPNs.

Advanced Mobile Services

In addition to the company's tailored product portfolio, TIM Hellas is committed to offering a series of innovative and cutting-edge services to complete the user's mobile telephony experience.

Besides the traditional value-added services such as SMS, voice mail and directory services, the company offers a wide range of advanced services including various infotainment related ones (weather forecasts, sports news, stock exchange updates, exchange rates) through Interactive Voice Response ("IVR"), SMS, MMS, WAP/GPRS, and UMTS. Additionally, the company provides mobile access to the Internet and WAP through high-speed Circuit Switched Data, GPRS and UMTS.

TIM Hellas' value-added services include:

- **Video Streaming & Downloading Services for 2.5G and 3G subscribers**. These include TIM Video News which offers subscribers the option of viewing local, international and financial news directly from their mobile phones through an exclusive collaboration with the Greek Business Channel; TIM Music Clips which offers customers the ability to download and forward the trailers of popular video clips, based on a collaboration with Heaven Music, a leading Greek record label; Antenna Summary Video News which offers the day's news; MAD Music News & Charts which provides the latest music news from the Greek and foreign charts; Interview of the Month which hosts exclusive interviews from key media and sports celebrities; TIM Movie Trailers which provides trailers of the best movies and updates customers on the new movies playing in the Greek theatres;

- **Mobile TV**. This is an innovative service that allows 2.5G customers to watch the following six TV channels live: Ant1, MEGA, Alter, MAD, GBC, and CNBC Europe;

- **Ringtones & Logos**. This service offers a large variety of content including monophonic, polyphonic and true-ringtones from various Greek and international artists, and wallpaper from established international content brands;

- **Java Games**. This service currently offers approximately 300 games that can be downloaded and played on a customer's handset;

- **Date & Chat**. This service offers dating and chatroom services via SMS and IVR. Free2Chat and Free2Flirt are just two examples of the company's SMS-based services that allow customers to exchange messages with people sharing common interests;

- **VAS Web sites**. These websites provide information on the description and pricing of available services and allows the user to purchase certain digital items, including Ringtones, Logos, Wallpapers, Java Games, Video Downloads. The web sites also enable customers to set-up SMS, MMS and Video alerts;

- **128K SIM Cards**. These are highly advanced GSM SIM cards with 60 Value-Added Services in a dynamic SIM-toolkit that allows personalization of the SIM card menu with 10 additional services, storage of 250 phone numbers and 40 SMS;

- **Twin Card**. These are two SIM cards with the same phone number to be used by professionals that have a carphone, PDA or laptop DataCard and do not wish to have different numbers and accounts; and

- **2inOne**. This is one SIM card with two numbers for those customers who wish to have two numbers (i.e. one for business and one for personal use).

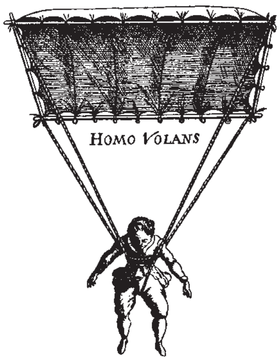
During 2004 TIM Hellas continued its focus on enlarging its products and services reach, through a broad and efficient distribution network, as part of its consistent strategy towards further strengthening its position in the Greek mobile market. ▎ Throughout the year, the company continued to revamp and expand its direct distribution channel of **TIM Stores**, providing a visual identity of the TIM brand name and increasing awareness and company image. At year-end, the TIM Stores amounted to 163 shops and generated approximately 37% of the company's total gross activations. The emphasis in 2004 was on establishing the TIM stores as the preferential outlet associated with TIM's products and services. This was accomplished by continuously enriching the company's "in-shop" product and service offerings and acting as an educational agent for advanced mobile data applications. ▎ Parallel to the strengthening of its own distribution network of TIM Stores, the company also enriched its presence in non-traditional distribution channels by solidifying its cooperation with the Hellenic Postal Office, to ensure the availability of its contract products in over 700 postal offices throughout Greece. Additionally, TIM Hellas further built upon its agreement with Tasty Foods S.A., a subsidiary of PepsiCo International and a major snack producer in Greece, to offer its prepaid products to a wider network of kiosks across the country, reaching over 12,000 points of sale. ▎ At year-end, the company's entire distribution network, including the sales points of its independent distributors—most significant of which is the Germanos chain, the largest retail telecommunications and electronics dealer in Greece, grew to over 2,000 points of sale, excluding kiosks. ▎ Regarding the summer Olympics, in addition to handling increased "walk-in" traffic, the TIM Stores also offered pre-paid top-up scratch cards and electronic re-charge services for the "FreeMove" Alliance customers: This way either electronically or manually, prepaid customers of the Alliance were assured access to all of their mobile communication needs. Finally, the Company signed agreements with several foreign media companies to offer its BBest business product for their corporate use and also provided about 800 prepaid connection packs to three athletic companies resident in Greece during the period of the Games.

Throughout 2004, TIM Hellas continued to invest in network infrastructure in order to meet increasing traffic demands, improve network performance, enrich its service portfolio, and meet regulatory requirements. The major challenge of the year was the Athens 2004 Olympic Games and the subsequent network preparation to offer reliable, stable and high quality services. ❙ Despite the cumbersome site acquisition and installation procedure, network capacity was increased through the installation of additional GSM Radio Base Stations (RBSs) and UMTS Node Bs, the installation and integration of new Base Station Controllers (BSCs) and new Mobile Switching Centers (MSCs). In addition, a number of hardware expansions were performed in many nodes of the Company's Network, aiming to serve the increasing traffic demands and to improve overall network quality. ❙ The Company's optical fibre ring in Athens, interconnecting a number of major hub sites, has been completed, providing increased capacity, protection against severe weather conditions and 3rd party interference. Furthermore, the rollout of Fixed Wireless Access network continued with the installation of a number of LMDS base stations in the Athens and Thessaloniki areas, while the ATM and Microwave networks were also expanded based upon 2004 traffic needs. In addition, new interconnections were established with two new fixed line alternative carriers, while new points of interconnection with the existing operators were added in order to increase network efficiency. ❙ Aiming at further improving its network performance a new prepaid solution based on Intelligent Network (IN) technology became fully operational for the prepaid subscriber base at the end of March 2004. The new solution is able to support Mobile Number Portability and address forthcoming commercial demands. ❙ Furthermore, TIM Hellas made all the necessary network enhancements to enable the launch of new enhanced voice and SMS services in addition to new packet switched services, such as TIM Imagine, Mobile TV and an enhanced WAP Portal, amongst others. Moreover, as a member of the "FreeMove" Alliance, TIM Hellas implemented a series of projects during 2004, to provide high quality of service and enhanced roaming services for the Alliance's customers. ❙ TIM Hellas' UMTS launch — first in the Greek market and of strategic importance for the company, aimed at enriching TIM Hellas' services portfolio, and required the roll-out of an end-to-end UMTS network, which was also expanded to cover the cities hosting the Olympic Games events, including sporting venues and various "hot spots", in line with the company's license requirements. ❙ In closing, many medium to large scale projects were accomplished to ensure the successful network operation and guarantee end-user satisfaction throughout the 2004 Summer Olympics period. In addition to providing UMTS coverage, other critical issues were considered like the movement of spectator masses during an already peak-traffic summer period, which resulted in the installation of new sites in the Olympic venues and other key areas mostly throughout the Attica region, as well as the other Olympic Games cities to increase network capacity. Apart from the expansion activities, optimization and tuning throughout the network chain took place and redundancy in key network elements and interfaces was established, to secure network quality.

TIM Hellas' information systems infrastructure consists of a variety of systems and platforms, including: pre-paid, contract and other specialized billing systems, customer relationship management systems, a point of sales system with real-time credit risk evaluation, fraud detection systems and enterprise resource planning (SAP), among others. The majority of these systems and platforms are the leading products on the market for their respective application and are supported by established manufacturers. | During 2004, TIM Hellas' Information Systems Department effectively met the challenges of the past year and improved the company's overall IS functionality by introducing new services to the company's own distribution chain of TIM Stores while streamlining existing ones as well; by upgrading billing infrastructure and expanding the company's bill generating capabilities; by rolling out a new prepaid system thus facilitating the launch of advanced services never before offered for this key sector, and finally by enriching the company's current SAP capabilities with several new functionalities. | Regarding the TIM Stores, various new services were introduced during the year, to support a wide variety of business functions and enhance customer satisfaction such as automatic mass services and tariffs activation/deactivation for business customers, change of payment method, automatic roaming activation, prepaid to postpaid transition and "best plan" identification. Currently available in all TIM Stores, these services are of critical importance in serving existing customers through the company's direct distribution chain. Moreover, the interconnection infrastructure between TIM's sales points systems and those of Germanos were substantially enriched both in terms of functionality and performance, so as to provide most of the services offered in the company's own stores through its major retailer as well. Finally, two web-based on-line applications—sales order management and business clients loyalty upgrade, as well as an automatic replenishment application for the TIM Stores retail chain were implemented during the year. | Regarding billing infrastructure, TIM Hellas successfully upgraded its Settler Interconnection billing system to offer enhanced and flexible re-rating and rollback mechanisms, as well as substantial performance improvement. Another major project in the area of billing was the creation of infrastructure to support TIM's "International Revenue Assurance" initiative, a project aimed at monitoring the process chain from call initiation through revenue collection. Finally, the Bill Generation System, whose introduction in 2003 facilitated the personalization and alteration of the bill layout on demand, was enhanced with the capability of generating ready-to-print HTML invoices and consolidating dunning and "Avantage" loyalty scheme information. | In order to further enhance the company's Customer Relationship Management (CRM) infrastructure, the Siebel platform was implemented in order to support the full spectrum of services provided by TIM Hellas' Customer Service Department (handling of inbound communication and management of outbound campaigns).

During 2004 a new prepaid system was installed, enabling the launch of a set of new pre-paid services such as outbound roaming, real time charging, GPRS charging and Call Forwarding service, amongst others. Finally the new system considerably enhanced the security and fraud-prevention in TIM Hellas' pre-paid segment. With regards to SAP, and in the context of the "SAP Value Program" initiated in 2003, three major projects were implemented this year adding Human Resources, Real Estate and Investment Management capabilities to the portfolio of the company's Enterprise Resource Planning system. Finally, the decision support system of the company, NECTAR, was further expanded to cover additional functional areas, including multi-dimensional MMS analysis, subscriber handsets trend analysis, international traffic analysis and "FreeMove" Alliance roaming traffic analysis.

The regulatory environment continued to challenge Greek mobile operators during 2004 on many fronts. ▍ The Greek NRA placed additional pressure on the company to further reduce interconnection rates — in line with its goal of converging fixed-to-mobile and mobile-to-mobile interconnection rates. As a result, TIM Hellas significantly reduced interconnection charges for fixed-to-mobile call termination, following the relevant guidelines set by the National Regulator. ▍ Mobile Number Portability, the ability for customers to retain their assigned telephone numbers when changing the subscription from one mobile network operator to another, was applied in Greece on March 1, 2004, as foreseen by the relevant NRA legislation. The company worked closely with the Regulator and the other mobile operators, to meet the legal requirements for the final phase of the implementation. ▍ Regarding the European New Regulatory Framework for electronic communications — a series of EU Directives that were passed in 2000 necessitating the EU member states to redefine their telecommunications regulatory environment by implementing new electronic communication legislation no later than July 2003, national approval of the Law implementing this new framework has been postponed due to the change in government in the March 2004 national elections. Greece has not yet implemented the New Regulatory Framework, but the Ministry of Transport and Communications launched a Public Consultation on May 26, 2005 on a new draft law on electronic communications. The law is expected to be enacted within 2005. Until the new law is in force, the existing National legislation remains in effect, subject to any direct or indirect effect conferred by any of the Framework's Directives. Throughout the year, the company closely followed the progress of the European New Regulatory Framework implementation by other member states, in order to be prepared once its implementation in Greece occurs. ▍ From a European perspective, TIM Hellas brought to the attention of the European authorities a number of pending issues, in absence of the new Greek regulatory framework, throughout 2004: challenges in network deployment, interconnection and access issues, as well as GSM-gateways related matters. ▍ Additionally, TIM Hellas successfully conveyed its stance to the European institutions on issues such as relevant markets and significant market power, in the context of the ongoing notifications and definitions of costing/accounting methodologies undertaken by the Greek NRA. ▍ 2004 also saw the launch of a series of investigations by the EU — to which TIM Hellas promptly responded, including one on international roaming in the United Kingdom and one on provision/distribution of sports related content over 3G networks, with a special highlight on the Athens 2004 Olympic Games. ▍ Finally, with the 2004 EU enlargement and the appointment of the new European Commission, new stakeholders are being identified and worked with, in the context of TIM Hellas' international and European regulatory efforts.


Homo Volans

The People

Human Resources

Company Structure

Top Management

Sponsorships

Experience the power of words. Indulge in a game. Rearrange words and create poetry.

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The People
Part III

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Find yourself in the
sequence of numbers.

TIM Hellas operates in a technologically advanced market, which is continuously evolving, necessitating an adequate level of skilled human resources. Business challenges are constant and the company is in a position to continuously offer opportunities for people to develop and grow professionally. ▎ TIM Hellas employs high-calibre professionals—a fact that is reflected in their educational levels: 60.8% hold a Bachelors or other equivalent Degree, while 19.9% hold a Masters or other advanced Degree. During 2004 alone, more than 200 new employees joined the company's work force, primarily hired in the areas of Customer Service, Information Systems, Sales and Network. Women make up 47.4% of the work force while men account for the remaining 52.6%. The average employee age is 32 years. ▎ TIM Hellas places significant attention in the field of personnel training. The company strives to offer an environment of constant learning for its employees, by running a series of educational programs and seminars covering a wide variety of topics, ranging from the economy, technology, marketing and management, amongst others, addressing the needs of all company departments. During 2004 alone, more than 60,000 training hours were completed. ▎ Additionally, the company sponsors a specific number of academic and post graduate degrees for its employees each year, attesting to its dedication to further develop its work force. Finally, TIM Hellas continues to run the "Internal Development Centers" where employees with expertise in one field share that knowledge with their colleagues. ▎ An Opinion Survey—conducted since 1999 in order to pinpoint where employees stand on various factors that influence their satisfaction and motivation in the workplace, was once more undertaken in 2004, and a number of actions were taken accordingly in order to improve the overall satisfaction of the company's employees. ▎ In the framework of its sponsoring educational activities in Greece, the company inaugurated a new institution in 2004, called "TIM Aristevin" for rewarding the top high school students that excelled in their studies. For undergraduate and graduate students, TIM Hellas organized the "TIM Telecom Excellence Awards", for the third consecutive year, identifying those students who successfully completed their thesis in the technical and business sector of mobile telecommunications. Finally, in line with its efforts to continuously support young professionals, TIM Hellas successfully organized for the fourth year in a row, the "TIM Career Day", which was attended by over 450 students and professors, from nearly all Greek universities, informing attendees on various employment opportunities with the company. ▎ Finally, the company organized the "Business in Action" event, taking 50 high-schools students of Thessaloniki's Experimental High-School on a tour of its Technical Center in Evosmos, with the intent to inform them on mobile telephony technology.

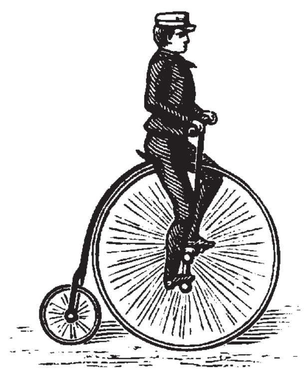
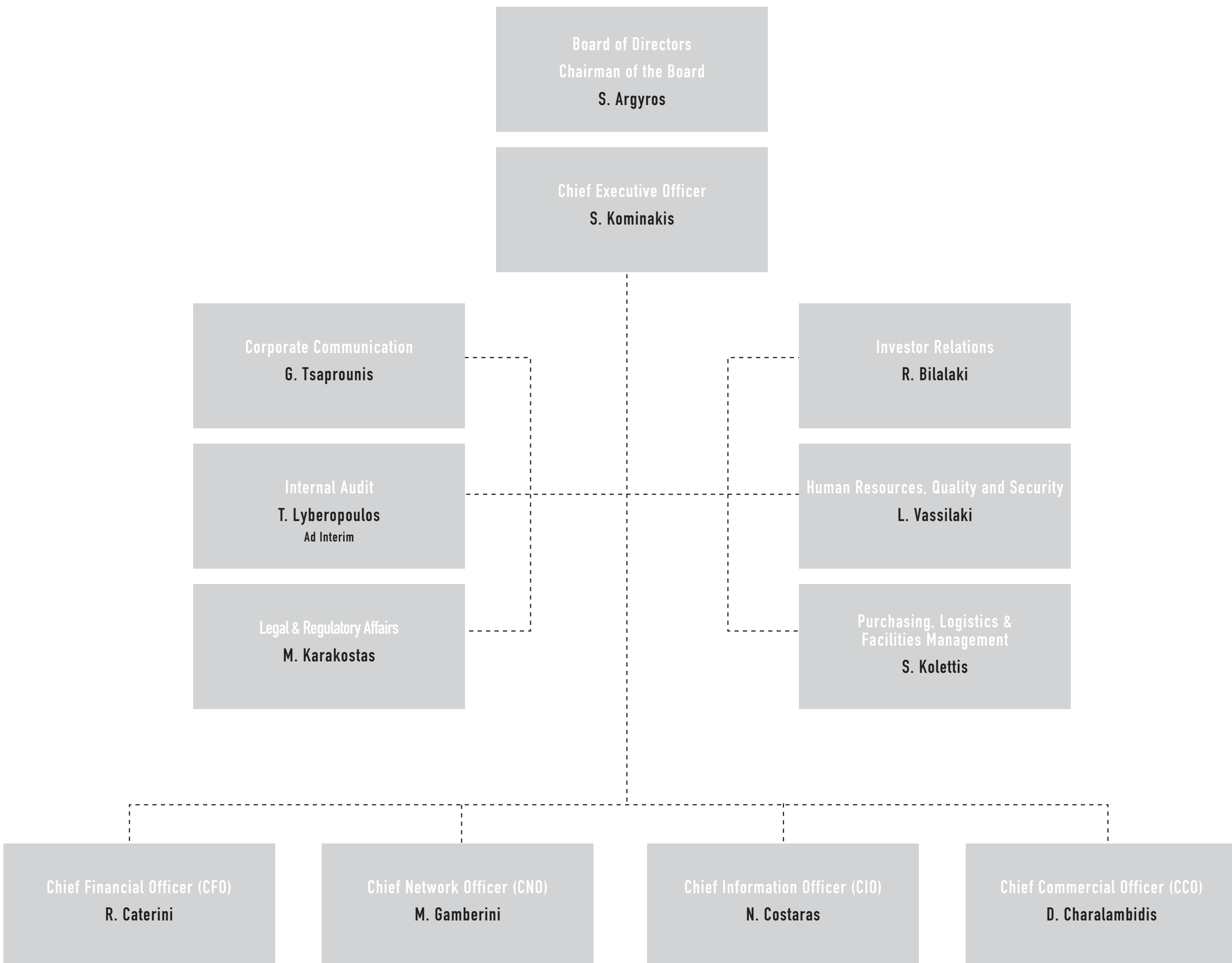


figure III

figure II

figure I



Company Structure — As of June 13, 2005

In 2002, TIM Hellas completed the restructuring of its management, creating the position of chief officer to which executive directors of related divisions report. These chief officers report directly to the Chief Executive Officer. In January 2005, the Secretary General position—which reported directly to the company's CEO, ceased to exist and the Human Resources and the Purchasing, Logistics and Facilities Management departments now report directly to the company's CEO.

As of June 13, 2005, TIM Hellas' top management consists of the following individuals:

Socrates Kominakis has been the managing director and chief executive officer of TIM Hellas since September 2004. Mr. Kominakis began his career in 1992 with Procter & Gamble Hellas as a brand manager. From 1996 to 1998, he was with Kraft Jacobs Suchard as a marketing manager. In 1998, Mr. Kominakis joined Vodafone Greece as marketing manager responsible for the formulation and execution of the marketing strategy of the company's distribution network. Mr. Kominakis was promoted to Commercial Director of Vodafone Greece, in 2002 and served as an executive member of its board of directors. Mr. Kominakis holds a Bachelor of Science degree in Business Administration from the American College of Greece, Deree College in Athens and obtained his Masters in Business Administration from Edinburgh University.

Ruggero Caterini has been the chief financial officer of TIM Hellas since September 2002. Mr. Caterini began his financial career with Istituto Mobiliare Italiano S.p.A. in 1990 and joined TIM Italia in 1996, where he was involved in economic evaluations of TIM Italia's international subsidiaries within the administration and control department. In September 1998, he was appointed controller of TIM Italia's South American subsidiaries. In 1999, he was appointed chief financial officer and investor relations director of Tele Celular Sul Participacoes, TIM Italia's Brazilian subsidiary. Prior to joining TIM Hellas, Mr. Caterini was the CFO of Mobilkom Austria A.G.. Mr. Caterini holds a Bachelor of Science degree in Mechanical Engineering from the University of Rome "La Sapienza".

Nikolaos Costaras has been the chief information officer of TIM Hellas since November 2002 when he joined the company as an Information Systems Executive Director. Mr. Costaras began his career with Credit Bank S.A. in 1985 until 1988 and held various managerial positions in Greek IT and telecommunications companies. Prior to joining TIM Hellas, Mr. Costaras worked at the Information Systems division of Vodafone Greece from 1993 to 2002. Mr. Costaras holds a Bachelor of Science degree in Computer Science from Teeside Polytechnic, Cleveland, U.K. and an MSC in Computer Science and Software Design from Newcastle University, Tyne & Wear, U.K.

Michele Gamberini has been the chief network officer of TIM Hellas since November 2002. Prior to his current position, Mr. Gamberini worked for Vodafone Omnitel SpA from 1994 to 1996 as Cell Planning Coordinator in the Tuscany and Umbria regions and for TIM Italia from 1996 to 2002, where he held various managerial positions. Mr. Gamberini holds a Bachelor of Science in Electronic Engineering from the University of Rome "La Sapienza" and a graduate degree from Istituto Superiore Poste a Telecomunicazioni, a telecommunications specialization school.

Damianos Charalambidis has been the chief commercial officer since January 2005. Mr. Charalambidis began his career in 1991 with Intracom S.A. in the research and development department and in 1996 he switched to the marketing and sales division. In 1998, he joined Cellular Operating System of Mobile Telecommunications S.A., or Cosmote, as Product and Services Manager and assumed various positions of increasing responsibility culminating in his appointment as General Manager of Products, Services and Marketing, his position until December 2004. Mr. Charalambidis holds a Bachelor of Science degree in Electrical and Electronic Engineering from Liverpool's Polytechnic University and a Masters of Science from the Victoria University of Manchester Institute of Science and Technology.

TIM Hellas' sponsorship programs continued to broaden in 2004, demonstrating yet again the company's consistent commitment to supporting a wide range of non-profit cultural, educational, sports-related and charitable community endeavors throughout Greece.

The sponsorship programs for 2004 fell into the following categories and included:

TIM Hellas and 2004 Olympic/Paralympic Games

2004 was a special year for Greece, as it played host to the Olympic Games, and in light of this momentous opportunity, TIM Hellas supported the dreams of several athletes by sponsoring their quest for glory at both the Olympic and the Paralympic Games.

Track and Field Athletics

TIM Hellas supported Athanasia Tsoumeleka who won the Gold metal in the 20 km walk as well as Makis Korkiziglou, the Greek decathlete who participated in the Games with an honorable performance. Additionally, TIM Hellas supported Anthie Karagianni of the Greek Paralympic team who won three Silver metals at the Paralympics—in the 100 meter dash, the 400 meter dash and the long jump. Additionally, the company sponsored Makis Kalaras who won a Silver medal in the discus throw and also sponsored Evangelos Bakolas who placed fifth in the shot put.

Rowing and Sailing

TIM Hellas supported the National Rowing teams in their preparations for the 2004 Olympic Games, at which the rowing team of Vasileios Polymeros and Nikolaos Skiathitis won the bronze medal in the men's lightweight double sculls race, as well as the sailing crew of Andreas Kosmatopoulos and Konstantinos Trigkonis, world champions in the double-handed dinghy category.

TIM Hellas and the Arts

Major sponsor of the painting exhibition of Kostas Tsoklis

TIM Hellas successfully sponsored the painting exhibit of the world famous Greek artist Kostas Tsoklis, held in Athens from November 11 - December 4, 2004. Through the exhibited paintings the audience could trace the development of his life's work and the progress made through his art.

TIM Hellas and Athletics

Sailing boat Zantino

The company's long-standing relationship with sailing began in 1994 when it began its sponsorship of the ZANTINO sailing boat. The ZANTINO's all-female crew, the only one of its kind in Greece, is captained by Mr. Panagiotis Strouzas, and has won various distinctions in many races. This year TIM Hellas celebrated 10 years of cooperation.

National Sponsor of the Greek Rowing Federation

In 2004, TIM Hellas continued sponsoring the Greek Rowing Federation, an organization composed of more than fifty clubs from all over the country whose athletes have achieved significant international records, including ones at the Olympic Games in Sydney and Athens and the World Championships of Lucerne.

The Aegean Sailing Rally

The company continued—for a sixth consecutive year, its exclusive sponsorship of the "National Aegean Sailing Rally," the most well known race in Greece attracting more than sixty sailing crews each year. TIM Hellas also organized cultural events in the islands that were included in the race.

AEK-Football Club

In 2003, the company initiated the sponsorship of AEK FC, the historic Greek football club with a rich athletic tradition and a dynamic presence and further strengthened this cooperation near the tail-end of 2004 with the announcement that TIM Hellas would be the team's official sponsor for the 2004-2005 and 2005-2006 seasons thus supporting the team's efforts for distinction in the Greek championship as well as in the leading European tournaments.

Maroussi – TIM basketball team

TIM Hellas was the official sponsor, for the third year in a row, of the Maroussi basketball team, which participated in the National League with significant distinctions on both national and European levels.

"TIM" All Star Game

TIM Hellas was the exclusive sponsor of the second "All-Star" soccer game organized by the Hellenic Football Association. Top-level Greek and Cypriot players competed against the respective foreign players from leading national category teams. TIM Hellas' "All Star Game" was unique because both the players and coaches were chosen from the sports fans themselves.

TIM Hellas and Society

Doctors without Borders – Greece

"Medecins sans Frontieres" is among the various humanitarian organizations that TIM Hellas supports. The company's cooperation with the "Medecins Sans Frontiers" organization began in late 2001, and over the past year continued with the sponsorship of a photography exhibition that traveled across Greece, providing viewers with a harsh visual reality that many children across the world experience daily, while stimulating contributions towards the improvement of their living conditions, through an SMS donation service.

Youth Assistance

TIM Hellas complemented its multidimensional sponsorship programs in 2004 by continuing to support various child support foundations, that included the "Hellenic Society for the Protection and Rehabilitation of Disabled Children", the "Make a Wish Foundation" and the "Children's Smile Association".

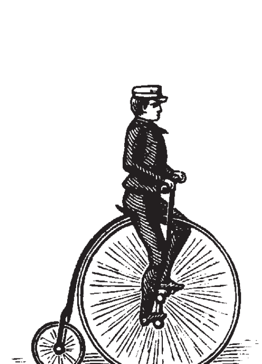
Environmental protection

In a continuous effort to protect Greece's scarce forest resources, TIM Hellas once again supported the efforts of nine municipalities in Western Athens, as well as the Association for Development in Western Athens to secure Mt. Egaleo's fire safety, by donating prepaid packages to cover the volunteers' communication needs with the Operations Center and the Fire Brigade.

Additionally, the company integrated a widespread recycling program as part of the company's everyday procedures during the year and expanded both its plastic and metal recycling programs. Based on international data on recycling levels, the company is estimated to have saved more than 1,000 trees during the past year.

TIM Hellas and Education

Following the success of its initiative to donate modern technological equipment to the schools of the Evros Prefecture in 2001, the Dodecanese in 2002 and the areas of Ioannina and Thesprotia in 2003, TIM Hellas once more supported the children of another remote area by donating high-tech equipment such as personal computers and printers to elementary schools, junior-high and high-schools in the Chania region on the island of Crete.



The Results

The Results
Part IV

TIM Hellas underwent a period of challenging transformation in 2004, as the Greek competitive and regulatory environment weighed-in on the company's results of operations.

The following is an overview of the key 2004 financial results, based on US Generally Accepted Accounting Principles (US GAAP).

Total operating revenues increased by 2.5% to €829.1 million up from €808.5 million in 2003, despite the approximate 31% year-on-year decrease in fixed-to-mobile interconnection tariffs. **Service revenues** grew by 3.1% year-on-year to €785.5 million, up from €761.9 million in 2003.

The increase seen in the company's total operating revenues was primarily sustained by:

- Higher monthly fee revenues that increased 29.6% year on year, deriving from the continued uptake of our bundled-minutes based packages; as well as

- Increasing mobile-to-mobile interconnection revenues (up 34.6% year-on-year inclusive of SMS interconnection), resulting mainly from increased traffic.

EBITDA (operating income before depreciation & amortization) for 2004 declined to €243.6 million, compared with €275.7 million in 2003, mainly affected by the much lower contribution from fixed-to-mobile interconnection, as well as the following one-off costs:

- The significant re-branding related expenses totaling €17.9 million

- The extra €5.4 million Mobitel case related costs; as well as

- The €1.7 million compensation expense related to the company's share capital increase following the exercise of its stock option plan in November 2004.

Consequently, the EBITDA margin on total revenues came in at 29.4% in 2004, versus 34.1% in 2003, or 31.0% of service revenues versus 36.2% last year.

Excluding the re-branding effect, the stock option plan related compensation expense, as well as the extra provision related to the Mobitel case, "Adjusted" EBITDA would have reached €268.7 million, translating to an "Adjusted" EBITDA margin on total revenues of 32.4%, or 34.2% on service revenues.

Cost of sales and services provided was € 385.6 million for the year, representing 49.1% of service revenues, compared to last year's level of 43.5%. This rise was mainly due to increased mobile-to-mobile interconnection charges - up 34.6% year-on-year primarily as a result of increased call volumes, as well as to the introduction of SMS interconnection payments among the Greek operators in April 2004.

Selling, General and Administrative expenses were €317.2 million in 2004, versus €303.1 million last year. These expenses represented 40.4% of service revenues in the year, up from 39.8% in 2003, mainly as a result of the aforementioned one-off expenses.

In 2004, **operating income** was €121.1 million or 15.4% of service revenues, versus €166.9 million in 2003, also affected by higher depreciation and amortization expenses stemming from the continuous increase in the company's fixed assets, as well as the commencement of UMTS license amortization in the beginning of 2004 that accounted for €8.0 million in the period.

The company's **earnings before taxes** for the year were €111.1 million, representing 14.1% of service revenues, versus €156.1 million in 2003.

Despite the decline in the earnings before taxes, TIM Hellas recorded a **net income** of €78.8 million, versus €91.6 million in 2003, supported by a 49.1% drop in income taxes as a result of the eligibility of the Mobitel case related payment as a tax deductible item, as well as a lower provision for deferred income taxes due to a significant decline in the corporate nominal tax rate in Greece, from 2005 onwards.

Cash flow from operations came in at €145.6 million in the period, financing capital expenditures of €141.3 million, and resulting in positive levered free cash flow generation of €4.3 million. However, if we were to exclude the €48.4 million cash outflow for the one-off payments related to the Mobitel case and re-branding campaign, adjusted cash flow from operations would have been €194.0 million, translating into a positive levered free cash flow of €52.7 million.

The company's **net financial debt** dropped marginally to €165.9 million, versus €167.3 million at the end of 2003.

Certain reclassifications have been made to the presentation of the 2003 financial statements to conform to those of 2004.

Index to the Financial Statements

ERNST & YOUNG

To the Shareholders and Board of Directors of:
TIM Hellas Telecommunications S.A.

We have audited the accompanying balance sheets of TIM Hellas Telecommunications S.A. (the "Company") as of December 31, 2004 and 2003, and the related statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TIM Hellas Telecommunications S.A. at December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

Ernst & Young

Athens, Greece
March 31, 2005

TIM Hellas Telecommunications S.A.
Financial Statements
Balance Sheets

[In thousands (except share and per share data)]

ASSETS	Notes	December 31, 2003 €	December 31, 2004 €	December 31, 2004 U.S.$[1]
CURRENT ASSETS				
Cash and cash equivalents		66,769	14,084	19,067
Accounts receivable, net of allowance for doubtful accounts of €44,590 and €34,663 as of December 31, 2003 and 2004 respectively	4	132,191	138,698	187,770
Inventories		8,783	8,601	11,644
Deferred income taxes	11	10,396	8,276	11,203
Amounts due from related companies	9	2,570	2,539	3,437
Other current assets	5	8,493	15,258	20,657
Total current assets		229,202	187,456	253,778
OTHER ASSETS				
Other		2,597	3,441	4,659
		2,597	3,441	4,659
PROPERTY, PLANT AND EQUIPMENT	6			
Cost		1,024,199	1,151,970	1,559,537
Less: Accumulated depreciation		(455,628)	(546,486)	(739,832)
		568,571	605,484	819,705
DISTRIBUTION NETWORK	2			
Cost		29,347	29,347	39,730
Less: Accumulated amortization		(14,673)	(17,609)	(23,838)
		14,674	11,738	15,892
LICENSES	2			
Cost		267,694	267,694	362,404
Less: Accumulated amortization		(56,410)	(71,463)	(96,747)
		211,284	196,231	265,657
TOTAL ASSETS		1,026,328	1,004,350	1,359,691

[1] Exchange rate used for the convenience translation of the December 31, 2004 balances: U.S.$1.3538 to €1.00.
The accompanying notes are an integral part of these financial statements.

TIM Hellas Telecommunications S.A.
Financial Statements
Balance Sheets

[In thousands (except share and per share data)]

	Notes	December 31, 2003 €	December 31, 2004 €	December 31, 2004 U.S.$ [1]
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable		168,215	176,790	239,337
Current maturities of long-term debt	8	74,067	-	-
Amounts due to related companies	9	17,416	13,104	17,740
Short–term debt due to related companies	9	-	20,000	27,076
Taxes other than income		5,452	6,823	9,239
Income taxes payable	11	44,546	20,358	27,562
Deferred revenue	2	22,788	19,244	26,053
Other current liabilities	10	14,303	29,875	40,445
Current portion of capital lease obligations		991	717	970
Current portion of asset retirement obligation		486	566	767
Total current liabilities		348,264	287,477	389,189
LONG-TERM LIABILITIES				
Long-term debt, net of current maturities	8	100,000	100,000	135,380
Long- term debt due to related companies	9	60,000	60,000	81,228
Staff retirement indemnities	12	1,688	2,252	3,049
Deferred income taxes	11	21,721	17,526	23,727
Other long-term liabilities	2	38,692	25,954	35,135
Capital lease obligations, less current portion		6,903	6,186	8,375
Long-term portion of asset retirement obligation		9,644	10,763	14,572
		238,648	222,681	301,466
COMMITMENTS AND CONTINGENCIES	15	37,897	14,047	19,017
SHAREHOLDERS' EQUITY				
Common Stock par value €1.53 in 2003 and 2004 (Shares authorized, issued and outstanding 83,193,220 in 2003 and 83,876,720 in 2004)	13	127,287	128,331	173,735
Additional paid-in capital		71,186	78,244	105,927
Retained earnings and statutory reserves		203,046	273,570	370,357
Total shareholders' equity		401,519	480,145	650,019
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,026,328	1,004,350	1,359,691

[1] Exchange rate used for the convenience translation of the December 31, 2004 balances; U.S.$1.3538 to €1.00.
The accompanying notes are an integral part of these financial statements.

TIM Hellas Telecommunications S.A.
Financial Statements
Statements of Income

[In thousands (except share and per share data)]

	Notes	2002 €	2003 €	2004 €	2004 U.S.$[1]
		Year ended December 31,			
Operating revenues					
Revenues from telecommunication services	16	666,453	761,934	785,545	1,063,470
Sales of handsets and accessories		23,878	46,606	43,604	59,031
Total operating revenues		690,331	808,540	829,149	1,122,501
Cost of sales and services provided					
Cost of services provided	17	(199,577)	(254,570)	(313,173)	(423,975)
Cost of sales of handsets and accessories		(53,175)	(76,850)	(72,408)	(98,026)
Total cost of sales and services provided		(252,752)	(331,420)	(385,581)	(522,001)
Gross profit		437,579	477,120	443,568	600,500
Provision for doubtful accounts	4	(5,081)	(7,100)	(5,290)	(7,162)
Selling, general and administrative expenses	18	(298,240)	(303,137)	(317,212)	(429,442)
Operating income		134,258	166,883	121,066	163,896
Interest and other financial expense, net					
Interest expense		(15,311)	(12,234)	(9,403)	(12,729)
Interest income		235	1,193	918	1,243
Other financial income (expense), net		605	223	(1,443)	(1,954)
		(14,471)	(10,818)	(9,928)	(13,440)
Income before taxes		119,787	156,065	111,138	150,456
Provision for income taxes	11	(43,349)	(63,446)	(32,295)	(43,721)
Net income before cumulative effect of change in accounting principle, net of tax		76,438	92,619	78,843	106,735
Cumulative effect of change in accounting principle, net of tax of €588		-	(1,000)	-	-
Net income		76,438	91,619	78,843	106,735
Amounts per common share:					
Income before cumulative effect of change in accounting principle		0.92	1.11	0.95	1.28
Cumulative effect of change in accounting principle, net of tax		-	(0.01)	-	-
Net income per share-basic and diluted		0.92	1.10	0.95	1.28
Weighted average shares outstanding-basic and diluted		83,193,220	83,193,220	83,239,907	83,239,907

[1] Exchange rate used for the convenience translation of the December 31, 2004 balances: U.S.$1.3538 to €1.00.
The accompanying notes are an integral part of these financial statements.

Statements of Shareholders' Equity

[In thousands (except share and per share data)]

	Share of common stock	Common stock €	Additional paid-in capital €	Retained earnings and statutory reserves €	Total €
Balance at December 31, 2001	83,193,220	122,074	71,406	55,788	249,268
Net income	-	-	-	76,438	76,438
Capital increase from paid-in capital and retained earnings	-	4,380	(220)	(4,160)	-
Payment of dividends	-	-	-	(7,487)	(7,487)
Balance at December 31, 2002	83,193,220	126,454	71,186	120,579	318,219
Net income	-	-	-	91,619	91,619
Capital increase from retained earnings	-	833	-	(833)	-
Payment of dividends	-	-	-	(8,319)	(8,319)
Balance at December 31, 2003	83,193,220	127,287	71,186	203,046	401,519
Net income	-	-	-	78,843	78,843
Proceeds from issuance of shares	683,500	1,044	5,333	-	6,377
Issue of stock for employees stock option plan	-	-	1,725	-	1,725
Payment of dividends	-	-	-	(8,319)	(8,319)
Balance at December 31, 2004	83,876,720	128,331	78,244	273,570	480,145

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

TIM Hellas Telecommunications S.A.
Financial Statements
Statements of Cash Flows

[In thousands (except share and per share data)]

	Year ended December 31,			
	2002 €	2003 €	2004 €	2004 U.S.$ [(1)]
Cash Flows from Operating Activities:				
Net income	76,438	91,619	78,843	106,735
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	96,529	108,781	122,576	165,944
Deferred income taxes	(894)	7,626	(2,075)	(2,808)
Provision for staff retirement indemnities	283	471	605	819
Provision for commitments and contingencies	17,642	2,500	6,585	8,915
Provision for doubtful accounts	5,081	7,100	5,290	7,162
Losses on disposals of assets	-	-	548	742
Provision for asset retirement obligation	-	312	540	731
Cumulative effect of change in accounting principle for SFAS 143, net of tax	-	1,000	-	-
Compensation Expenses for Stock Option Plan	-	-	1,725	2,335
Changes in operating assets and liabilities:				
Accounts receivable	(53,222)	(11,308)	(11,797)	(15,971)
Inventories	(2,787)	(1,068)	182	247
Other assets	(815)	(2,858)	(7,578)	(10,259)
Accounts payable	43,474	12,825	8,575	11,609
Income taxes payable	13,775	4,038	(24,188)	(32,745)
Commitments and contingencies	-	-	(30,435)	(41,203)
Deferred revenue and other liabilities	(2,134)	8,878	(3,762)	(5,093)
Net Cash provided by Operating Activities	193,370	229,916	145,634	197,160
Cash Flows from Investing Activities:				
Capital expenditures	(105,302)	(137,579)	(141,329)	(191,332)
Net Cash used in Investing Activities	(105,302)	(137,579)	(141,329)	(191,332)
Cash Flows from Financing Activities:				
Proceeds from issuing stock	-	-	6,377	8,634
Proceeds from short-term borrowings from related companies	-	-	20,000	27,076
Proceeds from short-term borrowings, net of repayments	(62,550)	-	-	-
Proceeds from long-term debt	100,000	-	-	-
Repayment of long-term debt	(109,115)	(48,000)	(74,067)	(100,272)
Net movement in capital lease obligations	(2,949)	(4,830)	(981)	(1,329)
Payment of dividends	(7,487)	(8,319)	(8,319)	(11,262)
Net Cash used in Financing Activities	(82,101)	(61,149)	(56,990)	(77,153)
Net increase (decrease) in cash and cash equivalents	5,967	31,188	(52,685)	(71,325)
Cash and cash equivalents at beginning of year	29,614	35,581	66,769	90,392
Cash and cash equivalents at end of year	35,581	66,769	14,084	19,067
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
Cash paid for:				
- Interest, net of amounts capitalized	13,006	10,917	6,876	9,309
- Income taxes	20,509	47,035	58,456	79,138
	33,515	57,952	65,332	88,447

[(1)] Exchange rate used for the convenience translation of the December 31, 2004 balances: U.S.$1.3538 to €1.00.
The accompanying notes are an integral part of these financial statements.

1. COMPANY'S FORMATION AND OPERATIONS:

TIM HELLAS TELECOMMUNICATIONS S.A. (hereinafter referred to as "TIM Hellas" or the "Company") was incorporated on July 28, 1992, as a *société anonyme*, named then as STET HELLAS TELECOMMUNICATIONS S.A., in order to provide mobile telecommunications services in the Hellenic Republic ("Greece" or the "State"), in accordance with the provisions of Law 2075/92, subsequently replaced by Law 2246/94 (the "Telecommunications Law"). Since June 3, 1998, TIM Hellas' shares have been quoted on the NASDAQ National Market and are listed on the Official Market of the AEX Effectenbeurs N.V. (the "Amsterdam Stock Exchange"). TIM International N.V. is the Company's principal shareholder. Since November 1st 2004, the Company's name has changed to TIM Hellas Telecommunications S.A. ▌ Following a competitive tender, TIM Hellas entered into a Concession Agreement, dated September 14, 1992 (the "1st Concession Agreement"), with the State and, on September 30, 1992, was granted a twenty-year license (the "License") to operate a GSM network in Greece for a concession fee of €91.7 million. The License authorizes TIM Hellas to establish and operate a mobile telecommunications network according to the GSM standard, including the authority to lease excess capacity on the microwave facilities used to connect switches within the GSM network on a dedicated basis to third parties. ▌ Furthermore, subject to applicable European Union ("EU") requirements, the License to operate a GSM network in Greece would be exclusive to TIM Hellas (named STET Hellas then) and Panafon S.A. for a period of eight years from its effective date. However, pursuant to a license granted to the Hellenic Telecommunications Organization S.A. ("OTE") in 1995, OTE is entitled to develop mobile telecommunications services using DCS 1800 technology. In 1997, OTE transferred its rights to provide such services to its 70% owned subsidiary, COSMOTE Mobile Telecommunications S.A. ("Cosmote"). ▌ Following a competitive tender, TIM Hellas entered into a concession agreement, dated August 6, 2001 (the "2nd Concession Agreement") with the State and on the same date, was granted a fifteen-year license (the "DCS 1800 license") to operate a DCS network in Greece for a concession fee of €26.4 million, as well as a twenty-year license (the "UMTS license") to operate a UMTS network in Greece for a concession fee of €146.7 million. ▌ These licenses authorize TIM Hellas to establish and operate a mobile telecommunications network in the DCS 1800 MHz band, as well as, in the special range of 2 x 10 MHz + 5 MHz. UMTS is a high-speed standard for "third generation" mobile telecommunications that allows TIM Hellas to provide an extensive range of new services, including mobile multimedia, video telephony and high-speed Internet access.

2. SIGNIFICANT ACCOUNTING POLICIES:

- **Basis of Financial Statements:** The Company maintains its accounts under Greek tax and corporate regulations and has made adjustments to these records to present the accompanying financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

- **Other Comprehensive Income:** Other comprehensive income refers to changes in net assets from transactions and other events, and circumstances other than transactions with shareholders. These changes are recorded directly as a separate component of shareholders' equity and excluded from net income. The Company does not have any components of comprehensive income other than net income for any of the years presented.

- **Use of Estimates:** The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- **Foreign Currency Transactions:** For the years presented the Company's functional currency and reporting currency was the Euro. Transactions involving other currencies are converted into Euro using the exchange rates that are in effect at the time of the transactions. At the balance sheet dates, monetary assets and liabilities, which are denominated in other currencies, are adjusted to reflect the current exchange rates. Gains or losses resulting from foreign currency re-measurements are reflected in the accompanying statements of income. Net foreign exchange gains (losses) related to currency re-measurements of €605, €223 and (€78) for 2002, 2003 and 2004 respectively, are included in the accompanying statements of income.

- **Forward Exchange Contracts:** Periodically the Company enters into forward exchange contracts to hedge the exposure of foreign exchange fluctuations associated with its normal business transactions. During the year 2004, the Company had no outstanding forward exchange contracts. Forward exchange contracts are marked to market, with any resulting gains or losses being reflected in the accompanying statements of income. The off-balance sheet risk in outstanding forward exchange contracts involves both the risk of a counterparty not performing under the terms of the contract and the risk associated with changes in market value. The Company monitors its positions, the credit ratings of counterparties and the level of contracts it enters into with any one party. The counterparties to these contracts are major financial institutions. The Company has a policy of entering into contracts with parties that meet stringent qualifications and, given the high level of credit quality of its derivative counterparties, the Company does not believe it necessary to obtain collateral arrangements.

- **Cash and Cash Equivalents:** The Company considers time deposits and certificates of deposits with original maturity of three months or less to be cash equivalents.

- **Inventories:** Inventories, comprising of SIM cards, pre-paid airtime cards, handsets and related accessories are stated at the lower of cost or market. During 2004, the Company changed its method of accounting for its inventories from the first-in, first-out (FIFO) method to the moving average cost method.The effect of this change was €91 decrease to net income.

- **Accounts Receivable, Concentration of Credit Risk and Allowance for Doubtful Accounts:** Accounts receivable are carried at their net realizable value. Due to the large volume and diversity of the Company's customer base, concentrations of credit risk with respect to trade accounts receivable are limited. The allowance for doubtful accounts receivable is stated at the amount considered necessary to cover potential risks in the collection of accounts receivable balances.

[Currency - € in thousands unless otherwise stated]

- **Property, Plant and Equipment:** Property, plant and equipment in the accompanying balance sheets are stated at cost including interest costs incurred during periods of construction based upon the weighted average borrowing rate. Repairs and maintenance are charged to expenses as incurred. While replacements and improvements, including leasehold improvements, are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the accounts at the time of sale or retirement, and any gain or loss is included in the accompanying statements of income.

- **Depreciation:** Depreciation is computed based on the straight-line method at rates equivalent to average estimated economic useful lives. The rates used are as follows:

	Annual rates
Buildings	3%-5%
Telecommunications systems, equipment and sites	5%-15%
Transportation equipment	25%
Furniture and equipment	20%
Software	25%

Leasehold improvements are amortized over the term of the lease.

- **Distribution Network:** On March 24, 1999, the Company finalized a formal agreement with Germanos Batteries S.A. ("Germanos"), a Greek retail telecommunications and electronics dealer. The total acquisition cost to the Company for the right to use Germanos' distribution network amounted to €29.3 million, which has been classified as an asset in the accompanying balance sheets and is amortized over its average estimated useful life of ten (10) years. The estimated amortization expense for each of the four succeeding fiscal years is approximately €2.9 million per year.

- **Licenses:** The License for the GSM 900 network, which was granted to the Company for a concession fee of €91.7 million, is being amortized over the term of the License of twenty (20) years. The DCS 1800 License, which was granted to the Company for a concession fee of €26.4 million, is being amortized over the term of the License of fifteen (15) years.

  The UMTS License, which was granted to the Company for a concession fee of €146.7 million, is recorded in the Company's financial statements as follows:

  - €102.7 million that represents the amount that was paid within 2001 and represents the 1st part of the concession fee of the license.

  - €34.5 million that represents the present value of the future installments of €44 million. This amount is recorded in other long-term liabilities.

- €4.2 million that represents the interest expense of the period from the acquisition of the license and up to December 31, 2003, which was capitalized. This amount is recorded in other long-term liabilities.

The UMTS license started to be amortized this year as the Company entered into commercial UMTS operations during 2004. The license will be amortized over the remaining license term of seventeen (17) years. The Company entered into an agreement to lease a Fixed Wire Access (FWA) license in the 25 GHz frequency band. This lease is accounted for as a capital lease and is amortized over the term of the lease of thirteen (13) years. The present value of the minimum lease payments at the beginning of the lease term amounted to €8.2 million. The estimated amortization expense for the licenses for each of the five succeeding fiscal years is approximately €15.1 million per year.

- **Goodwill and Other Intangible Assets:** Effective January 1, 2002 the Company adopted Statements of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 no longer permits the amortization of goodwill and indefinite-lived intangible assets. Instead, these assets must be reviewed annually (or more frequently under certain conditions) for impairment in accordance with this statement. This impairment test uses a fair value approach rather than the undiscounted cash flows approach previously required by SFAS No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed of". The goodwill and indefinite-lived intangible assets impairment test under SFAS No. 142 requires a two-step approach, which is performed at the reporting unit level, as defined in SFAS No. 142. Step one identifies potential impairments by comparing the fair value of the reporting unit to its carrying amount. Step two, which is performed if there is a potential impairment, compares the carrying amount of the reporting unit's goodwill to its implied value, as defined in SFAS No. 142. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized for an amount equal to that excess. Intangible assets that do not have indefinite lives will continue to be amortized over their useful lives.

- **Impairment or Disposal of Long-Lived Assets:** Long-lived assets subject to amortization are reviewed for impairment in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" which the Company adopted effective January 1, 2002. Under SFAS No. 144, these assets are tested for recoverability whenever events or changes in business or technology indicate that their carrying amounts may not be recoverable. An impairment charge is recognized for the amount, if any, by which the carrying value of the asset exceeds it fair value.

- **Reserve for Staff Retirement Indemnities:** As more fully discussed in Note 12, the reserve for staff retirement indemnities is provided for in accordance with SFAS No. 87 (disclosed in accordance with the requirements of SFAS No. 132R) and is based on an independent actuarial study.

- **Income Taxes:** Deferred income taxes provide for the tax effects of temporary differences between financial reporting and tax basis of assets and liabilities, using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

- **Advertising Costs:** Advertising costs are expensed as incurred. The Company incurred €13,024, €17,155 and €31,811 in advertising costs during 2002, 2003 and 2004, respectively. The significant increase of the cost during 2004 is related to the rebranding of the Company from TELESTET to TIM.

- **Recognition of Revenues:** Revenues from the sale of handsets and accessories, net of discounts allowed, are recognized upon shipment to dealers or at point-of-sale (in the case of sales through the Company's retail outlets), while revenues from the sale of pre-paid airtime cards and the pre-paid airtime, net of discounts allowed, included in the Company's pre-paid GSM service packages are recognized based on usage. Revenues from telecommunications services are recognized when earned. Unbilled revenues from the billing cycle dating to the end of each month are calculated based on traffic and are accrued at the end of the month. Accrued unbilled revenues for services provided amounted to €14,358 and €13,580 as of December 31, 2003 and 2004, respectively (see Note 4).

- **Deferred Revenue:** Deferred revenue includes monthly service fees billed to customers in advance and the estimated unused portion of pre-paid airtime cards.

- **Net Income per Share:** Basic earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the year. During the periods included in the financial statements, diluted income per share was equivalent to basic income per share.

- **Segment Reporting:** The Company provides mobile telecommunications services throughout the Hellenic Republic. Management considers that they operate and manage the business as one business and in one geographical segment.

- **Stock Based Compensation:** The Company grants stock options for a fixed number of shares to employees with an exercise price fixed in U.S. dollars, which differs from its functional and reporting currency. The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" ("APB 25"). In accordance with EITF 00-23, if the exercise price is denominated in a currency other than the currency of the primary economic environment of either the employer or the employee, the exercise price is not fixed and variable accounting is required. The guidance in EITF 00-23 is applied to stock options granted subsequent to January 18, 2001. The impact of applying EITF 00-23 was not significant for all years presented. As at December 31, 2004 both stock options plans issued by the Company in 2000 have expired. All outstanding stock options prior to December 31, 2004 either expired or were exercised during the year.

[Currency - € in thousands unless otherwise stated]

The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS No. 123 "Accounting for Stock-Based Compensation", to stock-based employee compensation.

All amounts in 000's Euro except Earnings per Share	At December 31,		
	2002 €	2003 €	2004 €
Net income as reported	76,438	91,619	78,843
Deduct: Total stock based compensation expense determined under fair value based method for all awards	(4,989)	(1,049)	-
Pro forma net income	71,449	90,570	78,843
Earning per share- Basic and diluted:			
As reported	0.92	1.10	0.95
Pro forma	0.86	1.09	0.95

- **Fair Value of Financial Instruments:** Cash and cash equivalents, accounts receivable, accounts payable, accruals and short-term borrowings: The carrying amounts approximate the fair value because of the short-term maturity of these instruments. Long-term debt including current maturities: The fair value is based on the current rates offered to the Company for similar debt on the same maturities.

	At December 31,		At December 31,	
	2003 Carrying value €	2003 Fair value €	2004 Carrying value €	2004 Fair value €
Long-term liabilities at floating interest rates	130,046	130,046	100,000	100,000
Long-term liabilities at fixed interest rates	104,021	98,453	60,000	55,398

- **Asset Retirement Obligation:** Effective January 1, 2003, the Company changed its method of accounting for asset retirement obligations in accordance with FASB Statement No. 143, Accounting for Asset Retirement Obligations. Previously, the Company had not been recognizing amounts related to asset retirement obligations. Under the new accounting method, the Company now recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of a fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. Over the course of its life, the Company has leased buildings or land upon which it constructs its transmission and relay towers. The company enters into new leases each year and, in most cases, has the right to renew the initial lease term. The Company is legally required to dismantle the towers and, where necessary, recondition the building at the end of the lease life. The Company recognized the fair value of a liability for the asset retirement obligations and capitalized that cost as part of the cost basis of the leasehold improvement and depreciates it on a straight-line basis over the expected life of the leasehold improvements.

[Currency - € in thousands unless otherwise stated]

The following table describes all changes to the Company's asset retirement obligation liability:

	2004
	€
Asset retirement obligation at beginning of year	10,130
Accretion expense	540
Capitalization for the year	659
Asset retirement obligation at end of year	11,329

- **Recently Issued Accounting Standards:** In 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, Consolidation of Variable Interest Entities ("FIN 46"). FIN 46 provides guidance on the identification of entities for which control is achieved through means other than through voting rights ("variable interest entities") and how to determine when and which business enterprise (the "primary beneficiary") should consolidate the variable interest entity. This new model for consolidation applies to an entity in which either (i) the equity investors (if any) do not have a controlling financial interest; or (ii) the equity investment at risk is insufficient to finance the entity's activities without receiving additional subordinated financial support from other parties. In addition, FIN 46 requires that the primary beneficiary, as well as all other enterprises with a significant variable interest in a variable interest entity, makes additional disclosures. FIN 46 and its revision FIN 46-R are effective for the year ended December 31, 2004. ▌ As of December 31, 2004, these interpretations did not have an impact on the Company's financial statements. ▌ In December 2004 the FASB issued Statement No. 123 (revised 2004), Share-Based Payments (FAS 123R), which revises FASB Statement No. 123, Accounting for Stock-Based Compensation (FAS 123). FAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized as compensation expense based on their fair values. FAS 123(R) supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. FAS 123(R) is effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005 and is not expected to have a material impact on the Company's results and financial position. ▌ In December 2004, the FASB issued Statement 153, Exchanges of Non-monetary Assets, an Amendment of APB Opinion No. 29, Accounting for Non-monetary Transactions (FAS 153). This Statement eliminates the exception from fair value measurement for non-monetary exchanges of similar productive assets and replaces it with an exception for exchanges that do not have commercial substance. FAS 153 is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005 and is not expected to have a material impact on the Company's results and financial position. ▌ In March 2004, the Emerging Issues Task Force ("EITF") reached a consensus on Issue 03-6 ("EITF 03-6"), "Participating Securities and the Two-Class Method under FASB Statement No. 128, Earnings per Share." The consensus addresses how to determine whether a security should be considered a "participating security" for purposes of computing earnings per share and how earnings should be allocated to a participating security when using the two-class method for computing basic earnings per share. The provisions of EITF 03-6 are effective for reporting periods beginning after March 31, 2004. The adoption of this consensus is not expected to have a material impact on the Company's results of operations, financial position and cash flows.

In March 2004, the EITF reached a consensus on EITF Issue 03-1 ("EITF 03-1"), "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments." EITF 03-1 addresses the meaning of other-than-temporary impairment and its application to investments in debt and equity securities accounted for under Statement of Financial Accounting Standards ("SFAS") 115, "Accounting for certain Investments in Debt and Equity Securities," and to investments in equity securities accounted for using the cost method, as well as new disclosure requirements for investments that are deemed to be temporarily impaired. EITF 03-1 currently provides a multi-step model for determining whether an impairment of an investment is other-than-temporary, and requires that an impairment charge be recognized in earnings in the period in which an other-than-temporary impairment has occurred based on the difference between the adjusted cost basis of the investment and its fair value at the balance-sheet date. EITF 03-1 requires certain quantitative and qualitative disclosures about unrealized losses pertaining to certain investments and beneficial interests, in addition to certain disclosures about cost method investments when the fair value of such investments is not currently estimable. While the disclosure requirements for specified debt and equity securities and cost method investments are effective for annual periods ending after December 15, 2003, the FASB has delayed the effective date for the application of multi-step measurement and recognition guidance until issuance of implementation guidance contained in FSP EITF 03-1-1, "Effective Date of Paragraphs 10-20 of EITF Issue No. 03-1, 'The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments.' " The Company does not expect the adoption of EITF No. 03-1 to have a material impact on its financial position or results of operations. In July 2004, the EITF reached a consensus on EITF Issue 02-14 ("EITF 02-14"), "Whether an Investor Should Apply the Equity Method of Accounting to Investments Other Than Common Stock." EITF 02-14 requires an investor to apply the equity method of accounting to investments in common stock of a corporation or in-substance common stock of a corporation, when the investor has the ability to exercise significant influence over the operating and financial policies of the investee. For investments in corporations that are not common stock or in-substance common stock that were previously accounted for under the equity method, EITF 02-14 requires that the investor discontinue the equity method unless required by other applicable guidance. The provisions of EITF 02-14 are effective for the first reporting period beginning after September 15, 2004. The effects of the adoption of EITF 02-14, if any, is to be presented as the cumulative effect of a change in accounting principle. The Company does not expect the adoption of EITF No. 02-14 to have a material impact on its financial position or results of operations. In September 2004, the EITF reached a consensus on EITF Issue 04-1 ("EITF 04-1"), "Accounting for Pre-existing Relationships between the Parties to a Business Combination." EITF 04-1 requires that termination settlements of pre-existing contractual relationships between two parties to a business combination be individually evaluated and accounted for separately from the business combination. The provisions of EITF 04-1 apply to business combinations consummated and goodwill impairment tests performed after December 31, 2004. The Company does not expect the adoption of EITF No. 04-1 to have a material impact on its financial position or results of operations.

[Currency - € in thousands unless otherwise stated]

- **Presentation Changes:** Certain reclassifications have been made to the presentation of the 2002 and 2003 financial statements to conform to those of 2004.

3. TRANSLATIONS OF EURO AMOUNTS INTO U.S. DOLLARS:

The financial statements are stated in Euro. The translations of the Euro amounts into U.S. Dollars are included solely for the convenience of the reader, using the noon buying rate in New York City for cable transfers in foreign currencies, as certified for customs purposes by the Federal Reserve Bank of New York on December 31, 2004, which was U.S.$1.3538 to €1.00. The convenience translations should not be construed as representations that the Euro amounts have been, could have been, or could in the future be, converted into U.S. Dollars at this or any other rate of exchange.

4. ACCOUNTS RECEIVABLE:

	At December 31,	
	2003	**2004**
	€	€
Customers for services rendered	99,056	102,029
Customers for sales of handsets and accessories	13,615	10,058
Unbilled revenues	14,358	13,580
Interconnection fees receivable	46,138	45,026
International GSM network operators for roaming services	1,919	1,147
Other	1,695	1,521
	176,781	173,361
Less: Allowance for doubtful accounts	(44,590)	(34,663)
	132,191	138,698

The movement of the allowance for doubtful accounts receivable was as follows:

	€
Balance at December 31, 2001	33,185
Provision	5,081
Balance at December 31, 2002	38,266
Provision	7,100
Write offs	(776)
Balance at December 31, 2003	44,590
Provision	5,290
Write offs	(15,217)
Balance at December 31, 2004	34,663

[Currency - € in thousands unless otherwise stated]

5. OTHER CURRENT ASSETS:

Other current assets are analyzed as follows:

	At December 31,	
	2003	2004
	€	€
Value Added Tax (VAT) receivable	64	5,739
Receivable from the Greek Post Office (ELTA)	1,020	813
Pre-paid expenses	6,548	7,881
Other	861	825
Total	8,493	15,258

6. PROPERTY, PLANT AND EQUIPMENT:

The major classes of property, plant and equipment are as follows:

	At December 31,	
	2003	2004
	€	€
Cost:		
Land	3,407	3,407
Buildings	45,237	59,396
Telecommunications systems, equipment and towers	619,019	691,654
Transportation equipment	828	757
Furniture and equipment	96,208	105,556
Software	231,421	249,568
Capital leases	7,650	-
Construction in progress	20,429	41,632
	1,024,199	1,151,970
Accumulated depreciation	(455,628)	(546,486)
Net book value	568,571	605,484

Interest costs capitalized related specifically to property, plant and equipment for 2003 and 2004 amounted to €126 and €244, respectively.

7. SHORT-TERM BORROWINGS:

Short-term borrowings consist of drawdowns under various lines of credit maintained by the Company with several banks and a short-term financing facility in the amount of €50 million from Telecom Italia Mobile S.p.A. The aggregate amounts of available lines of credit were €116.7 million and €166.6 million at December 31, 2003 and 2004, respectively, of which approximately €110.4 million and € 140.7 million were unused as of the above dates. In addition, the Company has used the lines of credit to issue letters of guarantee amounting to €6.3 million and €5.9 million as of December 31, 2003 and 2004 , respectively.

[Currency - € in thousands unless otherwise stated]

The weighted average interest rate on short-term borrowings at December 31, 2003 was 4.57% and at December 31, 2004 was 2.64%. Amounts outstanding under these lines of credit are payable upon demand.

8. LONG-TERM DEBT:

Long-term debt is analyzed as follows:

	At December 31, 2003 €	At December 31, 2004 €
(i) Loans from European Investment Bank of:		
• Equivalent of €74,067 drawn-down as follows:		
- €44,021, repayable on May 31, 2004, bearing interest at 5.65%.	44,021	-
- €14,673, repayable on May 31, 2004, bearing interest at the Euribor borrowing rate plus 0.15%. (2.27% at December 31, 2003).	14,673	-
- €15,373, repayable on May 31, 2004, bearing interest at the Euro interbank borrowing rate plus 0.15%. (2.27% at December 31, 2003)	15,373	-
• €100,000 repayable on December 14, 2007, bearing interest at the Euribor borrowing rate plus 0.15%. (2.15% at December 31, 2004).	100,000	100,000
Total long-term debt	174,067	100,000
Less: Current maturities	74,067	-
Long-term debt, net of current maturities	100,000	100,000

Minimum future payments of long-term debt for years subsequent to December 31, 2004, are as follows:

Maturity	Amount €
2007	100,000
	100,000

The loan from European Investment Bank is guaranteed by three banks and counter-guaranteed by Telecom Italia S.p.A. ("Telecom Italia"), Telecom Italia Mobile S.p.A. ("TIM") has then counter-guaranteed to Telecom Italia. Each guarantee provides a full and unconditional guarantee of the Company's obligations under the respective loans until such time as those obligations have been discharged. Management believes that it can obtain financing without a guarantee from the Telecom Italia group, although such financing may not be on terms as favourable as those obtained with a Telecom Italia group guarantee.

[Currency - € in thousands unless otherwise stated]

9. AMOUNTS DUE TO/FROM RELATED COMPANIES:

The Company purchases fixed assets, goods and services from certain related companies in the normal course of business. These related parties consist of companies that have common ownership and/or management with the Company and affiliates of such companies. The Company believes that the terms of such transactions are comparable to those that would be attainable by the Company in the ordinary course of business from unaffiliated third parties under similar circumstances. TIM International N.V., a wholly owned subsidiary of TIM, is the Company's principal shareholder holding directly 80.87% of the total TIM Hellas ordinary shares. In December 2004, Telecom Italia's and TIM's Boards of Directors approved the merger by incorporation of TIM into Telecom Italia upon completion of the demerger of TIM's Italian domestic mobile businesses to a wholly-owned subsidiary of TIM. Following the merger, which is expected to be effective in June 2005, TIM International N.V. will be 100% held by Telecom Italia. On February 25, 2005, Telecom Italia announced the demerger of TIM's Italian domestic mobile communications business in favor of TIM Italia, effective as of March 1, 2005. As a result of this demerger, TIM Italia has succeeded to all the assets, liabilities and legal relationships connected or related to the Italian domestic mobile communications business previously owned by TIM. On December 12, 2001 the Company entered into an agreement with Telecom Italia, based on which Telecom Italia provides TIM Hellas with a credit facility of €60 million. This facility has been fully utilized and is repayable on December 14, 2006 bearing interest at 5.7%. The terms and conditions of this agreement are similar to those of a bank loan agreement.

Account balances with related companies are as follows:

	At December 31,	
	2003	2004
	€	€
Due from:		
IT Telecom	1,832	-
Telecom Italia Mobile S.p.A.	422	272
Telecom Italia Sparkle	315	2,266
Other	1	1
	2,570	2,539
Due to:		
IT Telecom	3,899	-
Telecom Italia Mobile S.p.A.	8,040	8,163
Telecom Italia S.p.A.	3,580	454
Telecom Italia Sparkle	1,125	4,001
Telemedia Applicazioni	715	390
Other	57	96
	17,416	13,104

[Currency - € in thousands unless otherwise stated]

Transactions with related companies consisted of the following:

	Year ended December 31,		
	2002	2003	2004
	€	€	€
Purchase of fixed assets	2,437	4,020	1,742
Management fees	14,021	15,349	15,151
Other services	7,706	7,818	9,021
Total	24,164	27,187	25,914

Purchases of fixed assets from related parties represented approximately 2.0%, 2.9% and 1.2% of the Company's total purchases for 2002, 2003 and 2004, respectively. The Company had signed a technical support and assistance agreement with TIM which generally provided that TIM would make available to the Company certain technology, technical plans, know-how and general assistance in exchange for a management fee. This assistance agreement expired on December 31, 2004. For the years ended December 31, 2002, 2003 and 2004 management fees payable to TIM amounted to €14,021, €15,349 and €15,151, respectively.

10. OTHER CURRENT LIABILITIES:

Other current liabilities are analyzed as follows:

	At December 31,	
	2003	2004
	€	€
Accrued interest on loans	276	181
License fee to National Telecommunications and Postal Committee ("NTPC")	2,107	2,076
Payroll and related expenses	7,378	6,278
Current portion of UMTS license payable	-	14,674
Loyalty program accrual	2,560	3,127
Other accrued liabilities	1,982	3,539
Total	14,303	29,875

11. INCOME TAXES:

In accordance with Greek tax regulations, the income tax rate applicable to the Company was 35% for fiscal year 2004. Pursuant to Law 3296/2004, the tax rate for companies will be reduced to 32% for fiscal year 2005, 29% for fiscal year 2006 and further reduced to 25% for fiscal year 2007 and onwards. Tax returns are filed annually but the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the taxpayer and a final assessment is issued. The Company has been audited by the tax authorities up to fiscal year 2000. The Company believes it has adequately accrued for any future income taxes that may be owed for all open years and there has been no effect to the financial statements as a result of any audits.

[Currency - € in thousands unless otherwise stated]

The provision for income taxes reflected in the accompanying statements of income is analyzed as follows:

	Year ended December 31,		
	2002	2003	2004
	€	€	€
Income taxes			
Current Expense	(44,243)	(55,820)	(34,370)
Deferred (Expense) / Benefit	894	(7,626)	2,075
Total provision for income taxes	(43,349)	(63,446)	(32,295)

The reconciliation of the provision for income taxes to the amount determined by the application of the Greek statutory tax rate (35% in 2002, 2003 and 2004) to pretax income is summarized as follows:

	Year ended December 31,		
	2002	2003	2004
	€	€	€
Income tax at the statutory rate:	(41,926)	(54,623)	(38,898)
Effect of change in statutory tax rate	-	-	5,485
Litigation payment tax benefit	-	-	10,652
Tax losses from subsidiary carryforwards	2,553	-	-
Effects of non-taxable income and expenses not deductible for tax purposes:			
- Non deductible expenses	(5,269)	(4,995)	(6,250)
- Management fees	(1,227)	(1,343)	(1,326)
- Tax incentives	2,520	-	-
- Valuation allowance increase for unrecognised provision for bad debts	-	(2,485)	(1,958)
Provision for income taxes	(43,349)	(63,446)	(32,295)

Deferred income taxes relate to the temporary differences between the book and the tax bases of assets and liabilities.

[Currency - € in thousands unless otherwise stated]

Significant components of the Company's deferred tax assets and liabilities are summarized below:

	At December 31, 2003 €	At December 31, 2004 €
Deferred tax assets:		
Staff retirement indemnities	591	574
Reserve for litigation and claims	13,264	4,495
Deferred airtime revenue	4,574	1,912
Property, plant and equipment	6,197	2,254
Other	3,138	9,001
Provision for bad debts	2,485	8,886
Valuation allowance	(2,485)	(4,443)
Deferred tax assets	27,764	22,679
Deferred tax liabilities:		
Property, plant and equipment	(38,559)	(31,852)
Other	(530)	(77)
Deferred tax liability	(39,089)	(31,929)
Net deferred tax liability	(11,325)	(9,250)

12. STAFF PENSION AND RETIREMENT INDEMNITIES:

- **Staff Pension:** The Company's employees are covered by one of several Greek State sponsored pension funds. Each employee is required to contribute a portion of their monthly salary to the fund, with the Company also contributing a portion. Upon retirement, the pension fund is responsible for paying the employee's retirement benefits. The Company's contributions to the pension funds for the years ended December 31, 2002, 2003 and 2004, have been charged to expenses and amounted to approximately €6.8 million €7.8 million and €8.5 million, respectively.

- **Staff Defined Contribution Plan:** A defined contribution plan covers certain of the Company's employees and provides for contribution of 2.5% of covered employees' annual salaries. Such contributions have been expensed and amounted to approximately €70 thousand, €81 thousand and €110 thousand for the years ended December 31, 2002, 2003 and 2004, respectively.

- **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 (dismissed or retired). Employees who resign or are dismissed with cause are not entitled to termination payments. The indemnity payable in case of retirement is equal to 40% of the amount which would be payable upon dismissal without cause. The provisions and liability for such retirement indemnities have been accounted for in the accompanying financial statements in accordance with SFAS No. 87

[Currency - € in thousands unless otherwise stated]

and are based on an independent actuarial study. These retirement indemnities are paid to the individuals at the time they retire from the Company.

The components of the staff retirement indemnity cost recognized by the Company in accordance with SFAS No. 87 are as follows:

	Year ended December 31,		
	2002	2003	2004
	€	€	€
Service cost	212	372	460
Interest cost	68	87	119
Net amortization and deferrals	4	12	26
	284	471	605
Additional cost of extra benefits	56	54	25
	340	525	630

The following is a reconciliation of the projected benefit obligation recorded for staff retirement indemnities:

	At December 31,	
	2003	2004
	€	€
Projected benefit obligation at beginning of year	1,594	2,387
Service cost	372	460
Interest cost	87	119
Benefits paid directly by the Company	(54)	(66)
Extra payments or expenses	54	25
Actuarial loss	334	334
Projected benefit obligation at end of year	2,387	3,259

	At December 31,	
	2003	2004
	€	€
Projected benefit obligation at end of year	2,387	3,259
Fair value of plan assets	-	-
	2,387	3,259
Unrecognised net actuarial loss	(699)	(1,007)
Accrued pension cost	1,688	2,252

The projected future benefit payments under this plan are as follows:

	As at December 31, 2004
	€
2005	**21**
2006	**3**
2007	**-**
2008	**-**
2009	**-**
2010-2014	**195**

[Currency - € in thousands unless otherwise stated]

The assumptions underlying the actuarial valuation of staff retirement indemnities are:

	Year ended December 31,	
	2003	2004
	€	€
Discount rate	5.0%	5.0%
Assumed rate of increase in future compensation levels	4.5%	4.5%
Price inflation	2.5%	2.5%

13. SHARE CAPITAL:

On September 17, 2002 the Company increased its share capital per Board of Directors approval, through a transfer of retained earnings and additional paid-in capital. The nominal value per share increased from €1.47 to €1.52. On October 16, 2003 the Company increased its share capital per Board of Directors approval, through a transfer of retained earnings. The nominal value per share increased from €1.52 to €1.53. In December 2004 the number of shares increased from 83,193,220 to 83,876,720 as a result of the stock option plan exercise and relevant shares issue, while the total proceeds were approximately €6.4 million. The share capital was increased by approximately €1 million and the additional paid-in capital by €5.3 million. Paid in capital was also increased by €1.7 million in conjunction with the compensation expenses for employee stock option plans. As of December 31, 2004, the share capital was approximately €128.3 million and additional paid-in capital €78.2 million.

14. LEGAL RESERVE:

Under Greek corporate law, corporations are required to transfer a minimum of five percent of their annual net profit shown in their statutory books to a legal reserve, until such reserve equals one-third of the paid-in share capital. This reserve cannot be distributed during the existence of the Company, but can be used to offset accumulated losses. The legal reserve as at December 31, 2004 is €11.5 million.

15. COMMITMENTS AND CONTINGENCIES:

a) Commitments:

- **Capital Commitments:** The Company has a number of outstanding capital commitments on supplier contracts which at December 31, 2004, amounted to approximately €12.4 million.

- **Lease Commitments:** At December 31, 2004, the Company was a party to a number of non-cancelable lease agreements. The operating leases relate to real estate property and transportation leases, which expire on various dates mainly through 2015. The capital leases relate to the Service Center equipment (expired in 2004) and the lease for a fixed wireless access license. The amortization of assets recorded under capital leases is included within depreciation expense.

[Currency - € in thousands unless otherwise stated]

The future minimum lease payments under these agreements for the periods shown at December 31, 2004 are as follows:

Year	Operating leases €	Capital leases €
2005	24,861	1,200
2006	23,694	1,200
2007	22,352	1,062
2008	21,647	787
2009	20,142	787
Thereafter	79,036	4,787
Total minimum rental commitments	191,732	9,823
Less interest costs (average rate 7%)		(2,919)
Present value of minimum lease payments		6,904

Total rent expense under operating leases for 2002, 2003 and 2004 amounted to €15,973, €21,199 and €23,901 respectively, and is included in the accompanying statements of income.

Capital lease amounts included in assets are as follows:

	Year ended December 31,	
	2003 €	2004 €
Property, plant and equipment	7,650	-
Licenses	8,199	8,199
	15,849	8,199
Accumulated depreciation/amortization	(6,324)	(1,253)
Total	9,525	6,946

b) Litigation and Claims:

The Company is a party to various litigation and claims, the major of which are:

- **Mobitel Arbitration:** In December 1996 and July 1997, Mobitel S.A. ("Mobitel"), one of the Company's former distributors, and its parent, Interamerican Group, submitted requests for arbitration to the International Court of Arbitration of the International Chamber of Commerce seeking damages totaling approximately €145.5 million based on the Company's termination of the distribution agreement between TIM Hellas and Mobitel. The Company subsequently filed counterclaims against Mobitel totaling €22.7 million and U.S.$866.6 million. In an interim decision in November 2003, the Company was awarded €1.5 million and certain of Mobitel's claims were dismissed. A final decision was rendered in August 2004 awarding Mobitel €30.8 million. The Company made a partial payment of €10 million in November 2004 and paid the remaining amount of €20.8 million in December 2004.

- **DELAN Arbitration:** The Company is involved in a dispute with Delan Cellular Services S.A. ("Delan") relating to a September 1996 agreement between the Company and Delan pursuant to which Delan agreed to develop and market pre-paid telecommunications services using the Company's network. The Company terminated the agreement in January 1997 because of Delan's failure to adequately develop a platform for the pre-paid product in accordance with the contractual timetable. The Company subsequently developed the product, and Delan filed a claim against the Company in a Greek arbitration tribunal in February 1998 seeking damages of approximately €343,000 due to breach of contract and €79.5 million in lost profits plus accrued interest (which is calculated by the Greek courts from the date the claim was filed to the date of the judgment using the Bank of Greece interest rates). Although the arbitration proceeding concluded in March 2001, the arbitration panel president was unable to reach a decision and as a result, he submitted his resignation in December 2003. A new chairman of the arbitration panel was appointed to the matter in January 2005, at which time Delan also submitted additional evidence. New hearings on this matter were held in April 2005 and the company expects it could take up to a year before a final decision is reached. Management and legal counsel believe that the Company's defense is strong and well founded and the Company will vigorously defend its position; however, an adverse result could have a material adverse effect on the Company's financial condition and results of operations.

- **Vasilias Enterprises S.A. Litigation:** In March 2001, Vasilias Communications S.A. ("Vasilias"), one of our master dealers, filed suit against the Company claiming damages of over €9.2 million for breach of contract. Following Vasilias' bankruptcy, the Company filed a counterclaim totaling €1.8 million for damages resulting from Vasilias' closure of its stores after receiving financial support from TIM Hellas. A decision from the Athens Court of First Instance ruled in favor of Vasilias and awarded Vasilias €1.0 million in damages for lost profits. This decision was appealed by both parties. Subsequently, the Court of Appeals issued a ruling in September 2004 and awarded Vasilias €1.1 million in damages for lost profits plus accrued interest and €50,000 for legal expenses. The Company expects to file a petition for the amendment of this ruling before the Supreme Court in the near future and the Company expects Vasilias to file a petition as well. Vasilias has recently filed a second claim against the Company in February 2005 related to claims of a similar nature as described above but for the period following the filing of the first claim from the first quarter of 2001 through to the end of 2001. In this claim, they are seeking damages of approximately €1.7 million for lost profits. A hearing on this matter has been scheduled for October 2006.

- **Lantec Communications S.A. Litigation:** Lantec Communications S.A. ("Lantec"), one of the Company's former master dealers, filed suit against TIM Hellas in March 2002 claiming damages of approximately €52.7 million in lost profits relating to the termination by the Company of its exclusive agreement with Lantec due to Lantec's failure to meet the targets of the Company's commercial policy as stipulated in the agreement, as well as for breach of contract. The claim was dismissed by the Multimember First Instance Court of Athens following a hearing in March 2004 and the Company was awarded €1.1 million for legal fees. Lantec appealed this ruling but no hearing date for the appeal has been set.

[Currency - € in thousands unless otherwise stated]

- **Other:** In the normal course of business, the Company is at times subject to other pending and threatened legal actions and proceedings. Management believes that the outcome of such actions and proceedings will not have a material adverse effect on the financial position or results of operations of the Company.

16. REVENUES FROM TELECOMMUNICATIONS SERVICES:

Revenues from telecommunications services reflected in the accompanying statements of income are analyzed as follows:

	Year ended December 31,		
	2002	2003	2004
	€	€	€
Monthly service fees	80,034	102,281	132,542
Airtime revenues:			
Outgoing calls	136,184	164,211	165,351
Incoming calls from fixed line networks	167,932	123,473	84,423
Incoming calls from other mobile operators' network	64,556	119,397	150,807
Incoming SMS from other mobile operators' network	-	-	9,942
Pre-paid airtime cards	140,269	153,292	147,296
Roaming revenues from the Company's customers	12,512	15,028	17,233
Roaming revenues from customers of international GSM network operators	30,187	36,955	38,273
	551,640	612,356	613,325
Data communications	32,008	42,684	35,247
Other	2,771	4,613	4,431
Total	666,453	761,934	785,545

Pre-paid airtime cards include revenues from the sale of pre-paid airtime renewal cards.

17. COST OF SERVICES PROVIDED:

Cost of services provided reflected in the accompanying statements of income is analyzed as follows:

	Year ended December 31,		
	2002	2003	2004
	€	€	€
Interconnection charges from fixed line operators	37,058	20,726	18,314
Interconnection charges from other mobile operators	62,186	118,380	159,383
Depreciation	53,881	65,175	77,786
Roaming charges from international GSM network operators	13,634	13,342	15,591
Payroll	12,242	14,611	16,394
Leased lines	3,305	2,970	3,072
Utilities	4,486	4,672	5,574
SIM cards	4,608	3,210	2,767
Installations' rentals	8,177	11,484	14,292
Total	199,577	254,570	313,173

[Currency - € in thousands unless otherwise stated]

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:

Selling, general and administrative expenses reflected in the accompanying statements of income are analyzed as follows:

	Year ended December 31,		
	2002 €	2003 €	2004 €
Commissions to dealers	102,106	103,724	89,800
Management fees	14,021	15,349	15,151
Advertising expenses	13,024	17,155	31,811
Payroll	30,980	34,161	35,733
Depreciation	33,368	33,550	26,801
Amortization of intangibles	9,280	10,056	17,989
Repair and maintenance	30,182	30,015	32,261
Consultancy and other third party fees	11,447	18,013	19,941
Provision for litigation and claims	18,603	2,500	6,585
Utilities	7,274	8,855	8,248
Rentals	7,796	9,715	9,609
Other	20,159	20,044	23,283
Total	298,240	303,137	317,212

19. STOCK OPTION PLANS:

The Company issued two stock option plans to selective employees of the Company. The objectives of these plans include attracting and retaining personnel and promoting the success of the Company by providing executive employees the opportunity to acquire common stock. Under the first plan, approved on March 30, 2000, by the Company's Shareholders' General Assembly (the "1st Plan"), the Company issued 1,300,000 option rights, which entitled the bearer to purchase shares of the Company at a price equal to the listed market price of TIM Hellas on the NASDAQ Stock Exchange as of the above date, which was U.S.$28.375. This plan expired as of November 30, 2003. Included in the rollforward below are outstanding options of 535,000, and weighted average exercise prices per option of Euro 27.06 at December 31, 2002, and none at December 31, 2003, and 2004, respectively. TIM Hellas approved on December 11, 2000, by the company's Shareholders' Extraordinary General Assembly the "2nd Plan", TIM Hellas was authorized to issue 1,000,000 option rights, which entitle the bearer to purchase shares of TIM Hellas at a price equal to the listed market price of TIM Hellas on the NASDAQ Stock Exchange as of such date, which was US$12.532. Included in the rollforward below are outstanding options of 569,000, 698,000 and none and weighted average exercise prices per option of Euro 11.73, Euro 9.94 and none at December 31, 2002, 2003 and 2004 respectively. Options vested on a pro-rata basis over approximately a four-year period from the grant dates. All outstanding options vested on November 1, 2004. The Company has adopted the disclosure provisions of FASB Statement 123, as modified by FAS 148, but opted to remain under the expense recognition provisions of Accounting Principles Board (APB) Opinion No 25, "Accounting for Stock Issued to Employees" in accounting for options granted under the Stock Option Plans. Accordingly, for the year ended December 31, 2003, no compensation expense was recognized for options granted under the plans in the accompanying financial statements.

[Currency - € in thousands unless otherwise stated]

The movement in the options outstanding during the years ended December 31, 2002, 2003 and 2004, is as follows:

	Number of shares subject to option	Weighted average exercise price (Euro)
Outstanding at January 1, 2002	1,762,000	23.39
Granted during the period	-	-
Exercised during the period	-	-
Forfeited during the period	(658,000)	20.79
Expired during the period	-	-
Outstanding at December 31, 2002	1,104,000	19.27
Granted during the period	177,500	11.73
Exercised during the period	-	-
Forfeited during the period	(48,500)	11.73
Expired during the period	(535,000)	29.51
Outstanding at December 31, 2003	698,000	9.94
Granted during the period	100,000	10.24
Exercised during the period	683,500	9.74
Forfeited during the period	100,000	10.26
Expired during the period	14,500	9.43
Outstanding at December 31, 2004	-	-
Exercisable at December 31, 2002	341,367	21.25
Exercisable at December 31, 2003	232,667	9.94
Exercisable at December 31, 2004	-	-

Prior to 2002, the Company had used the Black-Scholes option pricing model to estimate the fair value of stock options granted to employees. Starting in 2002, the Company revisited the use of the Black-Scholes option-pricing model and concluded that certain other option-pricing models, in particular binomial models, were better adapted to capturing the complexity of the fair value of these options. Therefore, effective January 1, 2002, the Company adopted the Cox-Ross-Rubenstein ("CRR") binomial model for estimating the fair value of employee stock options. The CRR model uses a binomial tree to assess the probabilities that the price of the underlying stock might follow over the life of the option. In contrast to the Black-Scholes model, the CRR model takes into account possible future stock prices at specified times between the grant date and the option maturity. An additional strength of the CRR model is that it is specifically designed to value options that can be exercised at any time (so called "American" options), as opposed to those that can only be exercised at the end of their maturity (so called "European" options). The Company's employees are free to exercise their vested stock options once they are vested, therefore they are considered to be American type call options. Also, the Group has historically paid dividends, which it anticipates doing in the future. The CRR model also has the flexibility to incorporate assumptions related to the payment level of future dividends. The CRR model was designed for these types of options, therefore it provides more useful fair value information.

[Currency - € in thousands unless otherwise stated]

The weighted average fair value of options granted in 2003 and 2004 was estimated using the CRR model.

The following weighted average assumptions were used:

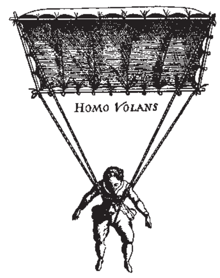
	Year ended December 31,	
	2003	2004
	€	€
Dividend yield	0.93%	0.93%
Annual standard deviation (volatility)	68%	35%
Risk free interest rate	2.70%	1.61%
Expected life (years)	2	0.25

All options granted are treated as indexed options under the disclosure requirements of SFAS No. 123. Furthermore, the weighted average exercise price and weighted average fair value at grant date were estimated at €11.73 and €1.19, respectively, for the options granted in 2003 and €10.24 and €2.69, respectively, for those granted in 2004.

20. SUBSEQUENT EVENTS (Unaudited)

- **Dividends:** On February 17, 2005 the Board of Directors proposed for formal approval at the Annual General Meeting a final dividend in respect to the year ended December 31, 2004 of €8,388. On March 24, 2005 the General Assembly unanimously approved the proposed dividend. The dividend was paid on May 23, 2005 to registered holders of the company's shares as at April 8, 2005.

- **Majority shareholder's sale of its interest in the Company:** On April 4, 2005, it was announced that the Company's majority shareholder, TIM International N.V. (the "Seller") had executed a conditional acquisition agreement for the sale of its 80.87% equity stake to an acquisition company (the "Buyer") owned by private equity funds advised by Apax Partners and Texas Pacific Group for a price of €1.1 billion (approximately $1.5 billion) or approximately €16.43 per share. The closing of the transaction is subject to a number of conditions and is expected to occur in July 2005. The Buyer has stated in its press release announcing the transaction that it intends, following completion of the acquisition, to acquire the remaining shares at the same price of approximately €16.43 per share through a cash merger under Greek law.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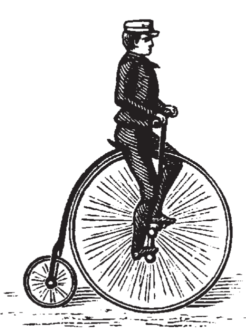

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