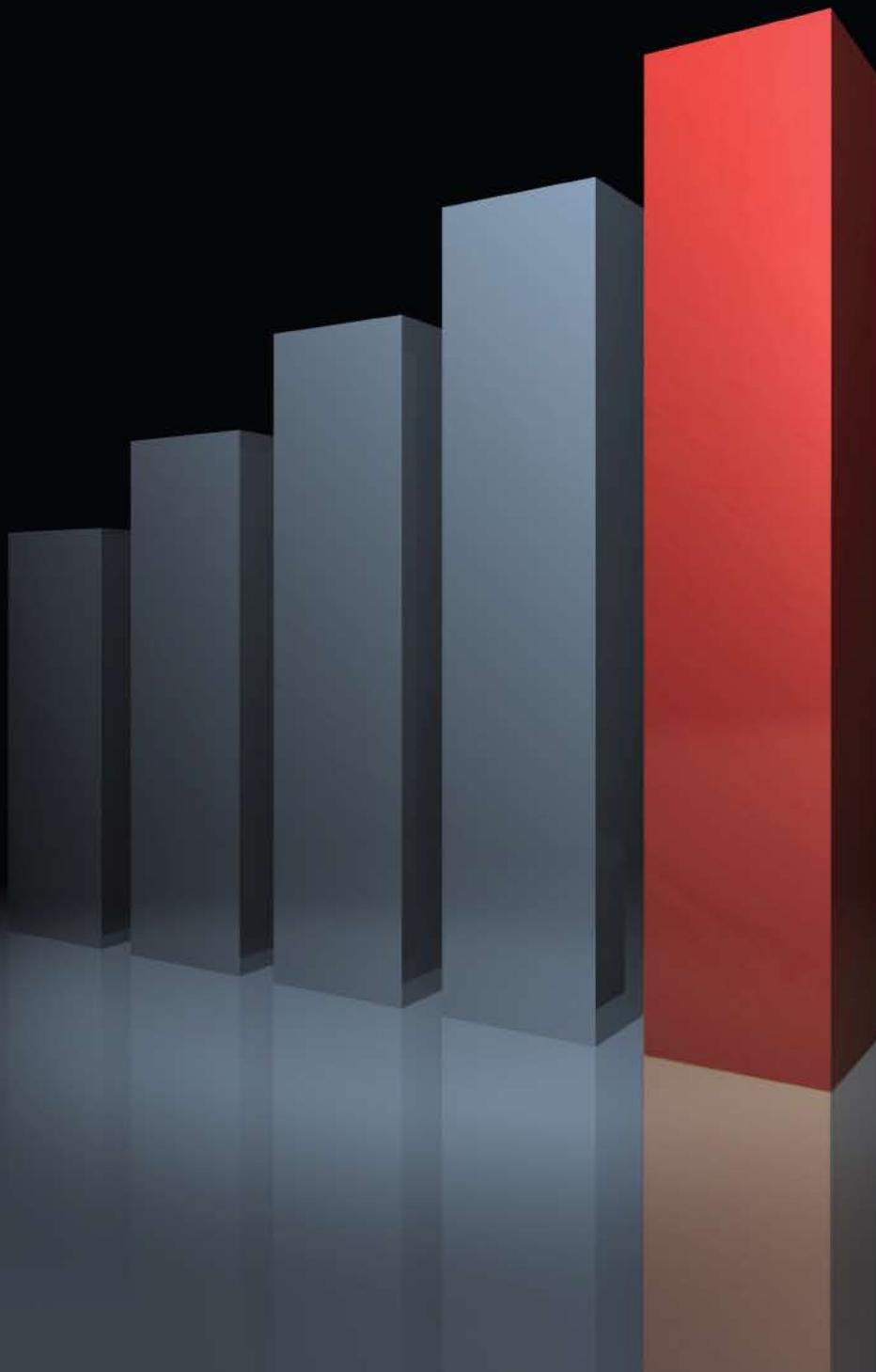




EETT

HELLENIC TELECOMMUNICATIONS & POST COMMISSION

Market
Overview **2007**





HELLENIC TELECOMMUNICATIONS & POST COMMISSION

Market Overview 2007

Maroussi, 2008

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Introduction



Electronic Communications Sector

As far as the examined economic data of the Electronic Communications sector is concerned, 2007 was characterized by some marginal changes in the operators' turnover and gross profits, as well as an increase in the total assets. Analytically, the Mobile Telephony Operators (MTOs) were the leaders in all the financial categories, OTE saw its total assets increased considerably, mainly due to the increase of its share in COSMOTE, while the financial results of the Other Alternative Operators (OLOs) were relatively stable. It is reminded that the difficulty in arriving at uniform conclusions still persists due to the different structure of the operators' balance sheets who apply the International Financial Reporting Standards (IFRS) and the residual ones who continue to apply the Greek Accounting Standards.

The infrastructure competition in fixed telephony intensified considerably. The OLOs' share in the number of the directly connected fixed telephony subscribers is estimated at 4.6% at the end of 2007, compared to a percentage less than 1% at the end of 2006. The service based competition continued to be intense, with OTE managing to maintain its shares. As far as the outgoing traffic was concerned, the OLOs' shares were stable and over 30%. The total share of the 3 largest alternative operators increased significantly, a fact that signals the first step towards market concentration. At the same time, the retail revenues from fixed telephony continued to decrease during the first semester of 2007, registering a 6% reduction compared to the respective period of 2006, mainly due to the reduction of traffic revenues.

As far as the retail invoices were concerned, there were significant changes in the average cost of a fixed to mobile call for the majority of the fixed telephony operators. Specifically, the average reduction of the above cost ranged at 7% for 2007 compared to 2006. At the same time, the cost of the 3-minute local and national call in Greece is lower than the European average cost. However and in relation to the usage baskets arising from a methodology used by the European Union (EU) and the Organization for Economic Co-operation and Growth (OECD), the average monthly expenditure for the Greek residential user is over the respective European average, contrary to the expenditure for the business user, where Greece is among the cheapest member states of the EU.

Additionally, the Interconnection of mobile telephony rose considerably compared to 2006. The increase of the on-net traffic was significant since it constitutes approximately the 40% of the total Interconnection traffic. On

the contrary, call origination in fixed telephony decreased for the first time compared to 2006. This fact is attributed to the significant increase of the Local Loop Unbundling (LLU) lines (full access) given that there is no interference of OTE's network in originating the calls of the OLOs' subscribers. The Interconnection rates to OTE's network were lower than the European average in October of 2006. On the contrary, the mobile termination rates despite their constant decrease are almost 13% higher than the European average, according to the data from the 13th Report of the European Commission¹.

During 2007, the increase in Number Portability was significant, since the ported numbers of fixed and mobile telephony increased over 200% and 500% respectively compared to 2006.

As far as broadband was concerned, the broadband lines increased considerably and actually overdoubled compared to 2006, exceeding the barrier of 1,000,000 lines. Greece's broadband penetration rate in the total population was 9.1% and thus was no longer last in the relative European list. The increase of 4.7 units compared to 2006 (penetration at 4.4%) was among the biggest in the EU. However and despite this significant progress, the distance from the average European penetration (20%) is still great.

The key factor for this positive development was the rapid growth of LLU, which is eventually an important step in increasing the infrastructure competition. Analytically, the LLU lines were 274,000 at the end of 2007, compared to 19,500 at the end of 2006. This progress is further strengthened by the low LLU rates on the one hand –given that Greece is one of the cheapest member states in the EU, both in full and shared LLU- and by the important development of Collocation during 2007 on the other hand. Specifically, the number of OTE's Local Exchanges, in which Collocation is provided, rose to 119 in December of 2007, versus 38 in December of 2006.

Postal Services Sector

In 2006, the total turnover of the Postal Services sector –which includes the provision of the Universal Service (US), the Courier Services market, as well as the Postal Services providers who operate in the liberalized segment of the US- corresponded to 0.27% of the Gross National Product (GNP).

According to EETT's Postal Registry the number of the registered providers as of 31-12-2007 was 377. The growing

1. http://ec.europa.eu/information_society/policy/ecomm/library/communications_reports/index_en.htm

number of the providers operating in the Postal Services market signifies the attractiveness of the sector, as well as the prospects for future growth.

A basic characteristic of the sector is the significant differentiation of the growth rate for the two Postal Services markets (US and Courier Services). Specifically, the average annual growth rate for the Courier Services market is relatively high, while the respective rate for the US market ranges at lower levels. It is noted that the Courier Services market has not reached the maturity level of the US.

During 2006, the Courier Services market was characterized by a declining trend in the average revenue per postal item, due to the strengthening of the competition which benefits the Postal Services users. In the Courier Services market the majority of the distributed items weighting under 500 gr. constituted approximately 50% of the total courier items volume. Furthermore, the domestic postal items represented the largest portion (approximately 90%) of the total correspondence volume; Attica region presented the highest demand for Courier Services provision.

Additionally, almost 85% of the postal items volume is being distributed by the 9 largest companies of the sector, a fact that indicates the market's concentration degree. It is noted that the future growth of the market depends on the establishment of strong and nationwide autonomous networks that will have the ability to distribute large volumes of postal items. At the same time the Postal Services providers operating in the liberalized section of the US distributed almost 1.18% of the total US volume, while the generated revenues ranged at 0.84% of the US total revenues.

Finally and in the context of the European market, the Postal Service sector represents approximately 1% of the EU GNP. The competition level differs between the various segments of the European Postal Services market. The Universal Service Providers (USP) dominate the letter-post market, possessing 75% of the total market revenues, though the competition is intensified during the last years. It is marked that the business sector (Business to Business-B2B) constitutes the largest Postal Services client in Europe. Within 2006, it dispatched 88% and received 30% of the total distributed postal items.



01

Electronic Communications Sector



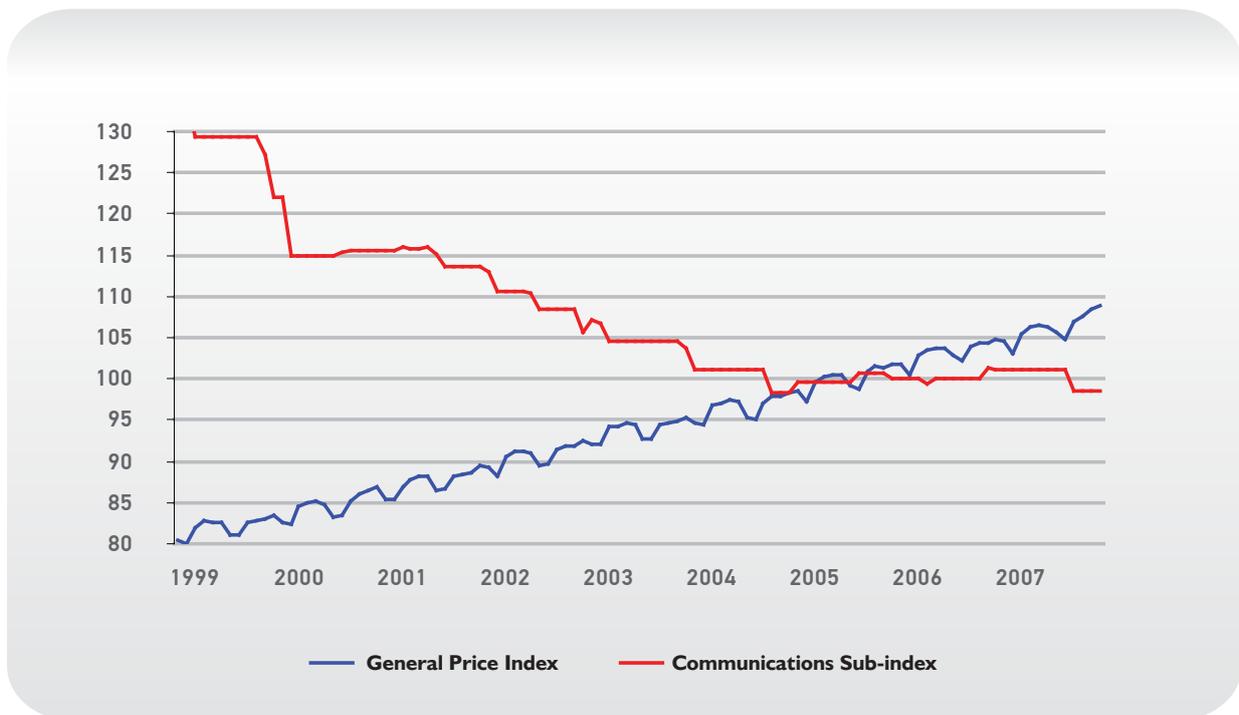
I.I. Consumer Price Index

The general progress of the cost of the Electronic Communications services is reflected in the annual course of the general Consumer Price Index (CPI) which is presented in Figures I and 2. The general CPI, which is being calculated on a monthly basis by the National Statistical Service of Greece (NSSG), is used for measuring the general price level of goods and services that an average household buys and is being revised at regular time periods. It is mentioned that, according to the latest revision, the base year of the CPI is 2005.

The general CPI is composed of partial indexes (Sub-indexes), which reflect the price level of goods and services of specific categories. The Communications' Sub-index relates by 99% to expenditures made for services of fixed and mobile telephony. The residual 1% entails Postal Services (0.5%) and telephony equipment (0.5%).

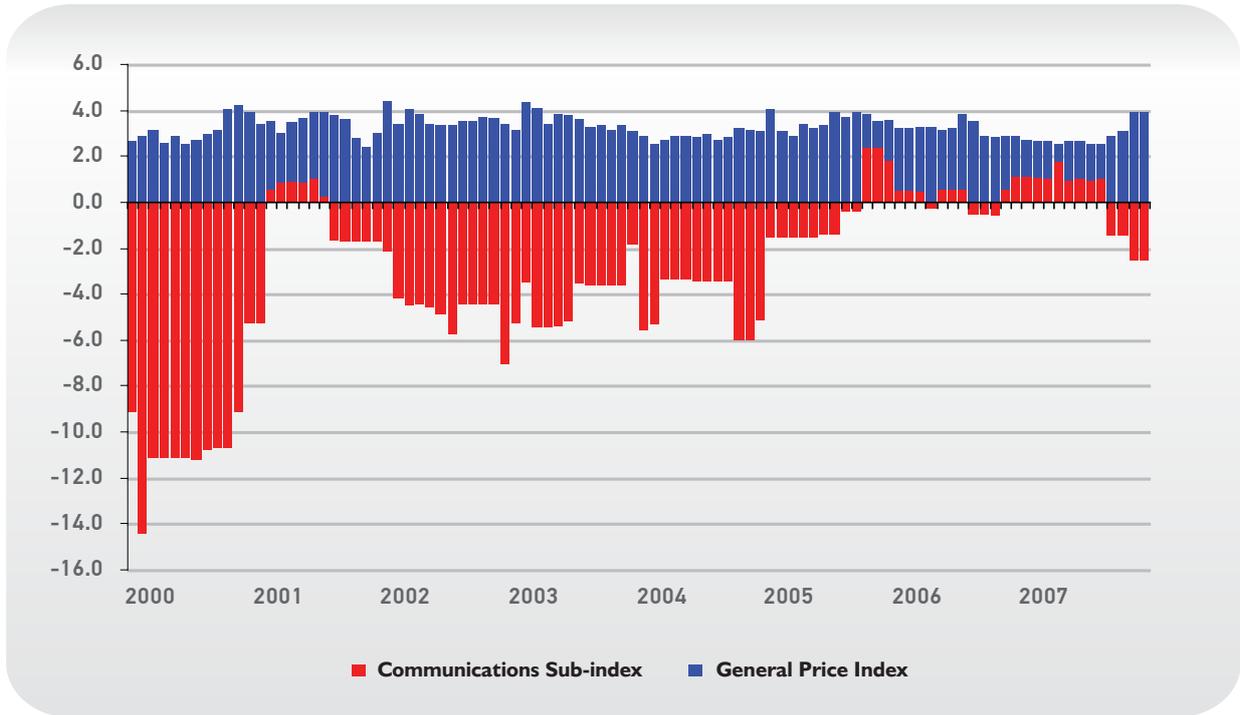
The Communications' Sub-index has followed a declining course in general, compared to the general CPI. The marginal positive changes that took place during 2006 and the first semester of 2007 appear to follow a declining course.

Figure I
Progress of the Monthly Consumer Price Index
General Index – Communications Sub-index



Source: EETT (based on NSSG data)

Figure 2
 Variation of the Monthly Consumer Price Index (%)
 Compared to the Respective Index of the Previous Year



Source: EETT (based on NSSG data)

I.2. Financial Data of the Electronic Communications Market

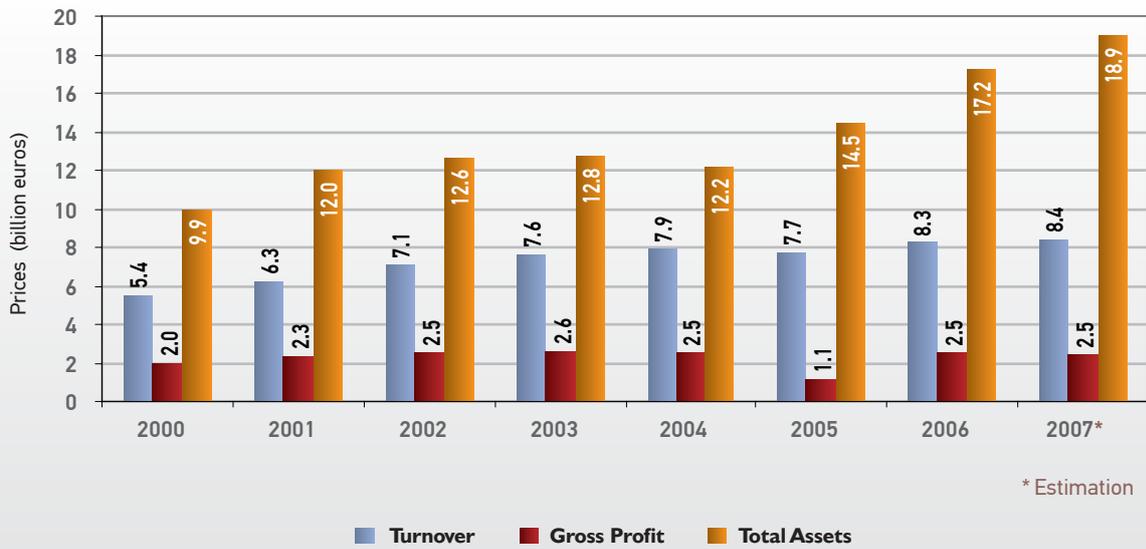
This section presents the basic financial data of the Greek Electronic Communications market, as they accrued from the published balance sheets of the licensed operators for the period 2000 - 2007. For 2007, the various financial data for the operators listed in the Athens Stock Exchange (ASE), are based on their annual financial statements in

conformity with the International Financial Reporting Standards (IFRS). Additionally, data collected by EETT from the licensed operators on a six-month period basis, regarding turnover, investments etc., has also been taken into account.

The total market², as depicted in Figure 3, is characterized by a positive change in the turnover and the assets, while the gross profit is estimated to present a small decline.

2. It is noted that the total of the financial data of the licensed operators is taken into account.

Figure 3
Progress of the Basic Financial Data of the Licensed Operators

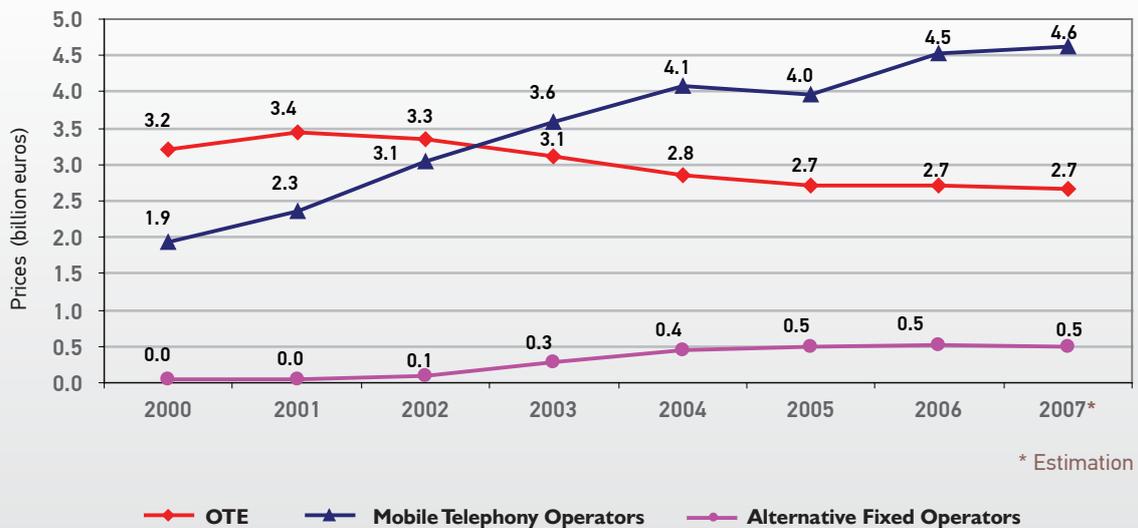


Source: EETT (based on the published balance sheets)

The turnover of the operators, namely the total revenues during the year, is depicted in Figure 4. It is noted that the data of the licensed operators whose balance sheets are available is taken into account. OTE presented a slight de-

crease by 2% while there was an increase for Other Alternative Operators-OLOs (6%) and for Mobile Telephony Operators-MTO (2%).

Figure 4
Turnover of the Electronic Communications Operators

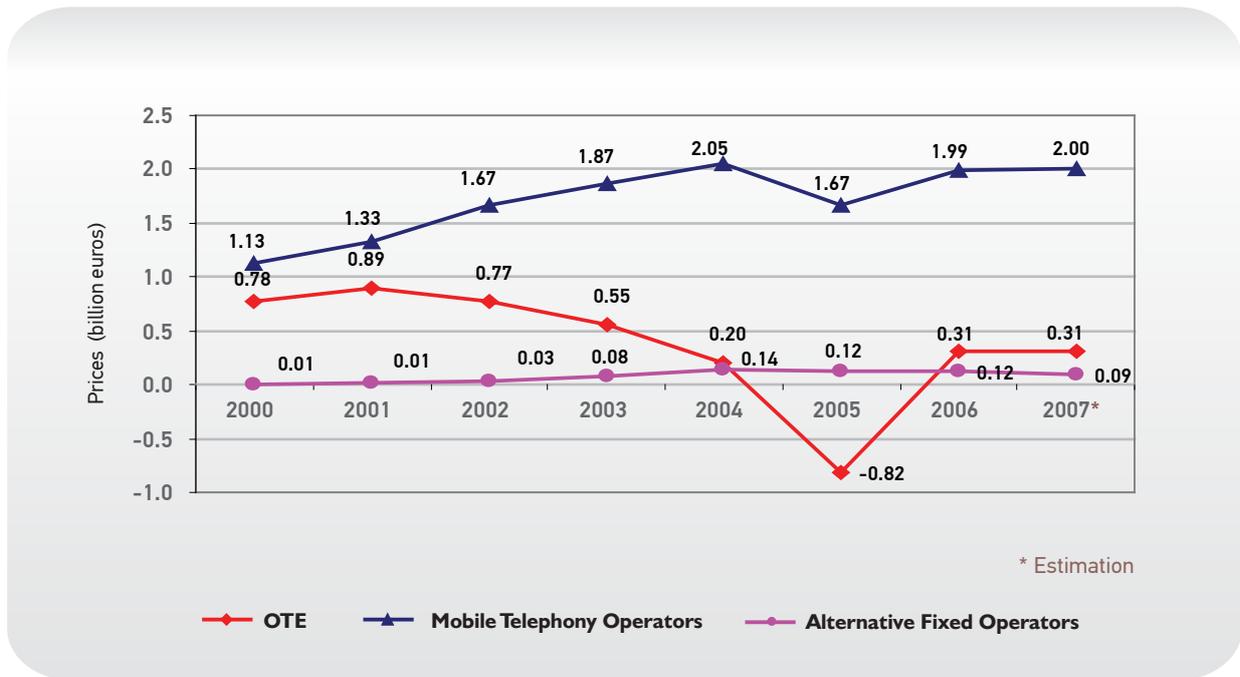


Source: EETT (based on the published balance sheets)

The situation regarding the representation of gross profit (i.e. the difference between the turnover and the cost of goods sold) is more complex, due to the fact that the majority of the financial statements of the listed operators do not include the operational expenditures (administration, distribution, research and development) in the cost of goods sold, as opposed to OTE and COSMOTE. OTE's

and MTOs gross profit presented marginal changes, registering a 0.3% decrease and a 0.5% increase respectively. On the contrary, OLOs' gross profit decreased considerably by 28%. It is noted that OTE's high loss during 2005 (820 million euros) is mainly attributed to the cost of the volunteered exit.

Figure 5
Gross Profit of the Electronic Communications Operators

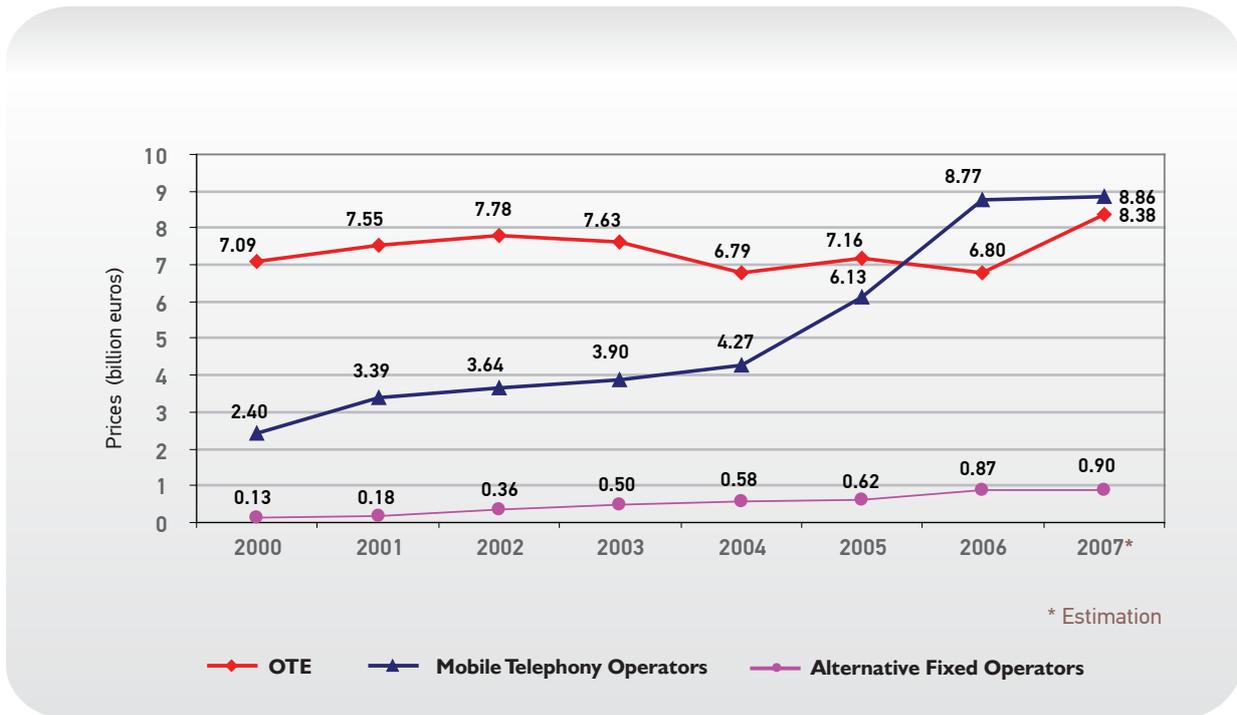


Source: EETT (based on the published balance sheets)

The progress of the total assets³ is depicted in Figure 6. The MTOs total assets ranged at 9 billion euros. Furthermore, OTE's total assets exceeded 8 billion euros registering a 23% increase, a fact that is mainly due to the in-

crease of its share in affiliated companies⁴. Finally, the total assets of the alternative fixed operators increased and it is estimated that exceeded 900 million euros.

Figure 6
Total Assets of the Electronic Communications Operators



Source: EETT (based on the published balance sheets)

3. The total assets are the total financial resources that an operator possess and includes fixed (such as buildings, machinery etc.) as well as current assets (such as cash, receivables, inventories etc.).

4. On the 31st of December 2007, OTE possessed 90.72% of COSMOTE's share capital and the respective voting rights compared to 67% which was the respective percentage on the 31st of December 2006.

Table I summarizes the financial data presented above.

Table I
Progress of the Financial Data of the Electronic Communications Operators

Turnover (billion euros)	2000	2001	2002	2003	2004	2005	2006	2007*
OTE	3.21	3.45	3.34	3.12	2.85	2.71	2.71	2.66
Mobile Telephony Operators	1.95	2.95	3.05	3.58	4.08	3.96	4.53	4.63
Alternative Fixed Operators (**)	0.04	0.05	0.10	0.29	0.44	0.50	0.52	0.49
Other Operators (***)	0.25	0.43	0.57	0.61	0.50	0.50	0.55	0.64
Total	5.45	6.28	7.06	7.60	7.87	7.67	8.32	8.41
Gross Profits (billion euros)								
OTE	0.78	0.89	0.77	0.55	0.20	-0.82	0.31	0.31
Mobile Telephony Operators	1.13	1.33	1.67	1.87	2.05	1.67	1.99	2.00
Alternative Fixed Operators (**)	0.01	0.01	0.03	0.08	0.14	0.12	0.12	0.09
Other Operators (***)	0.07	0.05	0.01	0.15	0.17	0.11	0.11	0.06
Total	1.99	2.28	2.48	2.65	2.25	1.07	2.40	2.46
Total Assets (billion euros)								
OTE	7.09	7.55	7.78	7.63	6.79	7.16	6.80	8.38
Mobile Telephony Operators	2.40	3.39	3.64	3.90	4.27	6.13	8.77	8.86
Alternative Fixed Operators (**)	0.13	0.18	0.36	0.50	0.58	0.62	0.87	0.90
Other Operators (***)	0.32	0.83	0.92	0.80	0.66	0.55	0.74	0.80
Total	9.94	11.96	12.70	12.83	12.30	13.43	17.19	18.95
* Estimation.								
** All licensed operators that offer fixed telephony services are included.								
*** All the residual licensed operators are included.								

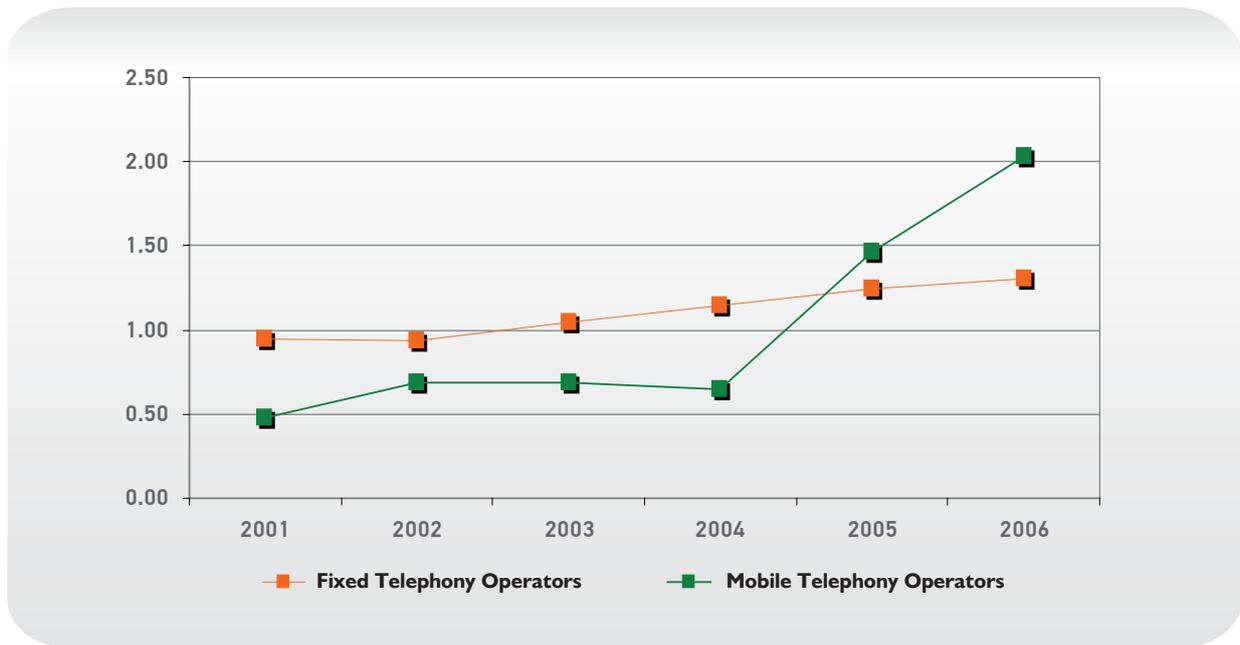
Source: EETT (based on the published balance sheets)

Figures 7 to 10 present a series of ratios, which stamp in a more sophisticated way the financial progress of the operators. The published balance sheets of the fixed and mobile telephony operators constituted the basis for the calculation of these ratios.

Analytically, Figure 7 presents the Acid Test Ratio, which shows the quantitative relation between the assets' ele-

ments that can be liquidated instantly to the short term liabilities of the operators. The Acid Test Ratio presents a stricter estimation of the company's ability to meet its current liabilities and is satisfactory when it exceeds one unit. Since 2003, this ratio for the alternative fixed operators is on average above one unit. Also, the MTOs improved further their liquidity during 2007, since the average price for this ratio exceeded 2.

Figure 7
Acid Test Ratio

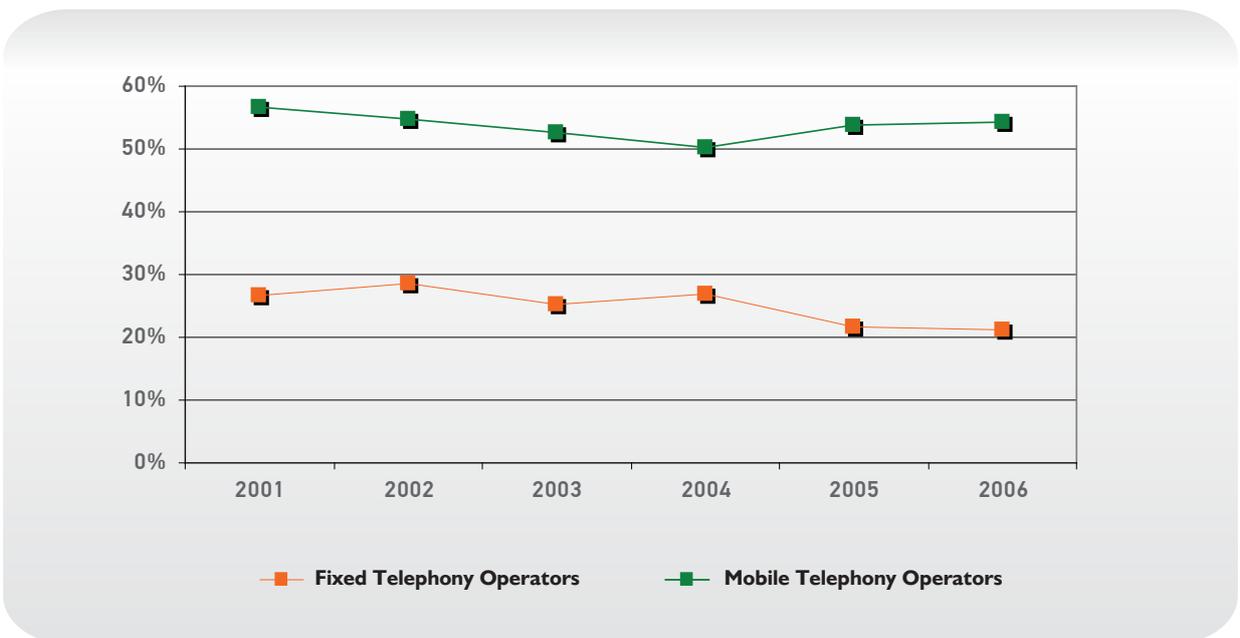


Source: EETT (based on the published balance sheets)

The Gross Profit Margin Ratio (see Figure 8) shows the operating efficiency of the operators and at the same time their tariff policy. The higher is the Gross Profit Margin Ratio the better is the situation of the operator as far as profits are concerned, since the operator can easily

meet any increase in the cost of its product. It should be mentioned that a company can operate with a low profit margin and still increase its turnover through a dynamic sales policy, offsetting in this way the low profit margin.

Figure 8
Gross Profit Margin Ratio

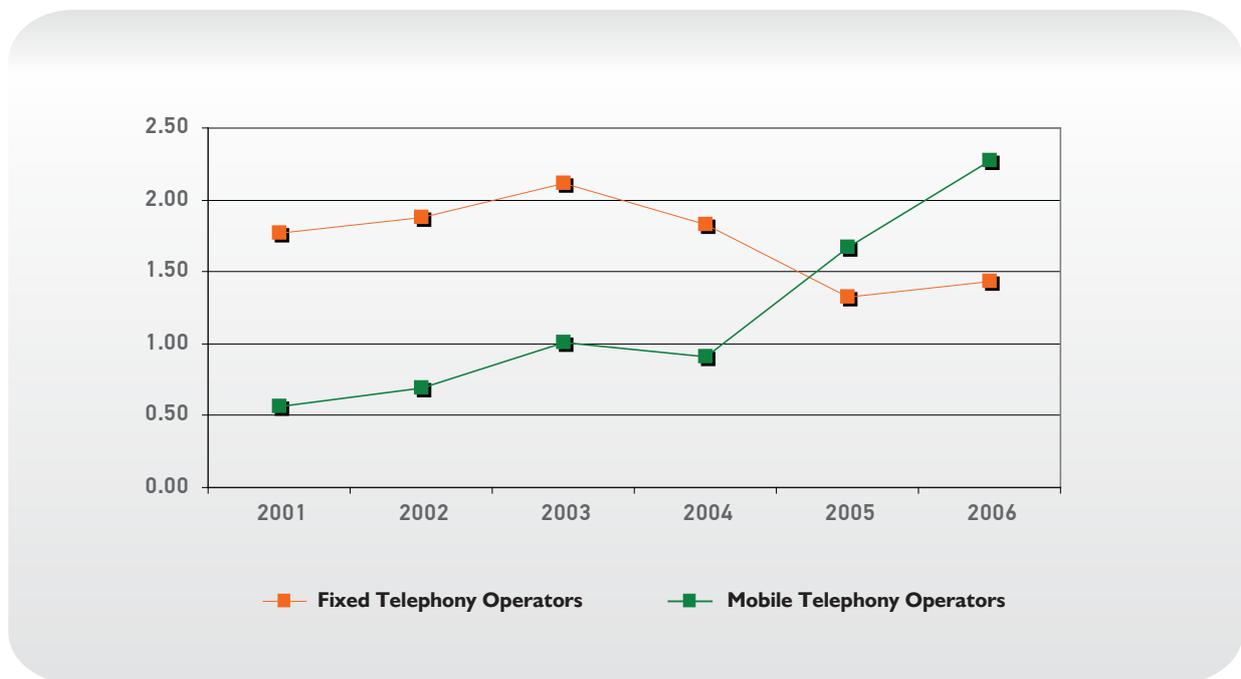


Source: EETT (based on the published balance sheets)

The Equity to Total Liabilities Ratio (see Figure 9) is used to confirm whether or not an operator is over-borrowed; namely is a safety indication that the operator offers to its debtors. Ratios exceeding the unit mean that the shareholders/ owners of the company participate in it

with more capital than its debtors. That was the case for the alternative fixed operators throughout the period 2001 - 2006, however presenting a declining course after 2003. On the contrary, the MTOs presented a considerable improvement for this specific ratio.

Figure 9
Equity to Total Liabilities Ratio

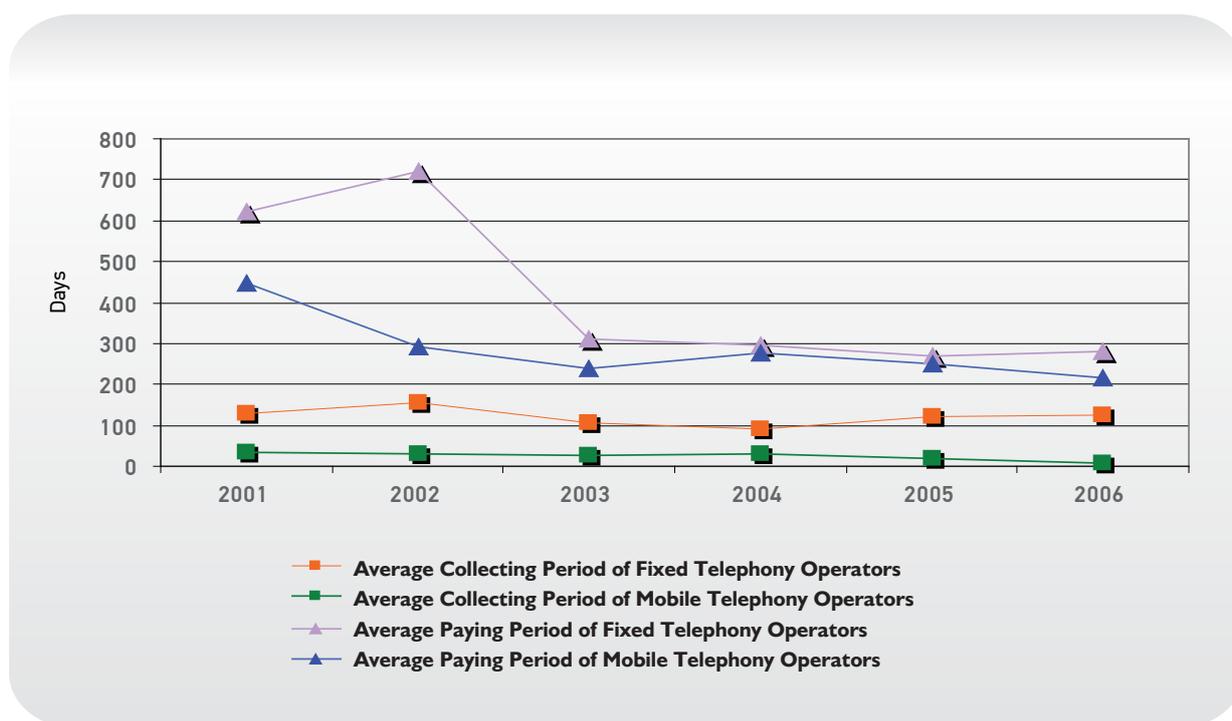


Source: EETT (based on the published balance sheets)

The Activity Ratios (see Figure 10) depict the efficient use of the operator's assets. Specifically, the average collection period is the time period that elapses in order for the operator to collect its receivables. Respectively, the average paying period is the number of days that the operator's liabilities remain unsettled. If the first ratio is higher than

the second, the operator's liabilities are settled at a slower pace than the time needed from the operator to collect its receivables and thus, the operator does not need to keep a great amount of cash, a fact that holds both for the operators of fixed and mobile telephony.

Figure 10
Activity Ratios



Source: EETT (based on the published balance sheets)

I.3. Licensing

Table 2 presents the number of the licensed operators that are active in the main sectors of the Electronic Communications market by the end of 2007.

Table 2
Licensed Operators per Category

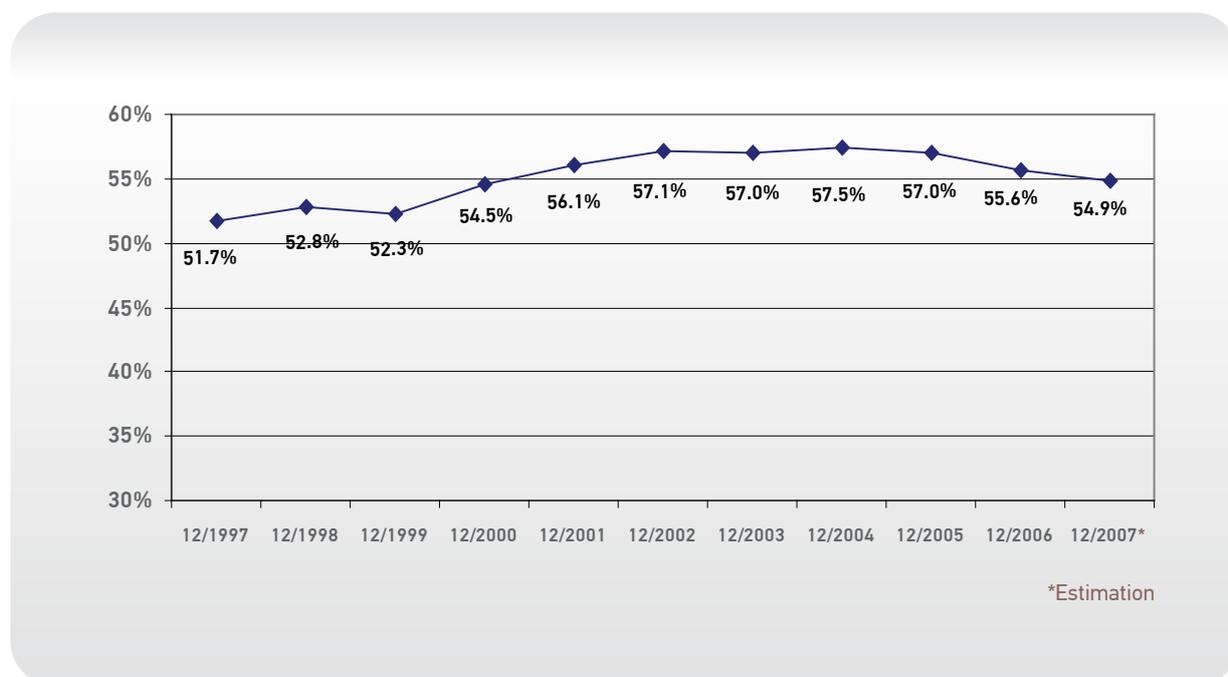
Activity	Number of Operators
Voice Telephony and Fixed Network Development	126
Voice Telephony	111
Fixed Network Development	55
Satellite Networks	24
2 nd Generation Mobile Telephony	6
3 rd Generation Mobile Telephony	6
TETRA	4
W-LAN	54

Source: EETT

I.4. Access to the Public Telephone Network

During 2007, the number of the Access Lines to the public telephone network measured in 64 Kbps channels (Figure II), was further decreased by 1% compared to the end of 2006.

Figure II
Penetration of PSTN Lines and ISDN Channels to the Greek Population



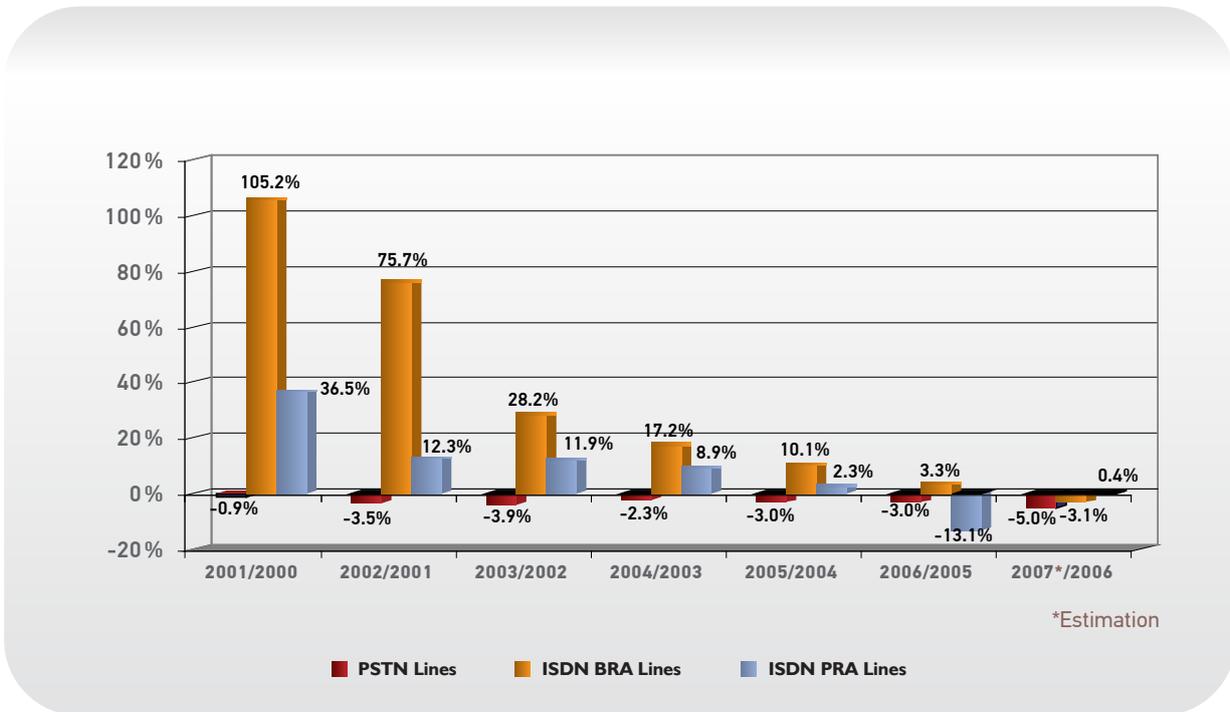
Source: EETT (based on the licensed operators' data)

Table 3
Progress of the Telephone Lines

	PSTN Lines	ISDN BRA Lines	ISDN PRA Lines	Penetration
Dec. 1997	5,430,855	792	134	51.7%
Dec. 1998	5,535,521	3,258	448	52.8%
Dec. 1999	5,610,931	27,542	1,478	52.3%
Dec. 2000	5,659,274	96,972	3,946	54.6%
Dec. 2001	5,607,726	199,033	5,385	56.1%
Dec. 2002	5,412,842	349,751	6,023	57.1%
Dec. 2003	5,200,368	448,542	6,766	57.0%
Dec. 2004	5,078,908	525,499	7,368	57.3%
Dec. 2005	4,933,476	578,529	7,538	57.0%
Dec. 2006	4,793,549	597,900	6,547	55.6%
Dec. 2007*	4,776,606	596,914	6,580	54.9%
* Estimation				

At the same time, the PSTN lines as well as the ISDN BRA lines maintained a declining course during 2007. The annual percentage changes of the above lines (since 2000) are presented in Figure I2.

Figure I2
Annual Percentage Change of the Operating Access Lines



Source: EETT (based on the licensed operators' data)

I.5. Fixed Telephony

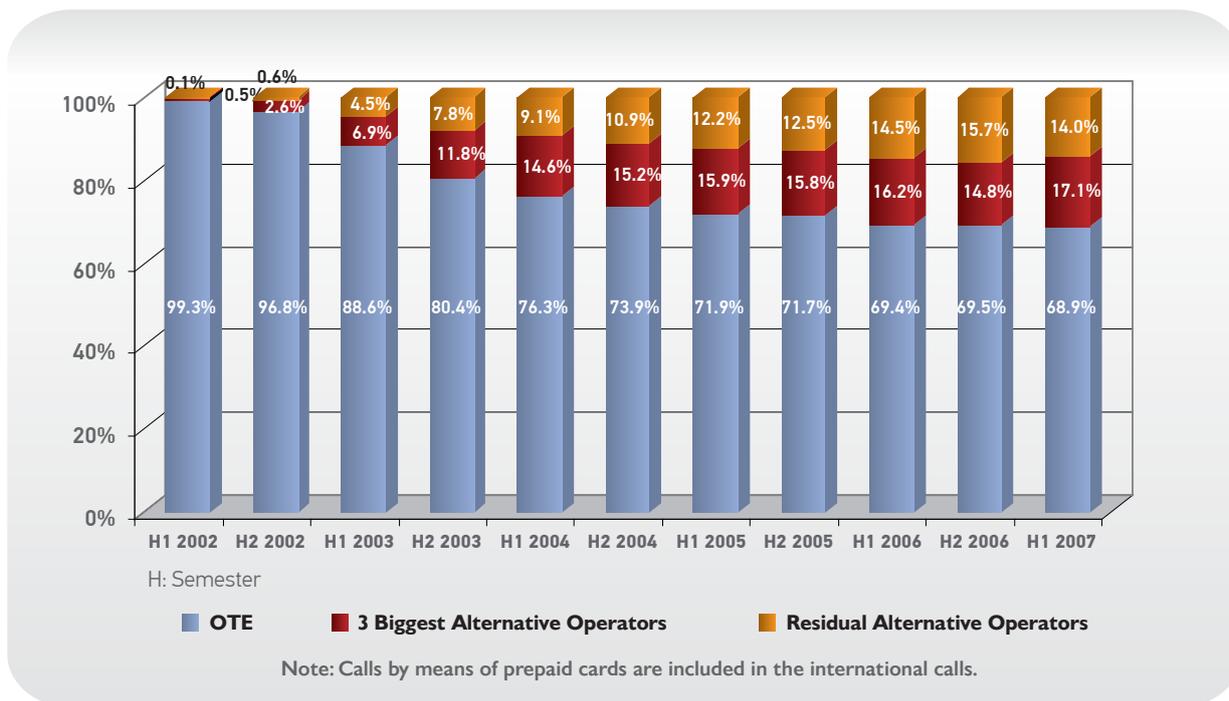
I.5.1. Retail Outgoing Traffic

During 2007 the competition in the fixed telephony market was still intense. Indeed, the competition in the infrastructure sector was considerably intense. The alternative operators, thanks to the LLU growth, gained a 4.6% share in the number of the directly connected subscribers of fixed telephony (compared to 1% at the end of 2006). At the same time, OTE was efficient enough to maintain its shares as far as the volume and the revenues of the telephony calls are concerned. In

relation to the volume of the outgoing traffic, the alternative operators' shares –as illustrated in Figures I3 and I4 (total and per type of call)- were relatively stable since they were over 31% as in the first semester of 2006.

A noteworthy fact was that the total share of the 3 biggest alternative operators increased considerably compared to the share of the residual alternative operators that was decreased significantly. This evolution reflects a first step towards the concentration of the market.

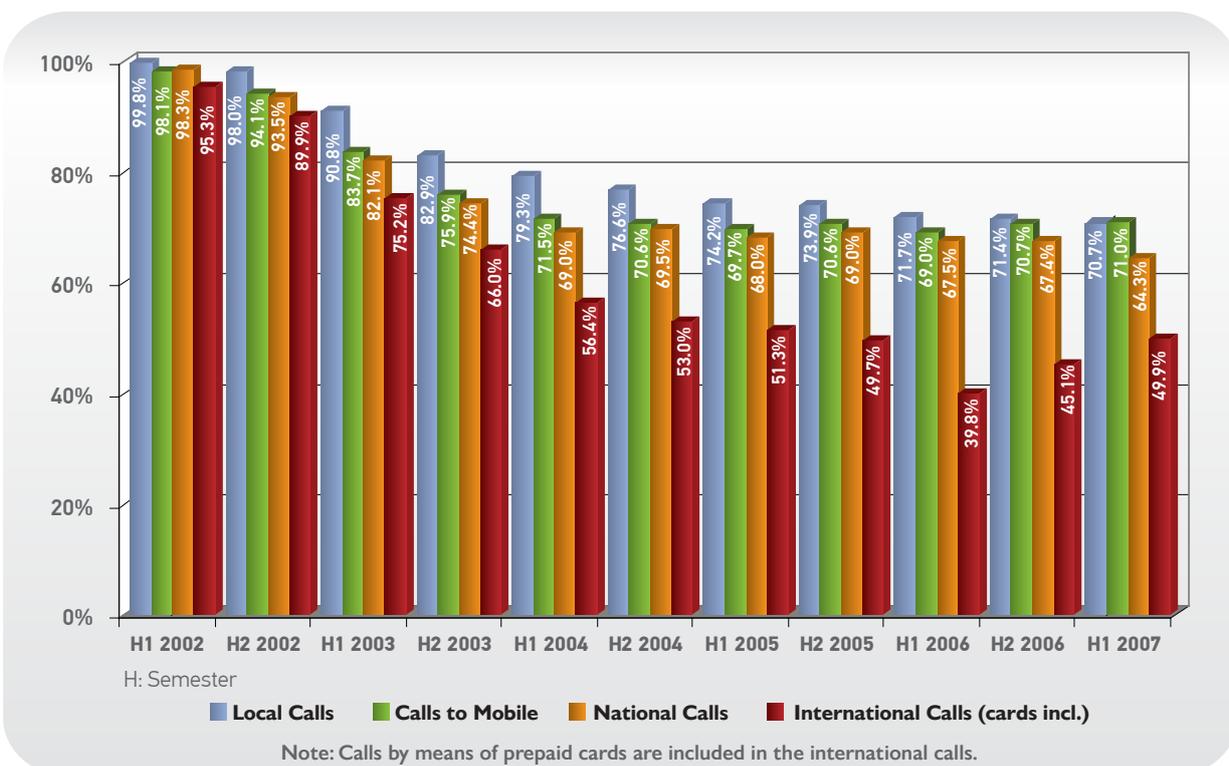
Figure I3
Progress of Market Shares Based on the Outgoing Traffic Volume,
Dial-up Traffic is Excluded



Source: EETT (based on the licensed operators' reports)

In relation to the calls' category, OTE's shares ranged between 50% approximately for international calls (prepaid cards included) –10% increase compared to the first semester of 2006- and 71% for calls to mobile.

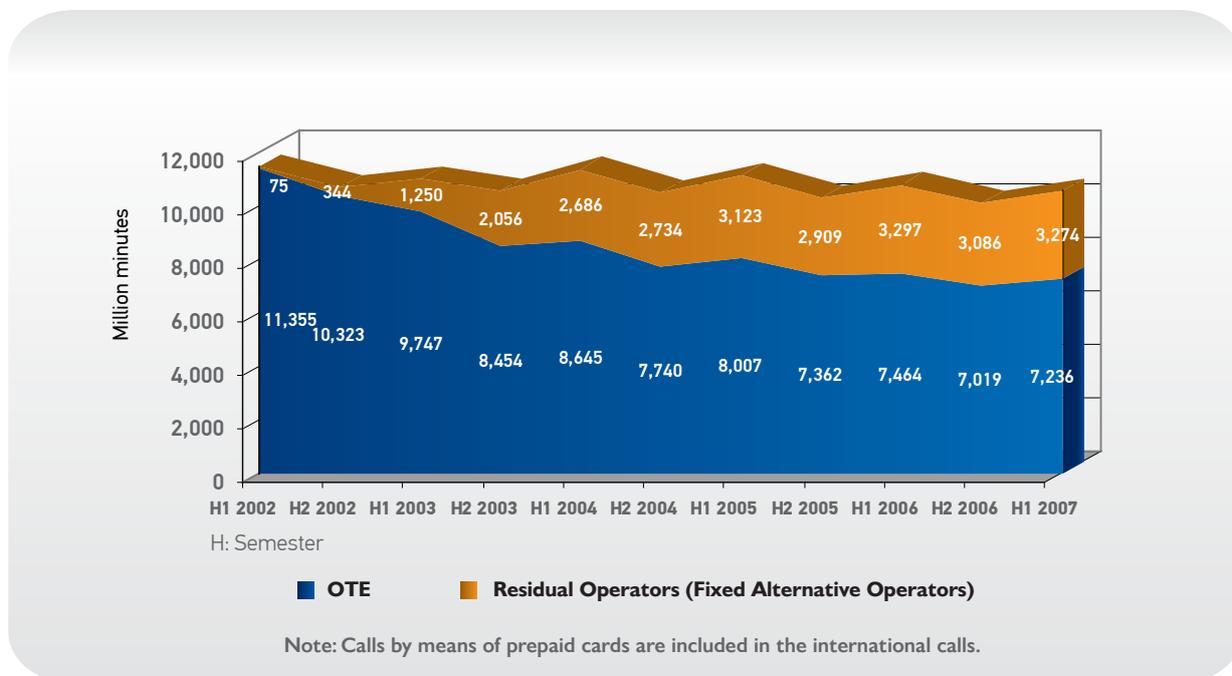
Figure I4
OTE's Shares per Type of Call, Based on the Outgoing Traffic Volume



Source: EETT (based on the licensed operators' reports)

The aforementioned conclusions are depicted in Figure I5, which presents in absolute numbers the intertemporal progress of the retail outgoing traffic for OTE and the total of the alternative operators.

Figure I5
Development of the Outgoing Fixed Calls Volume,
Not Including the Dial-up Calls

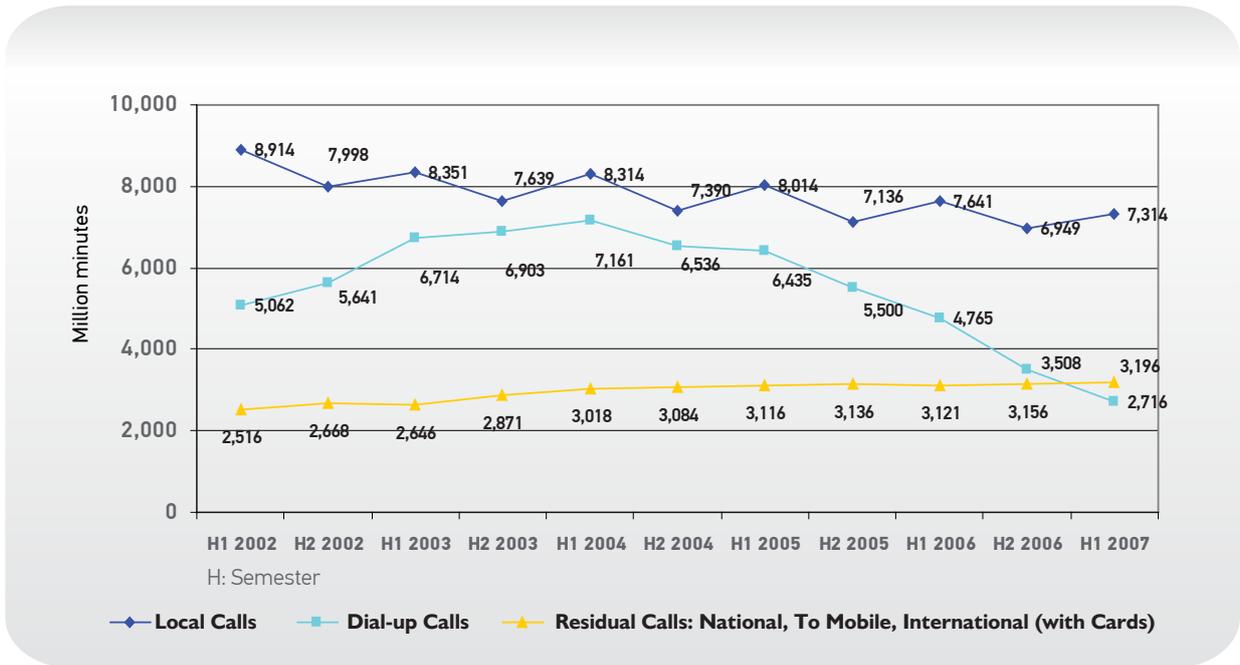


Source: EETT (based on the licensed operators' reports)

Figures I6 and I7, illustrate in absolute numbers the progress of the retail outgoing traffic per type of call as well as its annual percentage changes. The total of the data are cited in Table 3. Specifically, leaving the continuing negative changes of local traffic aside, the decrease of dial-up traffic was significant having registered a total decrease of over 50% since the second semester of 2005. This decline is attributed to the increase of the broadband access to Internet.

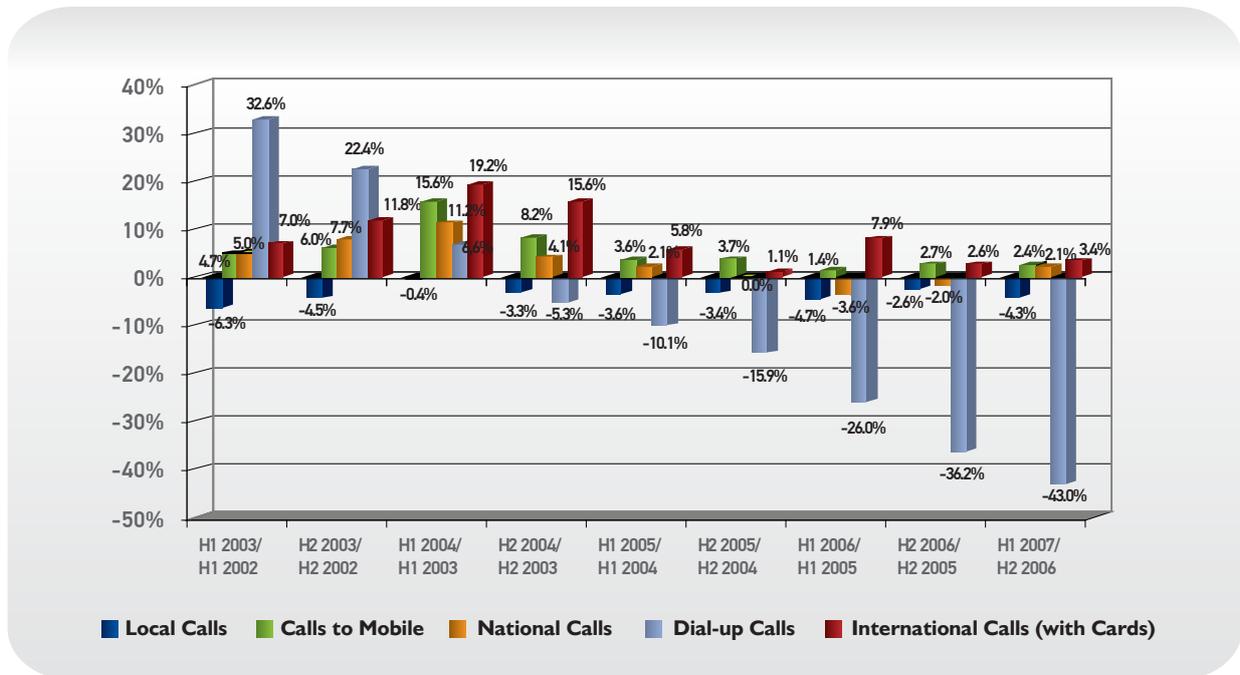
On the contrary, the fixed to mobile traffic and the international traffic increased even more. It is mentioned that the international traffic includes the traffic made by means of cards. The total of this specific traffic will be reported onwards as "international (with cards)" traffic.

Figure 16
Development of the Outgoing Calls' Volume per Type of Call



Source: EETT

Figure 17
Percentage Change per Semester of the Outgoing Calls' Volume Compared to the Respective Semester of the Previous Year



Source: EETT

Table 4
Outgoing Fixed Telephony Traffic Volume, per Type of Call (million minutes)

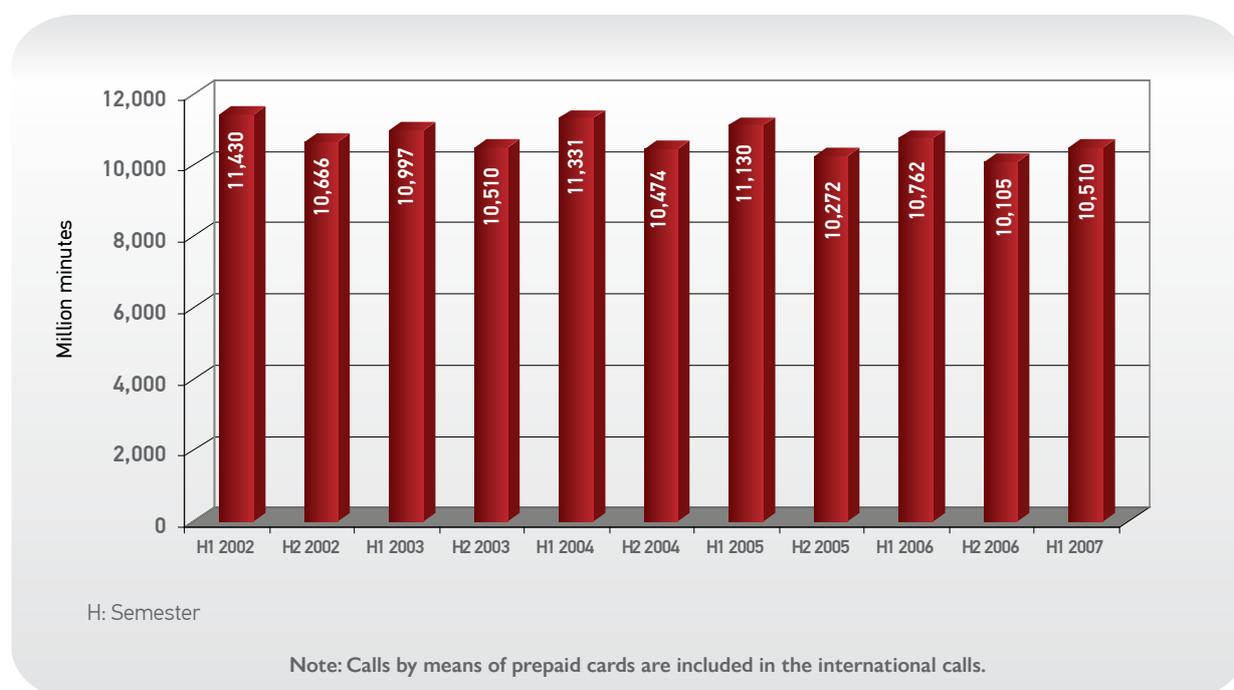
Semester	Local Calls	National Calls	Dial-up Calls	International Calls (with Cards)	Calls to Mobile	Total Calls not incl. Dial-up	Total Calls including Dial-up
H1 2002	8,914	1,178	5,062	353	985	11,430	16,492
H2 2002	7,998	1,218	5,641	376	1,074	10,666	16,307
H1 2003	8,351	1,237	6,714	378	1,032	10,997	17,711
H2 2003	7,639	1,312	6,903	421	1,138	10,510	17,413
H1 2004	8,314	1,375	7,161	450	1,193	11,331	18,492
H2 2004	7,390	1,366	6,536	486	1,232	10,474	17,010
H1 2005	8,014	1,404	6,435	476	1,235	11,130	17,565
H2 2005	7,136	1,366	5,500	491	1,278	10,272	15,772
H1 2006	7,641	1,354	4,765	514	1,253	10,762	15,527
H2 2006	6,949	1,339	3,508	504	1,313	10,105	13,614
H1 2007	7,314	1,382	2,716	532	1,283	10,510	13,227

H: Semester

Source: EETT (based on the licensed operators' data)

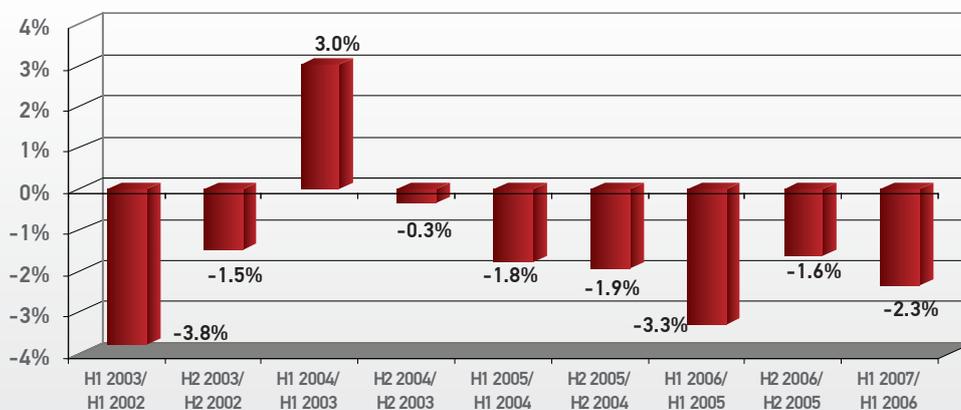
Overall, the course of the retail outgoing traffic (dial-up not included) is depicted in Figures 18 and 19. The decline of the total traffic is attributed to the decrease of local traffic, which offset the increase of the residual types of calls.

Figure 18
Development of the Outgoing Fixed Calls' Volume,
Not Including the Dial-up Calls



Source: EETT (based on the licensed operators' reports)

Figure 19
 Percentage Change per Semester of the Outgoing Calls' Volume,
 Not Including Dial-up Calls,
 Compared to the Respective Semester of the Previous Year



H: Semester

Note: Calls by means of prepaid cards are included in the international calls.

Source: EETT (based on the licensed operators' reports)

1.5.2. Retail Telephony's Revenues

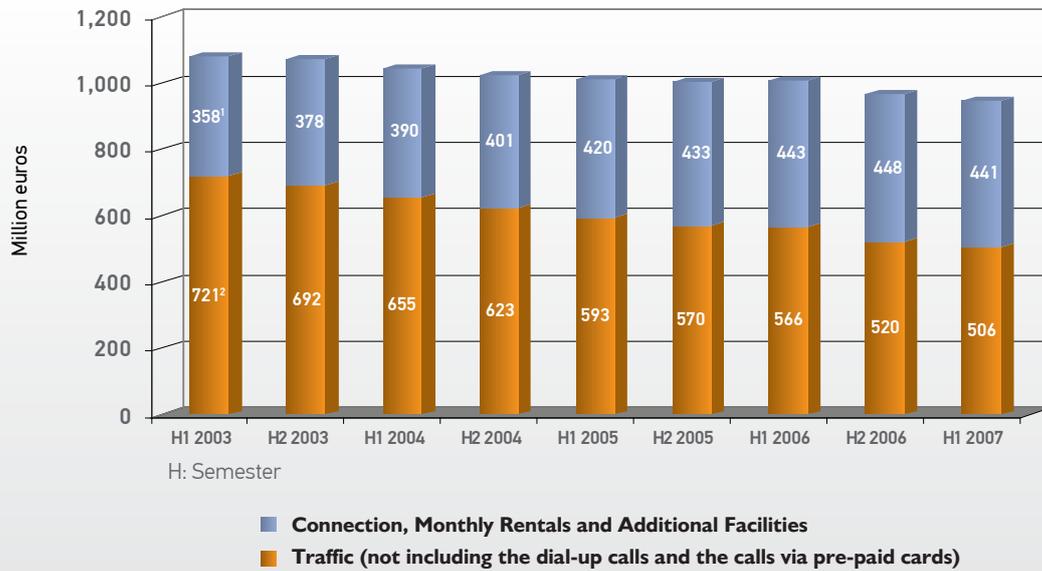
The retail revenues of fixed telephony continued their declining course since they ranged at 947 million euros⁵ by the end of the first semester of 2007, having decreased by 6% compared to the respective period of 2006.

Analytically, Figure 20 presents the intertemporal progress of the retail telephony's revenues, which stem from "fixed"

sources (monthly rentals, connection fees etc.), as well as from the traffic. Additionally, their percentage change is illustrated on Figure 21 and the total data on Table 5. The conclusion that emerges, is that the decrease of the total revenues is attributed to the decline of the traffic revenues as the revenues from providing access were relatively stable.

5. It is mentioned that the total of the retail revenues from fixed telephony includes the revenues for providing fixed telephony access services (connection, monthly rentals and additional facilities), as well as the revenues for providing fixed telephony call services (local, national, international and calls to mobile). The revenues from the dial-up calls and the international calls via pre-paid cards are not included.

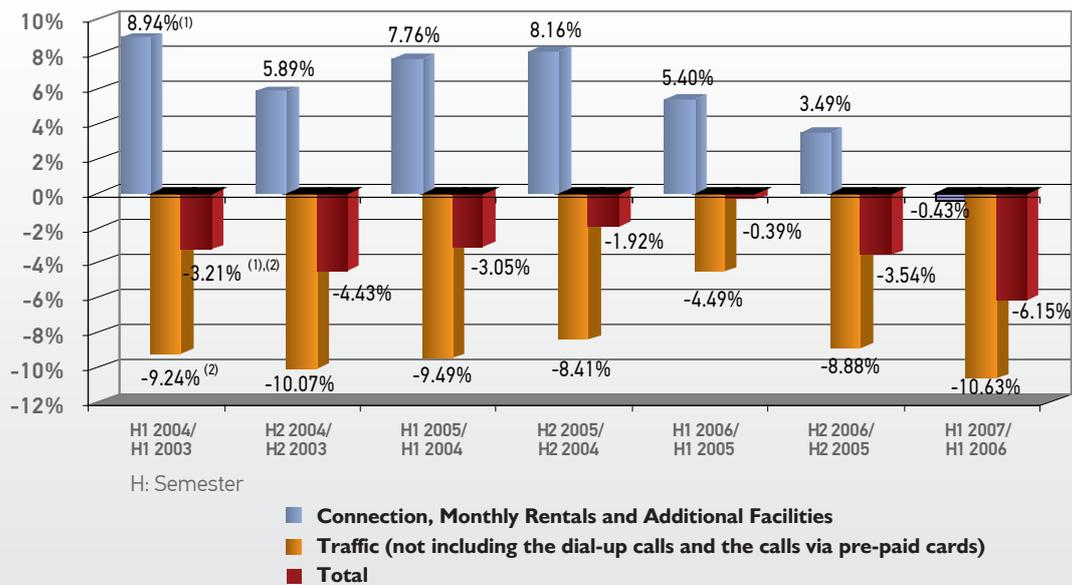
Figure 20
Retail Revenues of Fixed Telephony



1. Revenues related to additional facilities are not included in H1 2003.
2. Revenues related to calls to short code services are included in H1 2003.

Source: EETT (based on the licensed operators' data)

Figure 21
Percentage Change per Semester of the Retail Revenues
Compared to the Respective Semester of the Previous Year



1. Revenues related to additional facilities are not included in H1 2003.
2. Revenues related to calls to short code services are included in H1 2003.

Source: EETT (based on the licensed operators' data)

Table 5
Retail Revenues of Fixed Telephony (million euros)

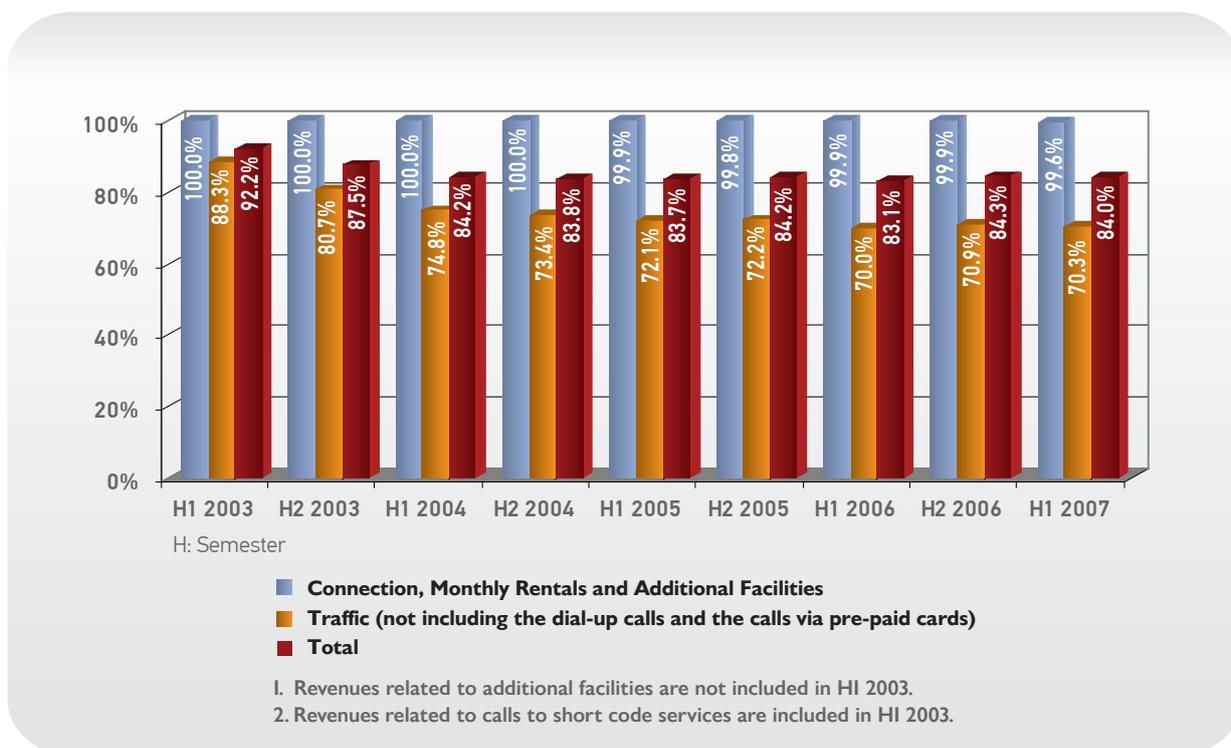
Semester	Connection, Monthly Rentals and Additional Facilities	Traffic*	Total
HI 2003	358 ⁽¹⁾	721 ⁽²⁾	1,079
H2 2003	378	692	1,071
HI 2004	390	655	1,045
H2 2004	401	623	1,023
HI 2005	420	593	1,013
H2 2005	433	570	1,003
HI 2006	443	566	1,009
H2 2006	448	520	968
HI 2007	441	506	947

* Not including the dial-up calls and the calls via pre-paid cards.
 (1) Revenues related to additional facilities are not included in HI 2003.
 (2) Revenues related to calls to short code services are included in HI 2003.

Source: EETT (based on the licensed operators' data)

OTE's shares based on the telephony's revenues were relatively stable. More thoroughly, its share, based on the total of revenues, is estimated at 84%, its share in the access market stayed near 100% and that in the traffic market (not including the revenues from dial-up calls and calls made via pre-paid cards) ranged near 70% (see Figure 22).

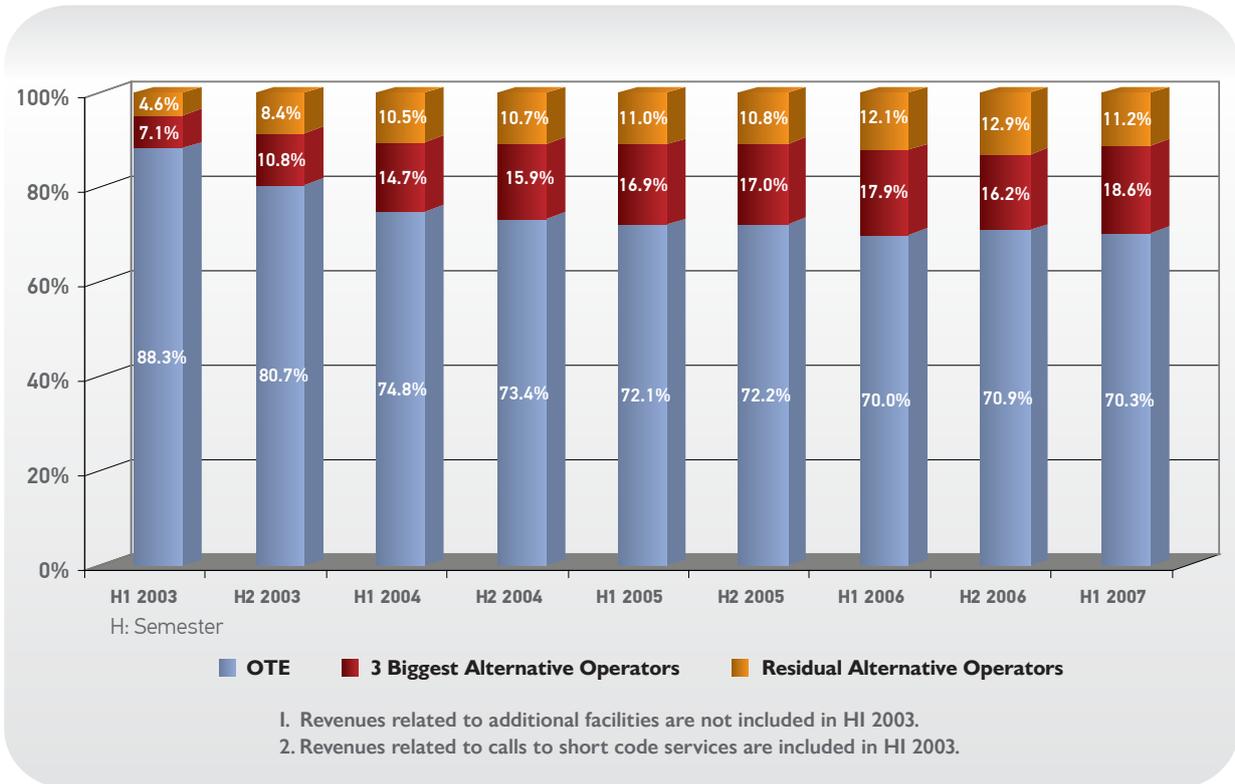
Figure 22
OTE's Market Shares, Based on the Retail Revenues of Fixed Telephony



Source: EETT (based on the licensed operators' data)

Figure 23 illustrates the intertemporal progress of OTE's shares, of the 3 biggest operators per semester⁶ and of the residual operators, based on the revenues from fixed telephony calls. OTE's share, as in the case of the calls' volume, was relatively stable, while the share of the 3 biggest alternative operators increased significantly during the first semester of 2007, followed by a respective decrease of the share of the residual operators.

Figure 23
Development of the Market Shares, Based on the Retail Revenues of the Outgoing Traffic, Not Including the Dial-up Traffic and the Traffic via Cards



Source: EETT (based on the licensed operators' data)

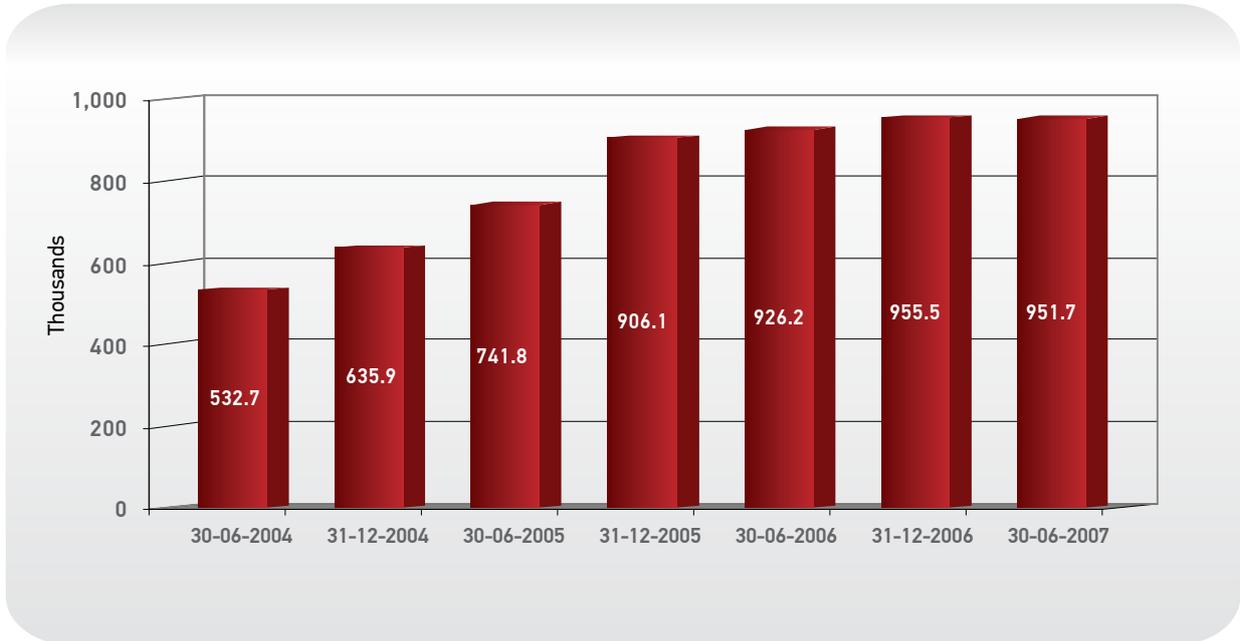
1.5.3. Carrier Pre-Selection

The number of activated lines for Carrier Pre-Selection decreased for the first time during the first semester of 2007, as presented in Figure 24. This decline may be at-

tributed to a turn of interest (of operators and consumers) from Carrier Pre-Selection towards LLU. This specific trend began to be sensible during the first semester of 2007, where the lines increased considerably from 20,000 to 95,000 approximately (see Figure 71).

6. It is mentioned that the 3 biggest operators per semester have been defined separately for each semester, based on their respective revenues.

Figure 24
 Number of Activated Lines of Carrier Pre-Selection,
 at the End of Each Semester



Source: EETT (based on the licensed operators' data)

I.6. Telephony Tariffs

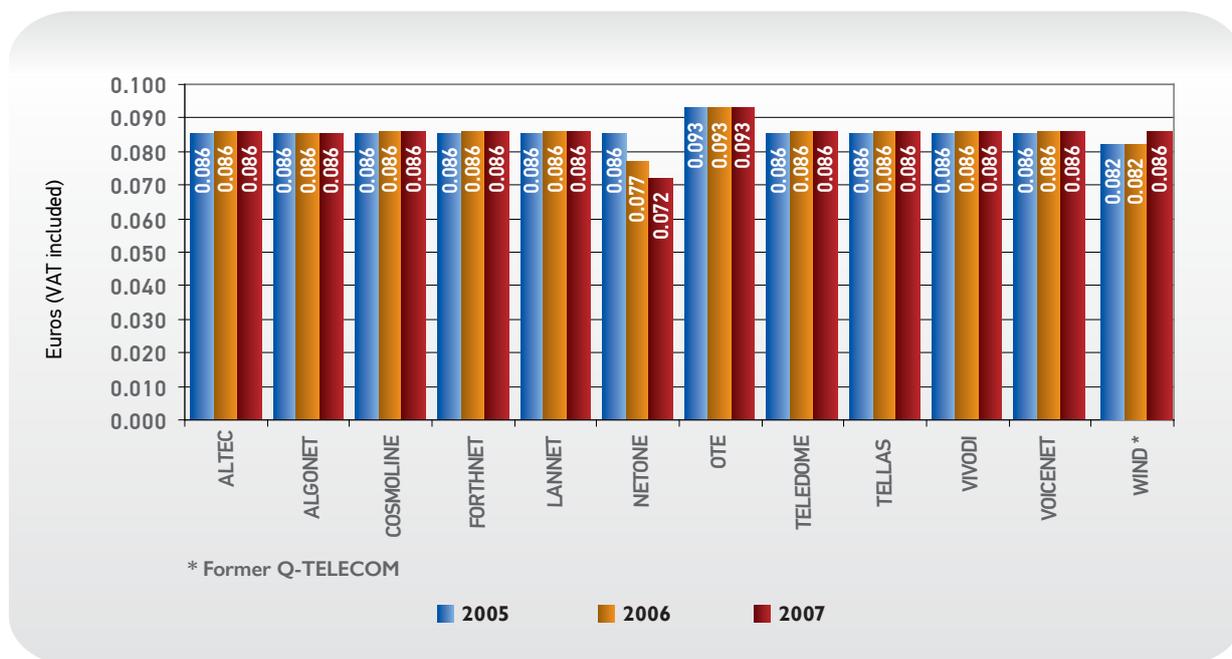
I.6.1. Fixed Telephony

During 2007 there were no significant changes in the tariffs of fixed and mobile telephony, with the exception of the fixed to mobile calls whose cost was considerably decreased. The Figures below present comparative data of the tariff policy of the fixed telephony operators for December of years 2005 to 2007, regarding the cost of various types of calls (local, national, international and calls to

mobile) during peak hours. The data is based on the basic tariff schemes of each operator excluding any discount or bundled programs, monthly rentals and bonus time.

Figure 25 shows the actual cost of a 3-minute local call during peak hours including VAT. The majority of the operators charge per minute for the first 2 minutes of the call and per second after that period. Additionally, a number of operators use a minute-based charge.

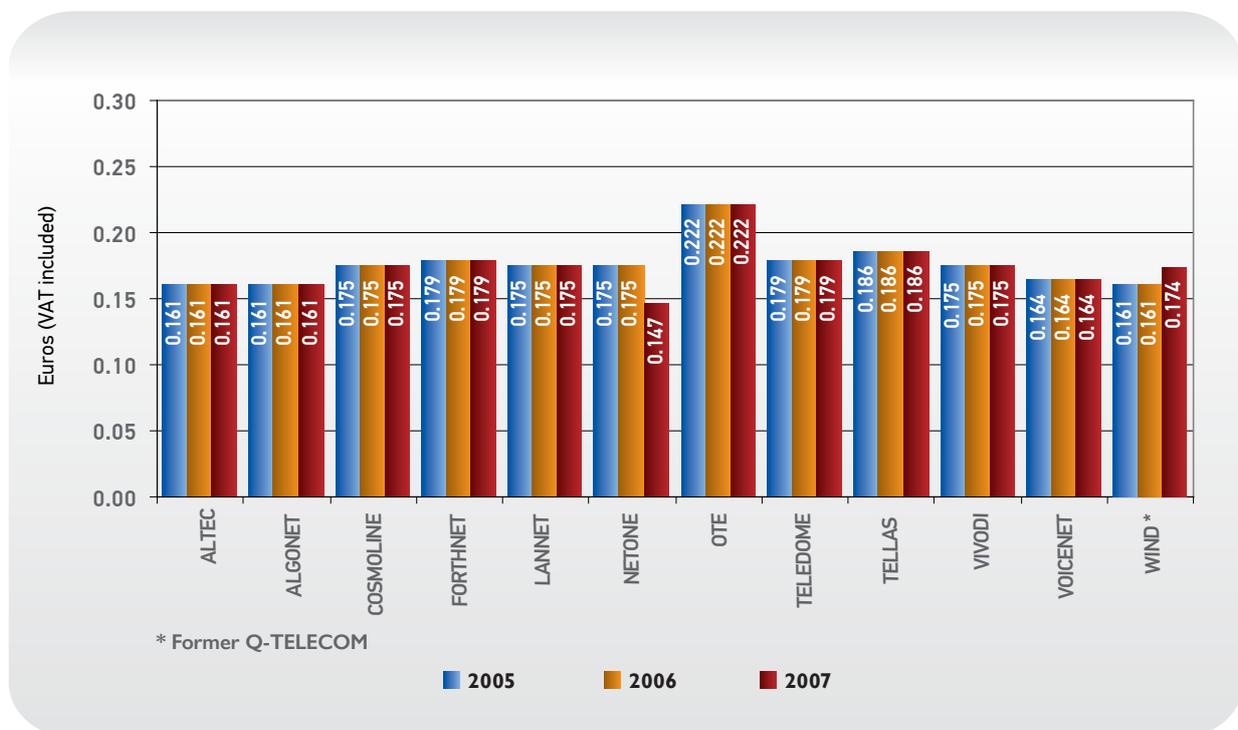
Figure 25
Cost of a 3-minute Local Call



Source: EETT

The cost of a 3-minute national call is shown in Figure 26 respectively. It is noted that for the calls made during peak hours all operators charge per second.

Figure 26
Cost of a 3-minute National Call

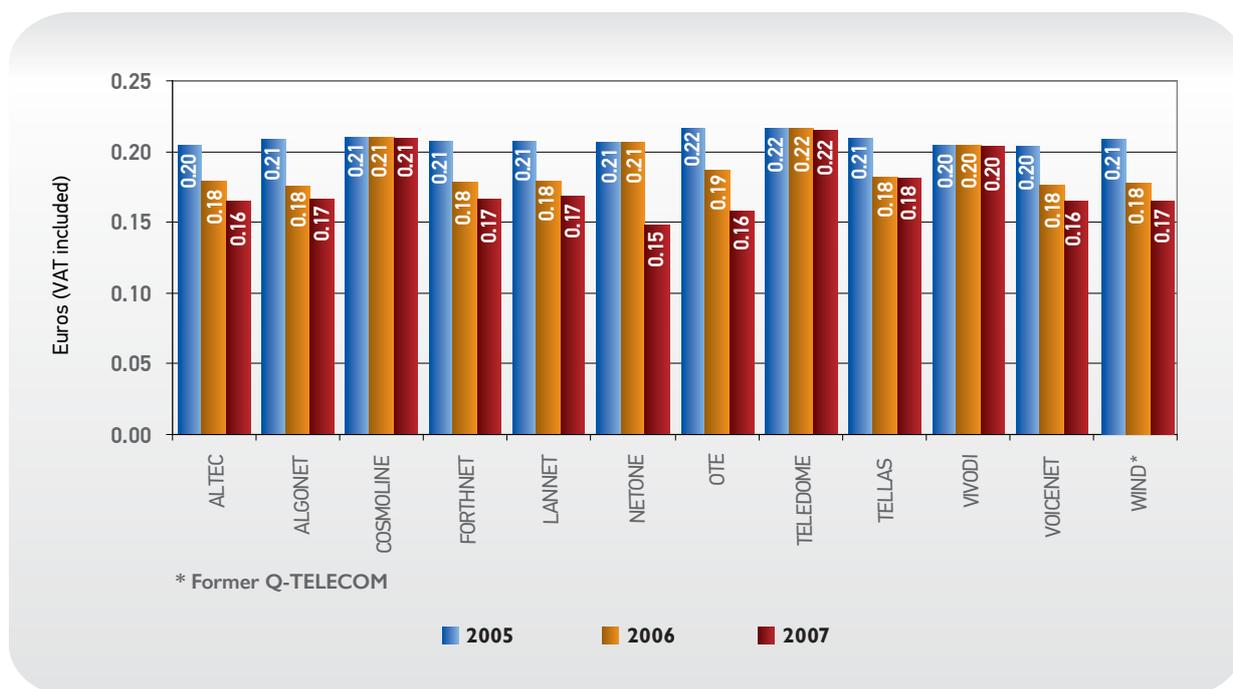


Source: EETT

Figure 27 presents the weighted average of a 1-minute fixed to mobile call for the December of the years 2005, 2006 and 2007 respectively. The weighted average cost was calculated based on the actual cost of a 1-minute call to all 3 MTOs, using as weighting coefficient the market share of each MTO on the incoming calls from the fixed operators during the above periods. It is mentioned that for all operators the cost of a call to a mobile network includes a minimum charge which for the most part is 30 seconds, while the unit charge is per second.

The resulting weighted average cost for each operator separately suggests that significant changes have taken place during the examined years. It is mentioned that the reductions during 2007 ranged between 1% till 28%, while the respective changes' width for 2006 was from 1% till 16%.

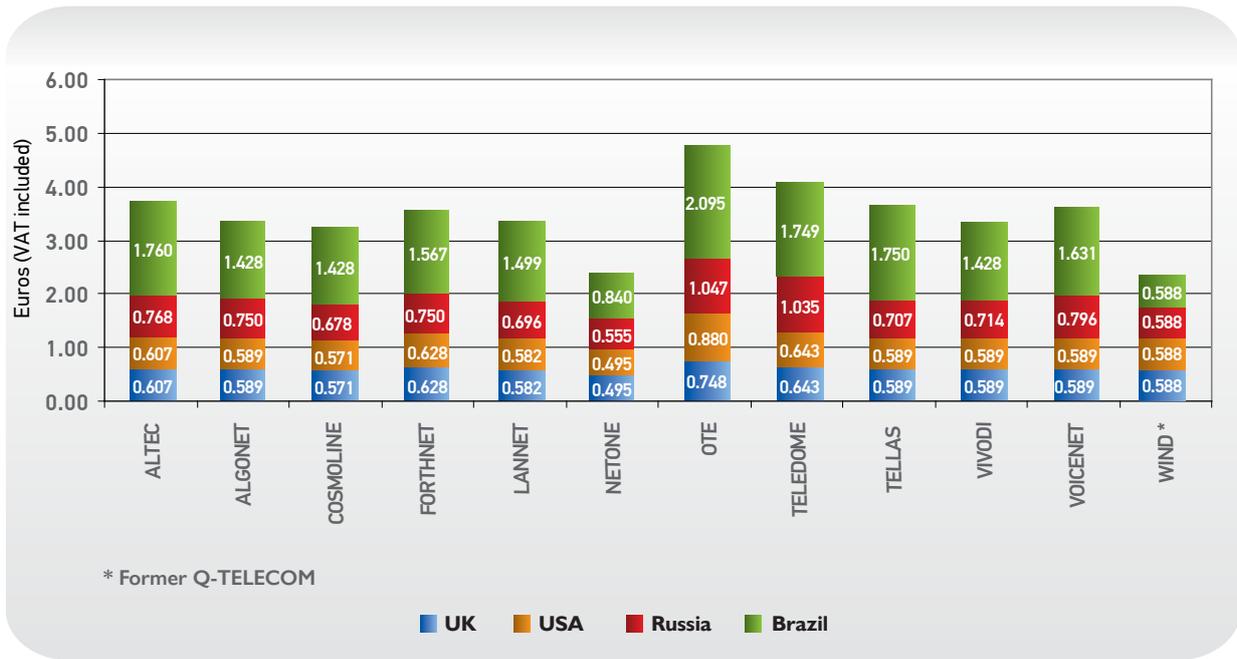
Figure 27
Weighted Average Cost of a 1-minute Fixed to Mobile Call



Source: EETT

As far as the international calls are concerned, there are various charging zones for each operator without significant differences in the selection of the countries that compose these zones. Figure 28 illustrates the cost of a 3-minute international call to a fixed network in the UK, the USA (they belong to the same charging zone), Russia and Brazil.

Figure 28
Cost of a 3-minute International Call to a Fixed Network of Selected Destinations

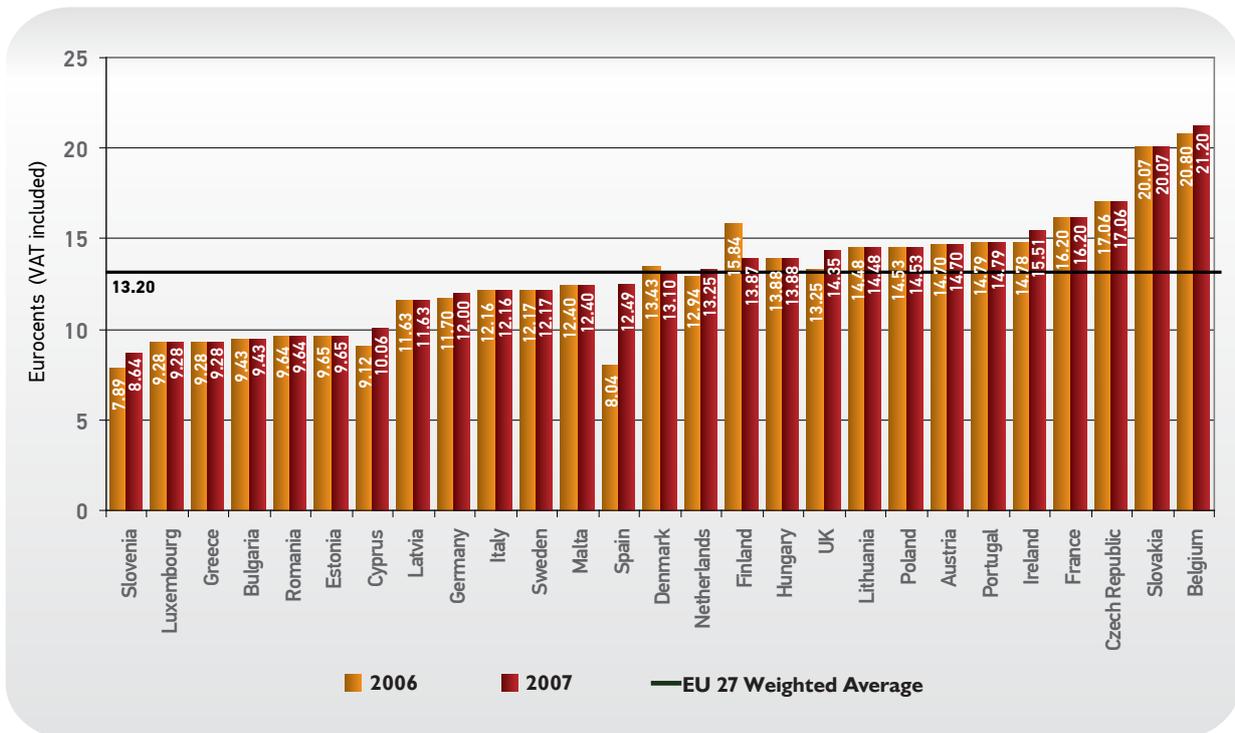


Source: EETT

Figures 29 and 30 present the cost of a 3-minute local and national call for the Electronic Communications incumbents of the 27 member states. It is mentioned that the cost

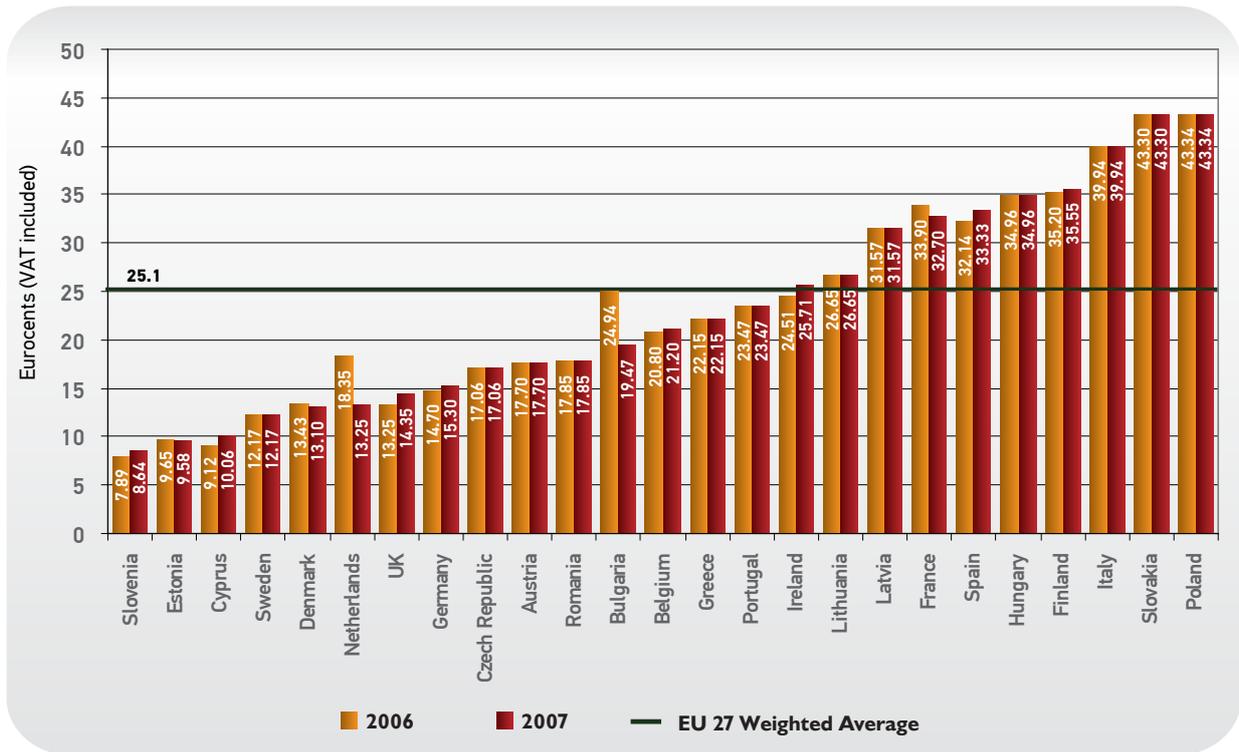
includes any call set-up or minimum charge, as well as other reductions depending on call duration. The cost regards calls that were made during peak hours in September of 2007.

Figure 29
Cost of a 3-minute Local Call



Source: 13th Report of the European Commission

Figure 30
Cost of a 3-minute National Call



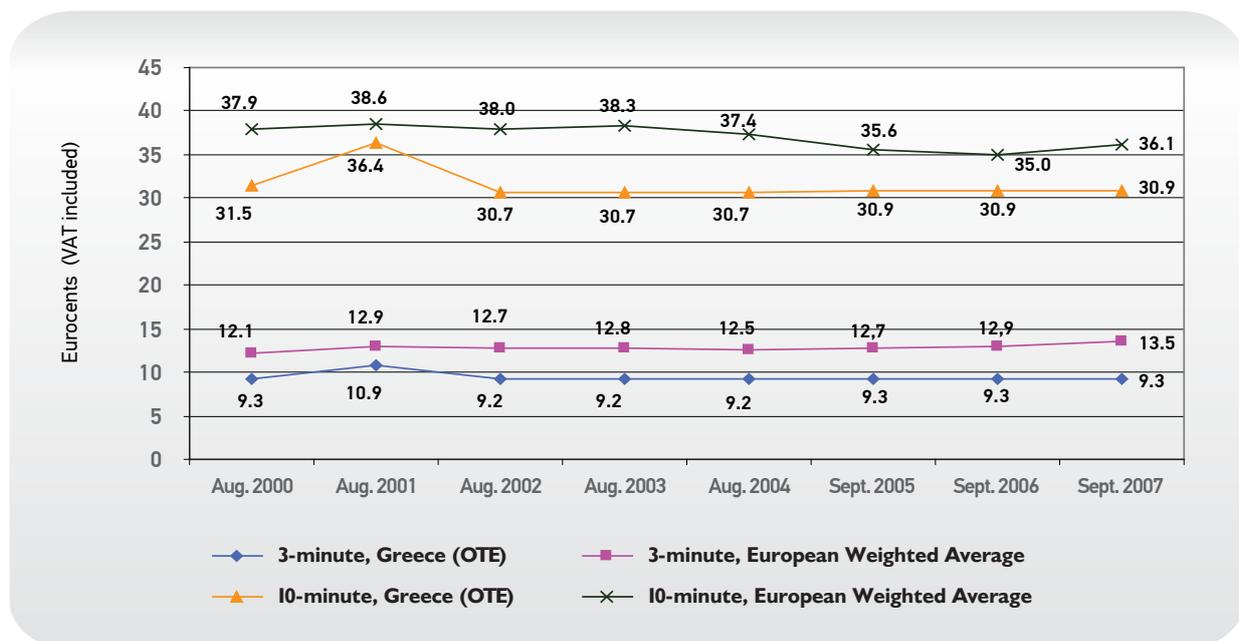
Source: I3th Report of the European Commission

Greece is under the European average for local calls (3rd cheapest member state), as well as for national calls (14th place).

the cost for a 3-minute and a 10-minute local and national call for a residential user in Greece and in the EU (weighted average of the former state monopolies of the European member states).

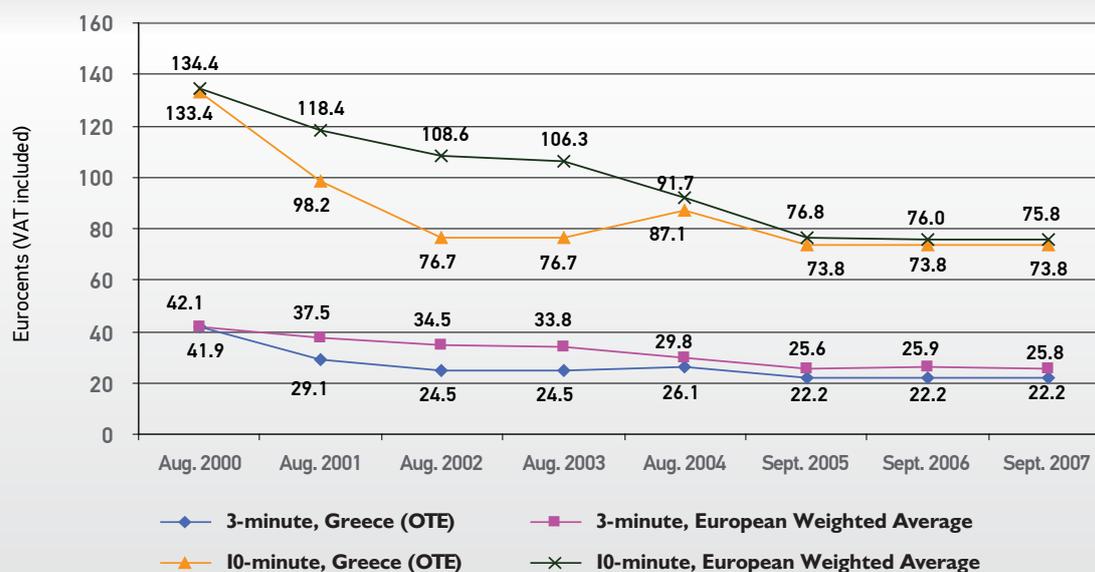
Figures 31 and 32 present the comparative progress of

Figure 31
Charge of a 3 and a 10-minute Local Call for a Residential User



Source: EETT and I3th Report of the European Commission

Figure 32
Charge of a 3 and a 10-minute National Call for a Residential User

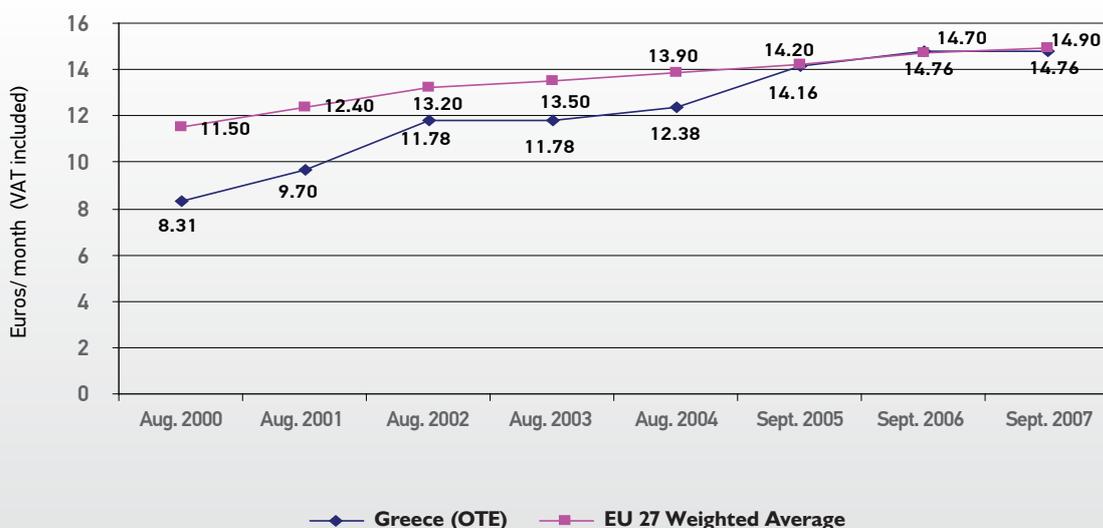


Source: EETT and I3th Report of the European Commission

The local call in Greece was substantially cheaper than the weighted average of the EU member states, with the cost difference for the 10-minute local calls being significantly smaller. The situation was similar for the national call as well, since Greece is by 2 - 3 eurocents cheaper than the European weighted average.

Contrary to the above charges, the monthly rental for the residential user –as depicted in Figure 33– was marginally lower than the weighted average of the 27 European member states, despite the fact that it remained unchanged during 2007.

Figure 33
Monthly Rental of a Residential User of Fixed Telephony



Source: EETT and I3th Report of the European Commission

The comparative presentation of the average monthly expenditure for residential and business users among the 27 member states of the EU results from a methodology used by the EU and the Organization for the Economic Co-operation and Growth (OECD) as well as in cases of international tariffs' comparison. According to this specific methodology, the average expenditure is specified based on a defined call basket, which has been determined by the OECD and is applied on the basic tariff scheme of the incumbent operator of each member state.

Additionally, the OECD methodology was further revised regarding the usage baskets and the main changes were the following:

- The introduction of 3 baskets for the residential user (low, medium and high usage).
- The breakdown of the business user to Small Office/Home Office (SOHO) business basket (1 till 10 employees) and to the Small and Medium Sized Enterprises (SME) business basket (100 or more employees).
- Fixed to Mobile calls now include calls up to 4 national mobile networks, weighted by subscriber numbers.
- A range of tariff packages from the incumbent operator are now included, with automatic selection of the cheapest package for each basket.
- Traffic weights and volumes have been updated with recent information.

The expenditure for the residential user based on the new methodology includes on an annual basis:

- The fixed expenditure which is defined as the monthly rental plus any installation charge for a new connection (depreciated over a 5 year period), including the VAT.
- The usage expenditure, namely the variable expenditure, which:
 - ▶ For the low usage basket, refers to 456 calls to national fixed lines, 114 calls to mobile networks and

30 international calls.

- ▶ For the medium usage basket, refers to 900 calls to national fixed lines, 276 calls to mobile networks and 24 international calls.
- ▶ For the high usage basket, refers to 1,560 calls to national fixed lines, 744 calls to mobiles and 96 international calls.

The usage for residential users is weighted towards off-peak hours and with typically long calls.

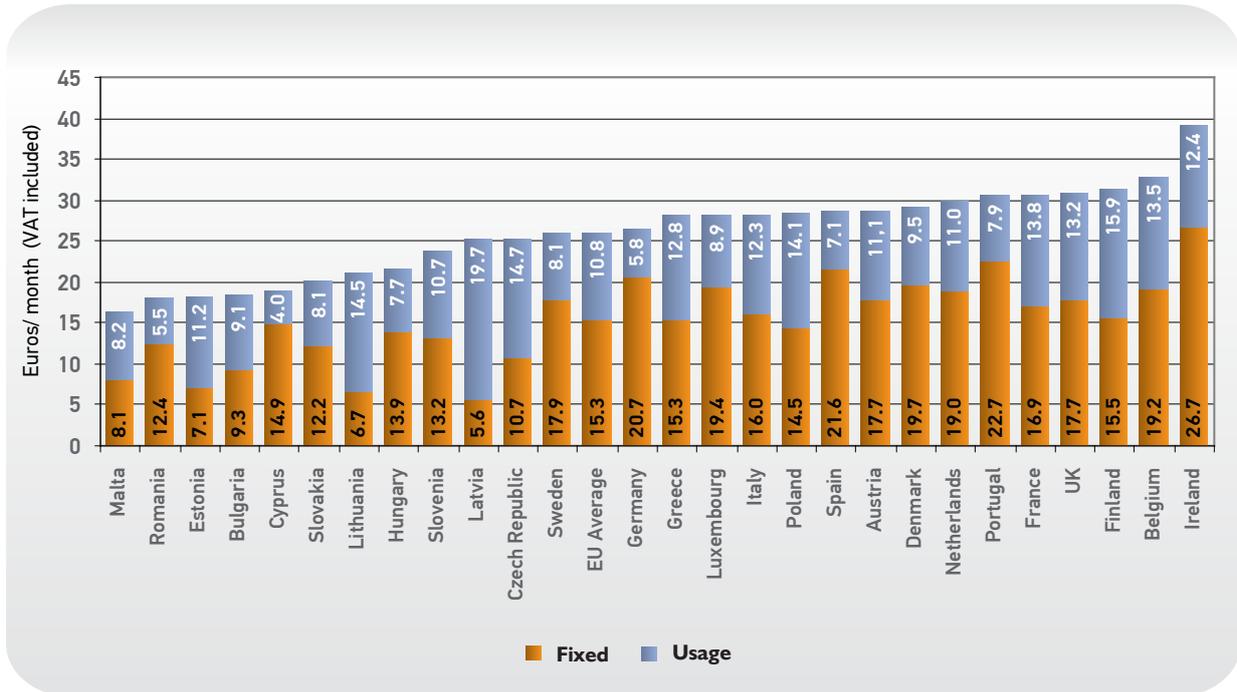
The expenditure for the business user based on the new methodology includes on an annual basis:

- The fixed expenditure which is defined as the monthly rental plus any installation charge for a new connection (depreciated over a 5 year period), not including the VAT.
- The usage expenditure, namely the variable expenditure, which:
 - ▶ For the SOHO enterprises, refers to 1,206 calls to national fixed lines, 522 calls to mobile networks and 72 international calls.
 - ▶ For the SME enterprises, refers to 2,016 calls to national fixed networks, 560 calls to mobile networks and 224 international calls.

The usage for business users is weighted towards business hours and with typically short calls.

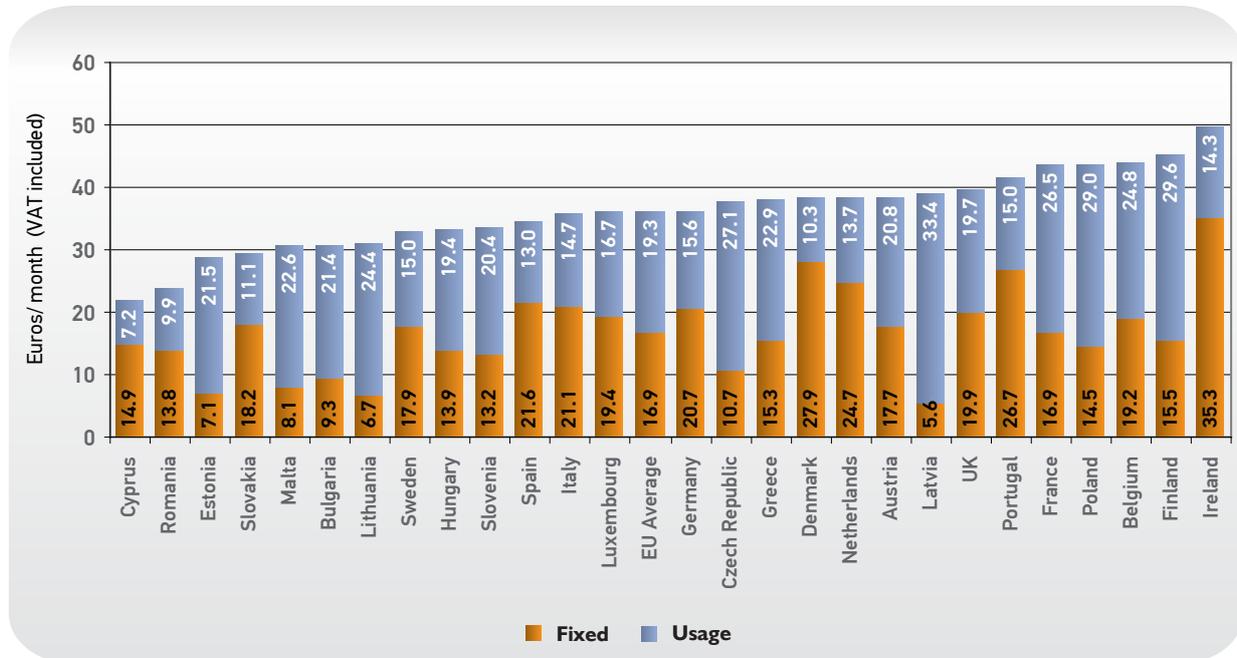
Figures 34 till 36 provide a comparative presentation across the EU member states of the average monthly expenditure for a residential user, while Figures 37 and 38 for the SOHO and SME respectively. Greece is marginally over the European average for the residential users' baskets. On the contrary, the situation is different for the business users, since Greece is the 8th cheapest member state for the SOHO and the cheapest member state for the SME.

Figure 34
Average Monthly Expenditure of a Residential User
Low Usage Basket - September 2007



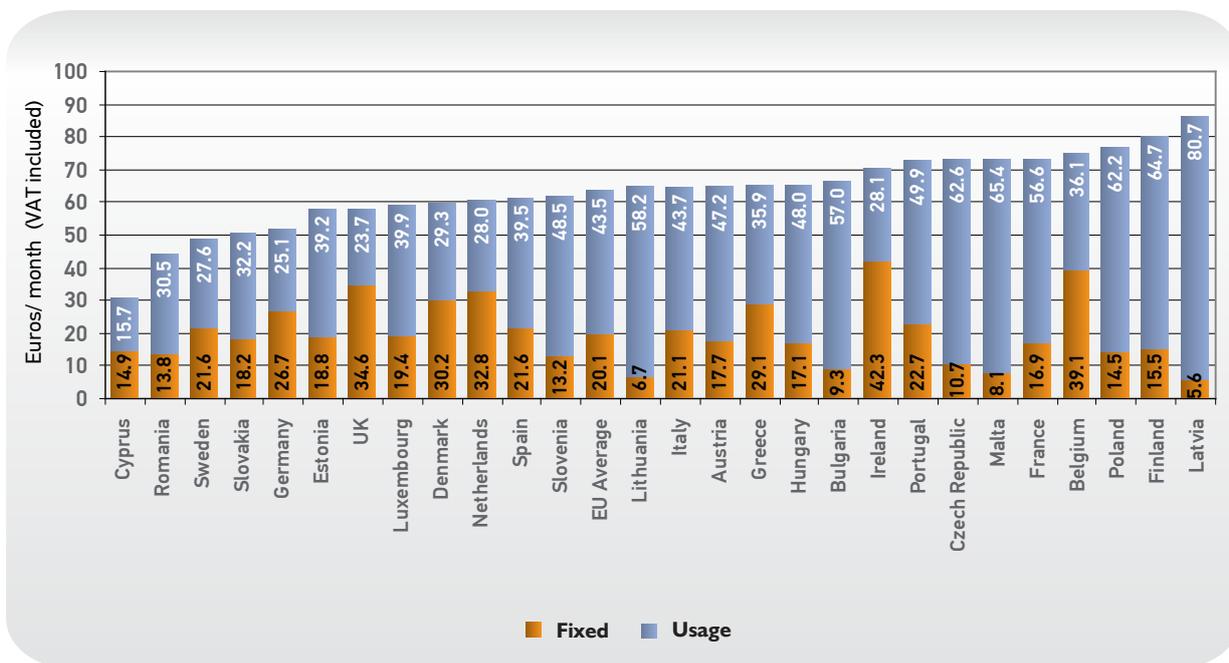
Source: 13th Report of the European Commission

Figure 35
Average Monthly Expenditure of a Residential User
Medium Usage Basket - September 2007



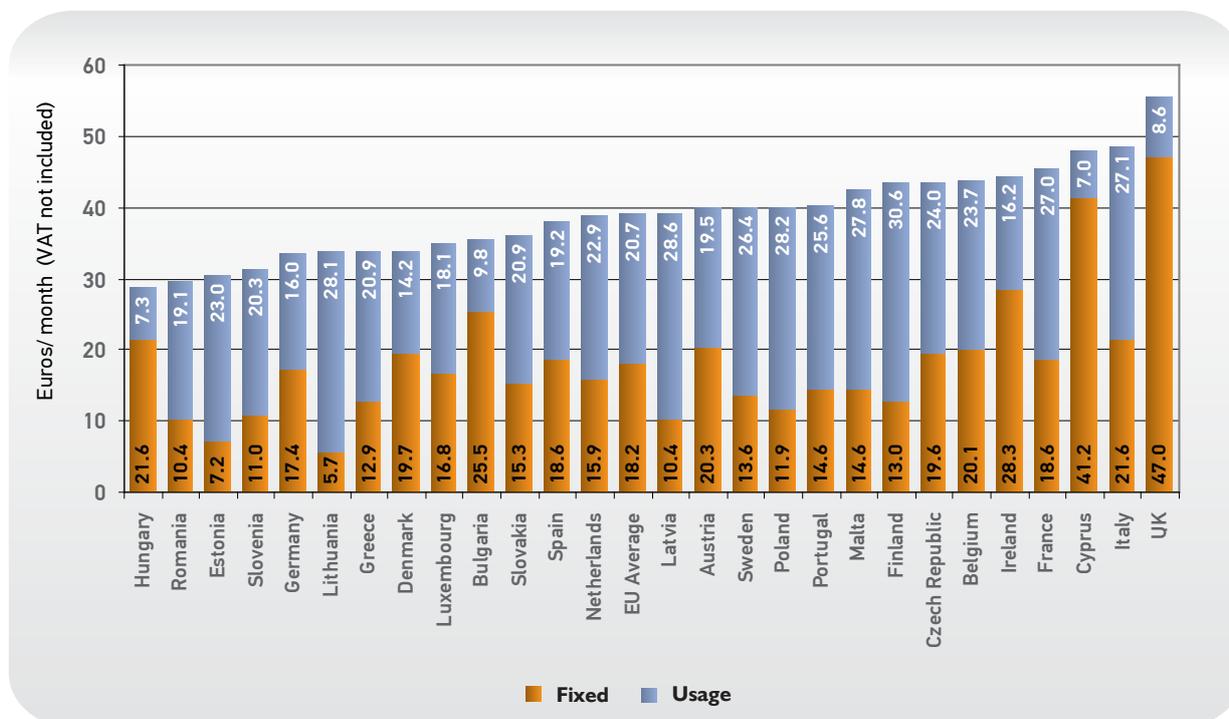
Source: 13th Report of the European Commission

Figure 36
Average Monthly Expenditure of a Residential User
High Usage Basket - September 2007



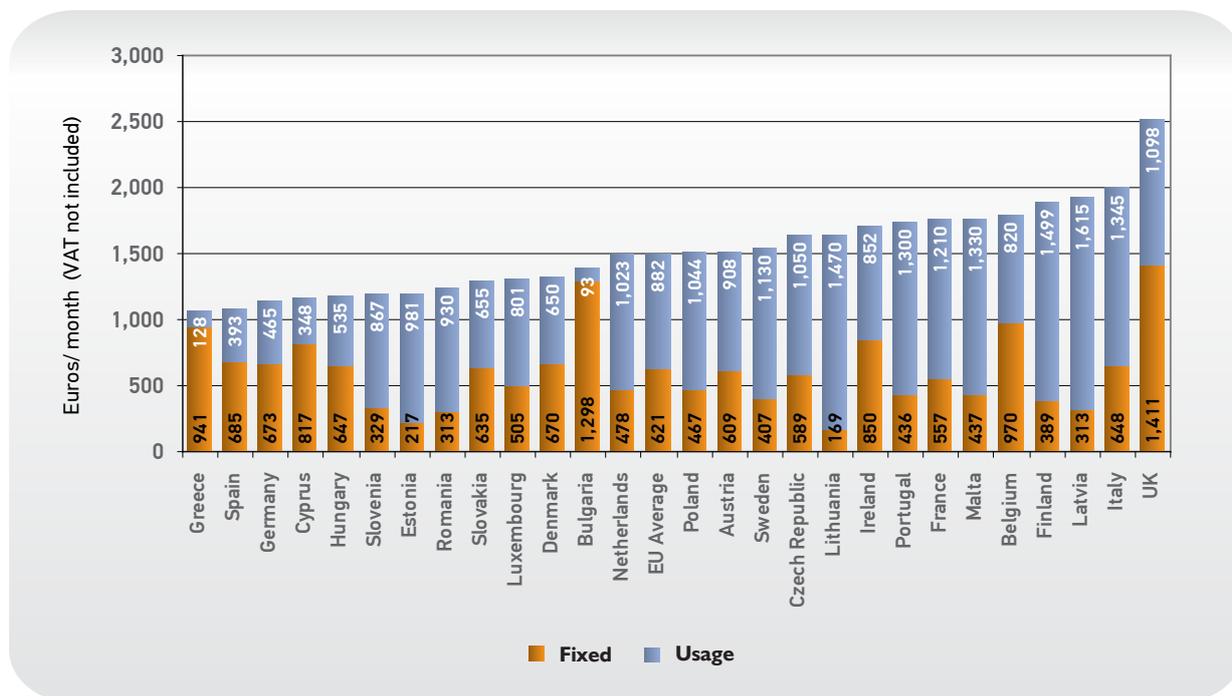
Source: 13th Report of the European Commission

Figure 37
Average Monthly Expenditure for Business Users
Small Office/ Home Office - September 2007



Source: 13th Report of the European Commission

Figure 38
Average Monthly Expenditure for Business Users
Small and Medium Enterprises - September 2007



Source: 13th Report of the European Commission

1.6.2. Mobile Telephony

The cost for the mobile user has been defined similarly. The data results from the methodology used by the EU and the OECD for international tariffs' comparisons. According to it, the average expenditure is identified based on specific calls baskets, which have been specified by the OECD and are applied on the respective post-paid packages of the 2 most prominent MTOs, based on the available number of subscribers.

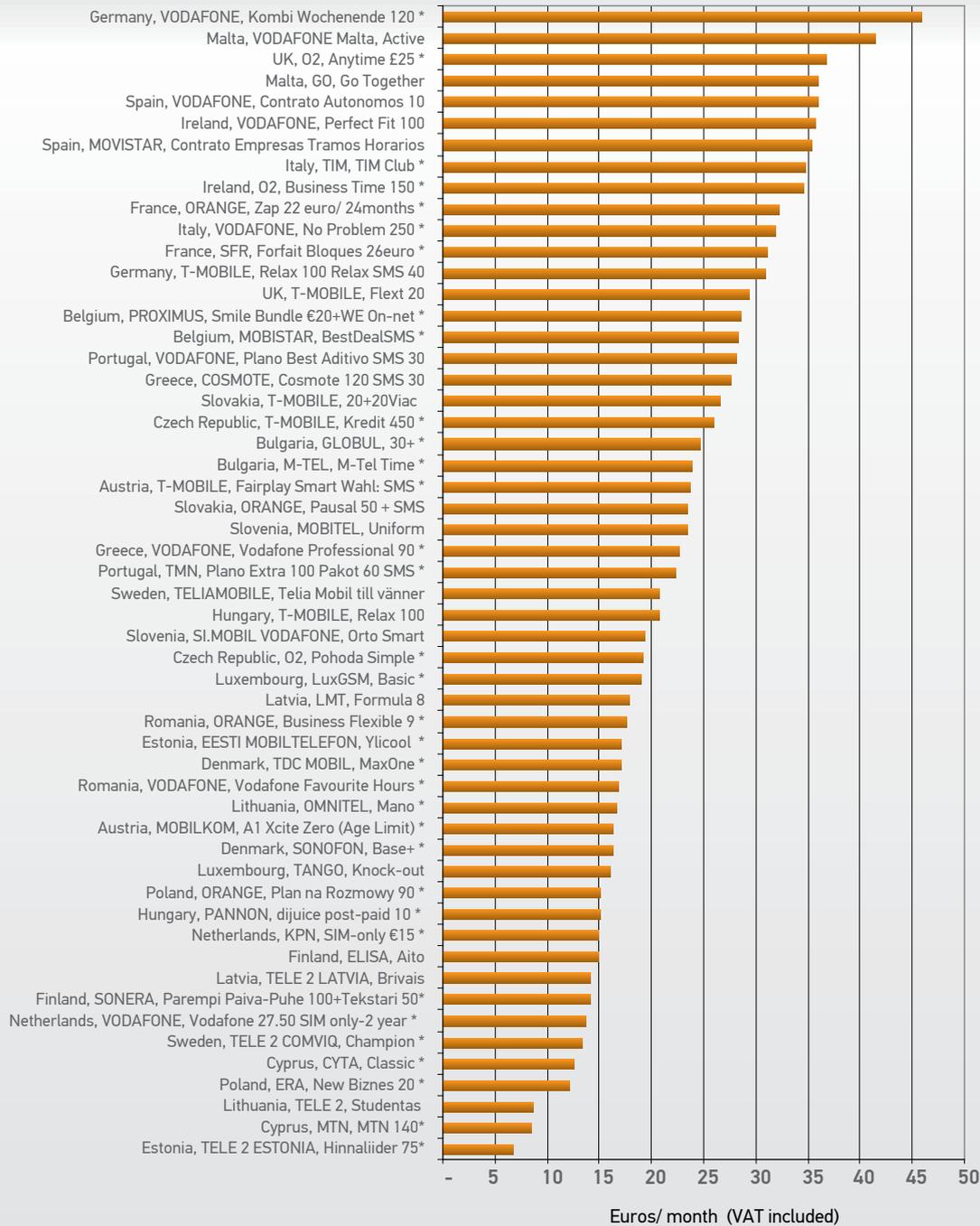
Analytically, there are 3 different baskets, based on low, medium and high usage levels. Figure 39 presents the comparative progress of the average monthly expenditure for the medium usage basket.

It is mentioned that the expenditure for each mobile telephony user includes on an annual basis:

- The fixed expenditure which is defined as the monthly rental plus any registration/ connection fee for a new connection (depreciated over a 3 year period), including the VAT.
- The usage expenditure, namely the variable expenditure which, according to the revised methodology, refers to 65 outgoing calls (21% are to fixed line phones, 72% to mobile phones and 7% to voicemail) and 50 SMS messages.

Additionally, there is a unique definition of time of day distribution and call duration, with 50% of the calls made at peak hours, 24% at off-peak hours and 26% during weekend. All the respective programs of each operator are taken into consideration, however only the cheapest ones for each usage basket are presented.

Figure 39
Average Expenditure for a Mobile Telephony User
Medium Usage Basket - 2007



Note: The asterisk (*) behind the package name means that the package name and its structure have changed between 2007 and 2006.

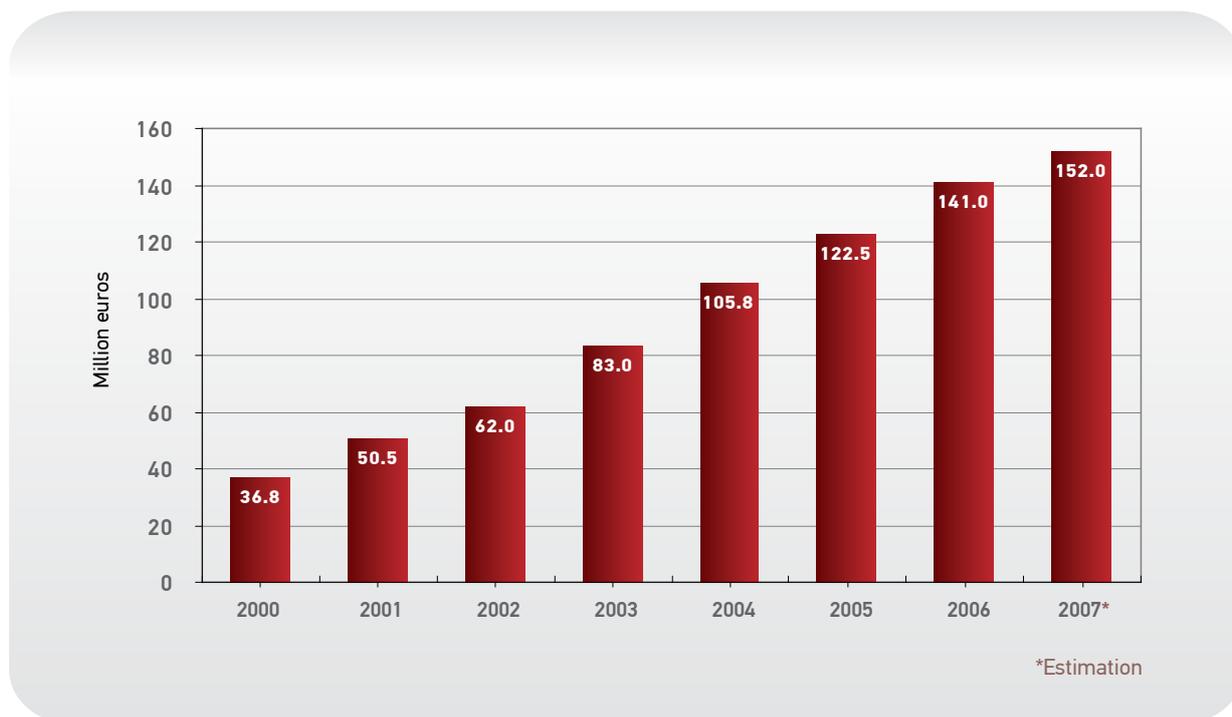
Source: 13th Report of the European Commission

I.7. Internet

I.7.1. The Internet Market

The Internet market in Greece continues to grow with respect to the total revenues and the number of connections as well. Specifically, the total revenues of the licensed operators from Internet services during 2007 are estimated to rise up to 152 million euros, having registered a 8% increase compared to 2006 (see Figure 40).

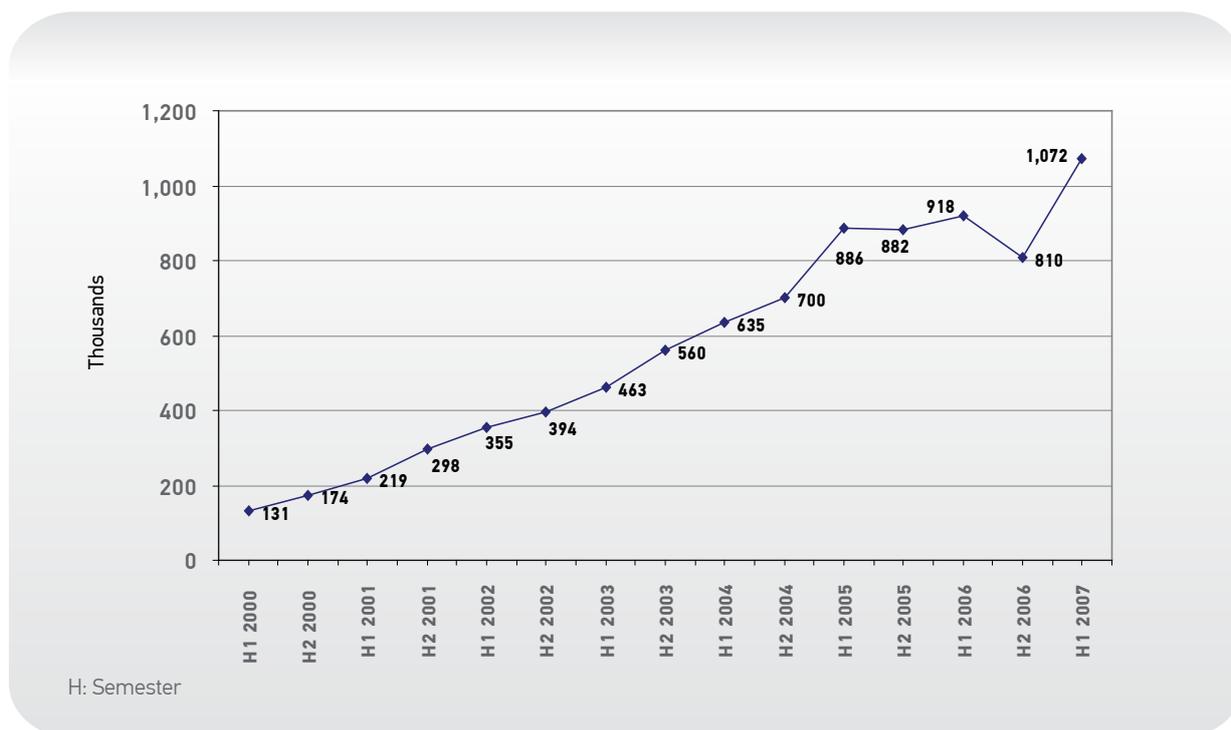
Figure 40
Internet Revenues



Source: EETT (based on the licensed operators' data)

Respectively, the number of Internet subscribers at the first semester of 2007 rose to 1,072,000, having registered a 17% increase approximately, compared to the respective period of 2006.

Figure 41
Internet Subscribers



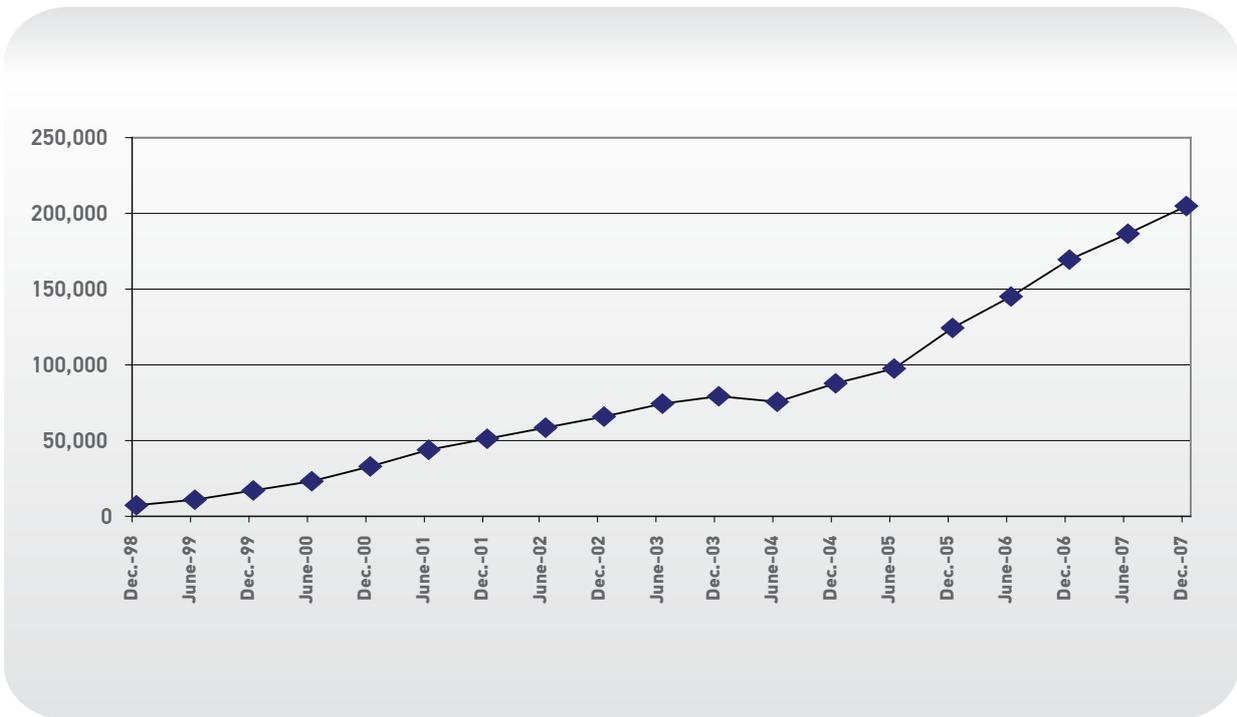
Source: EETT (based on the licensed operators' data)

I.7.2. [.gr] Domain Names

In 2007, the significant increase of the number of applications as well as of the total assigned [.gr] Domain Names persisted. The total number of Domain Names, including

the sub-domains (com.gr, net.gr, org.gr, edu.gr, gov.gr), exceeded 200,000 at the end of the year. Figure 42 presents the progress of the total number of Domain Names for the period 1998 - 2007.

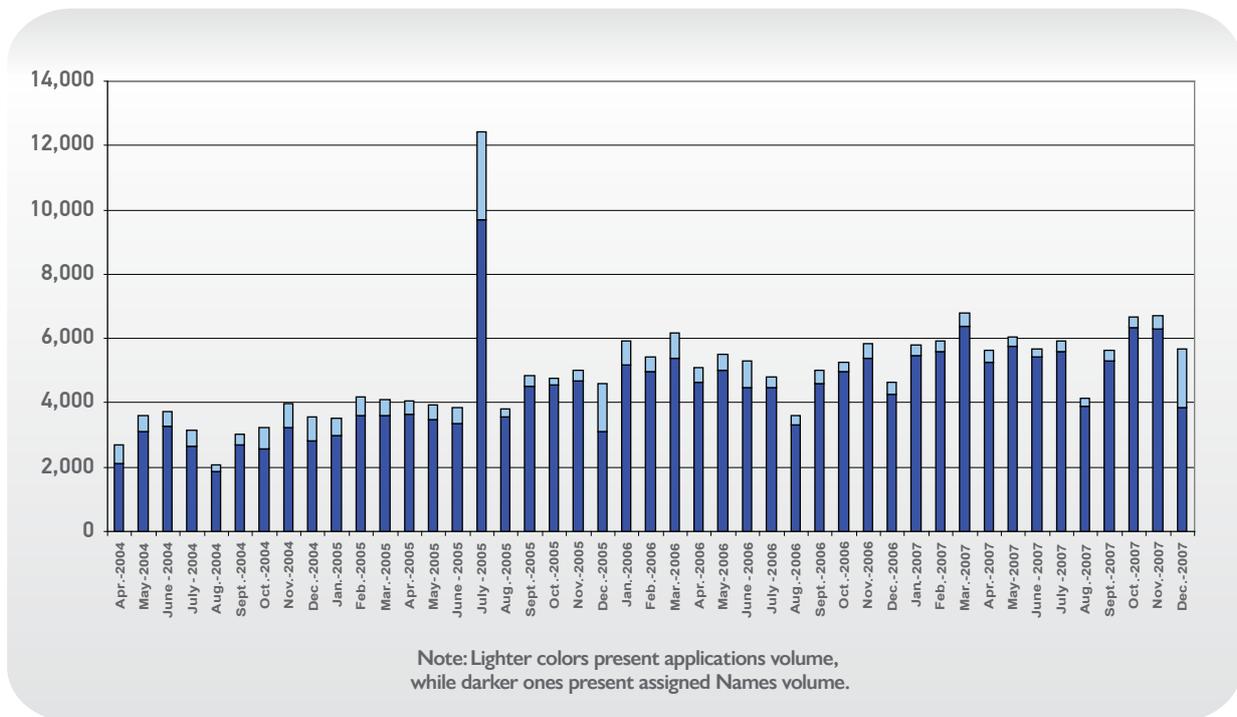
Figure 42
Progress of Domain Names, 1998 - 2007



Source: EETT

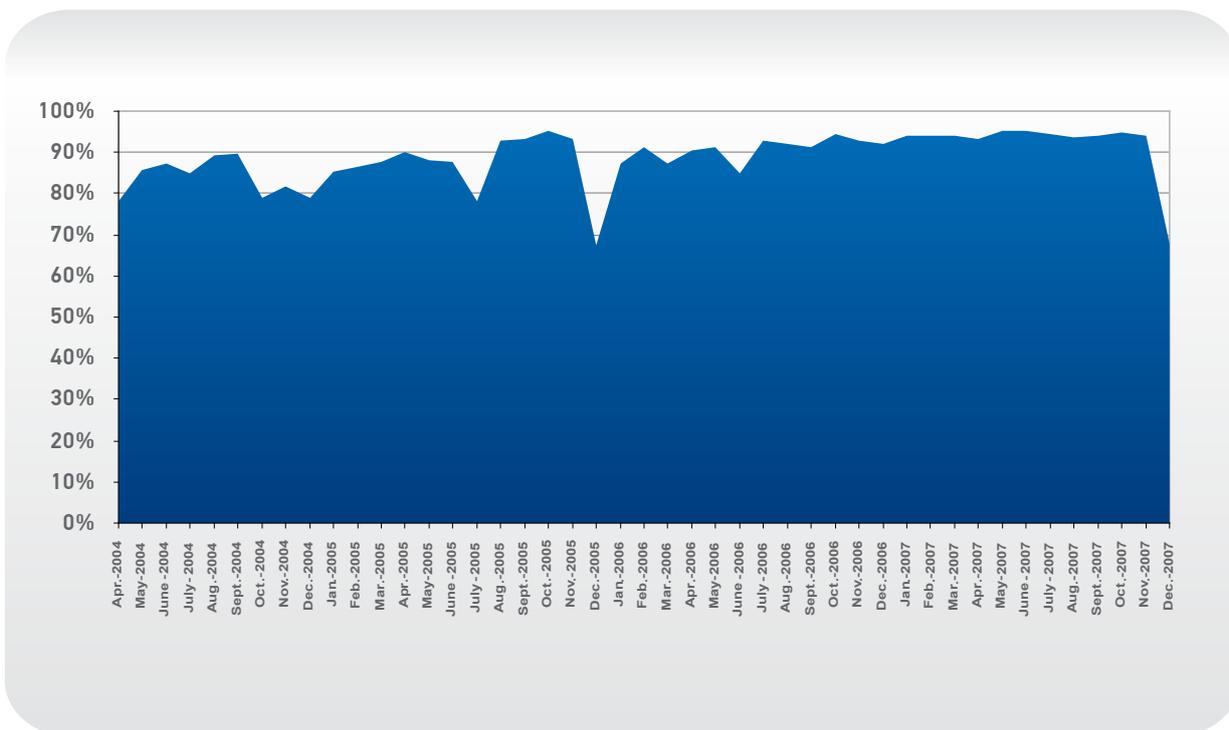
Figure 43 presents the progress of the requested and the assigned Domain Names and Figure 44 the progress of the assignment percentage over the submitted applications.

Figure 43
Number of Requested and Assigned Domain Names



Source: Institute of Computer Science of the Foundation for Research and Technology - Hellas (ICS-FORTH)

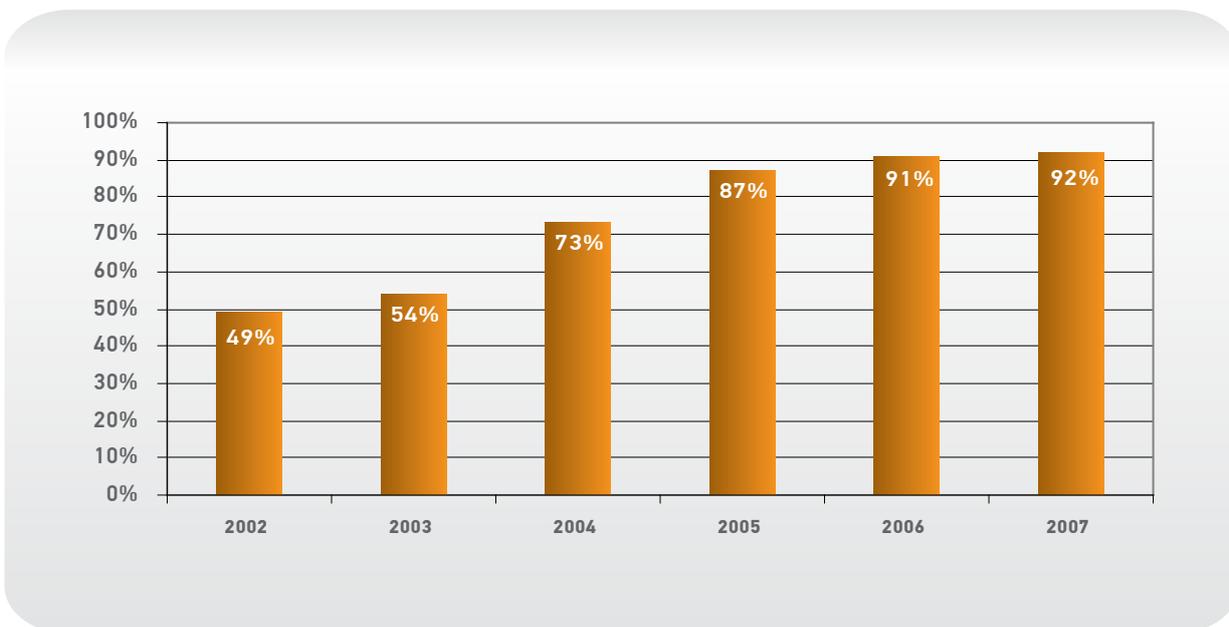
Figure 44
Assignment Percentage Over the Applications Number



Source: Institute of Computer Science of the Foundation for Research and Technology – Hellas (ICS-FORTH)

Figure 45 presents the annual progress of the average assignment percentage over the applications number for the period 2002 - 2007, which increased further reaching 92%.

Figure 45
Average Assignment Percentage



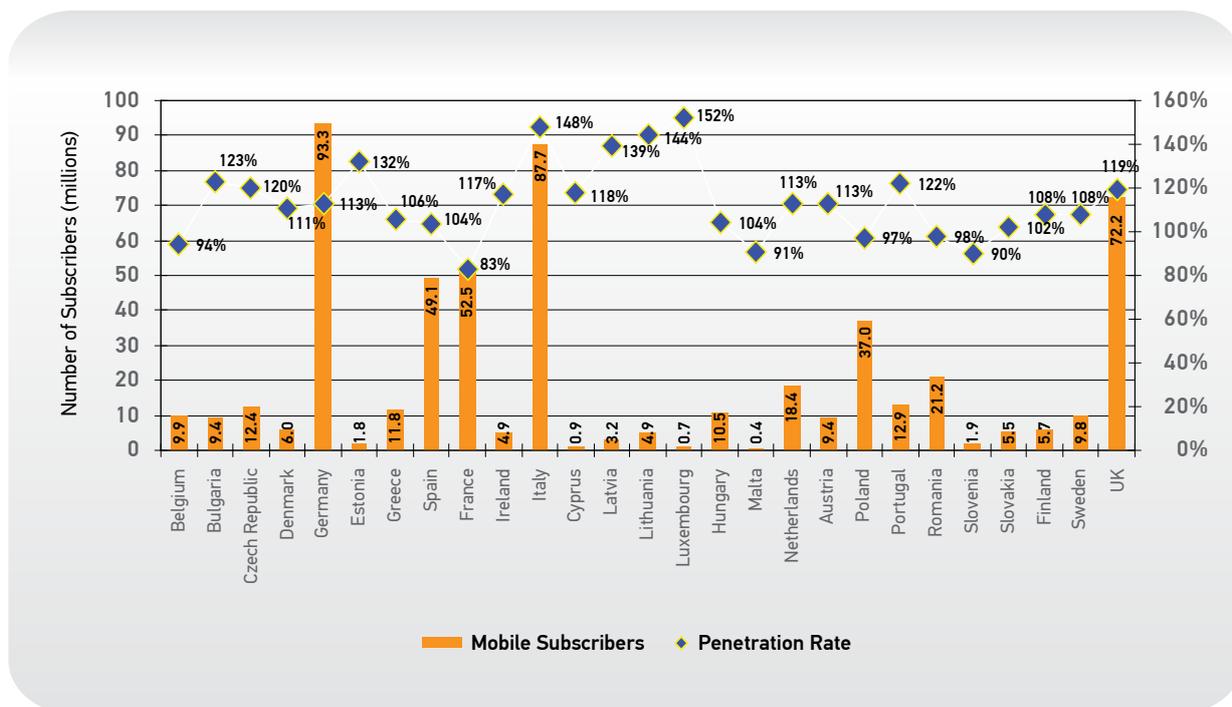
Source: EETT

I.8. Mobile Telephony

The penetration of mobile telephony in 2007 was higher than 2006. Figure 46 shows the mobile subscribers and the penetration rate in the 27 member states of the EU,

based on data collected in October of 2007. As far as Greece is concerned, the penetration rose to 106% having registered a 6.2% increase, compared to October of 2006, when it was 99.81%.

Figure 46
Mobile Subscribers and Penetration Rate

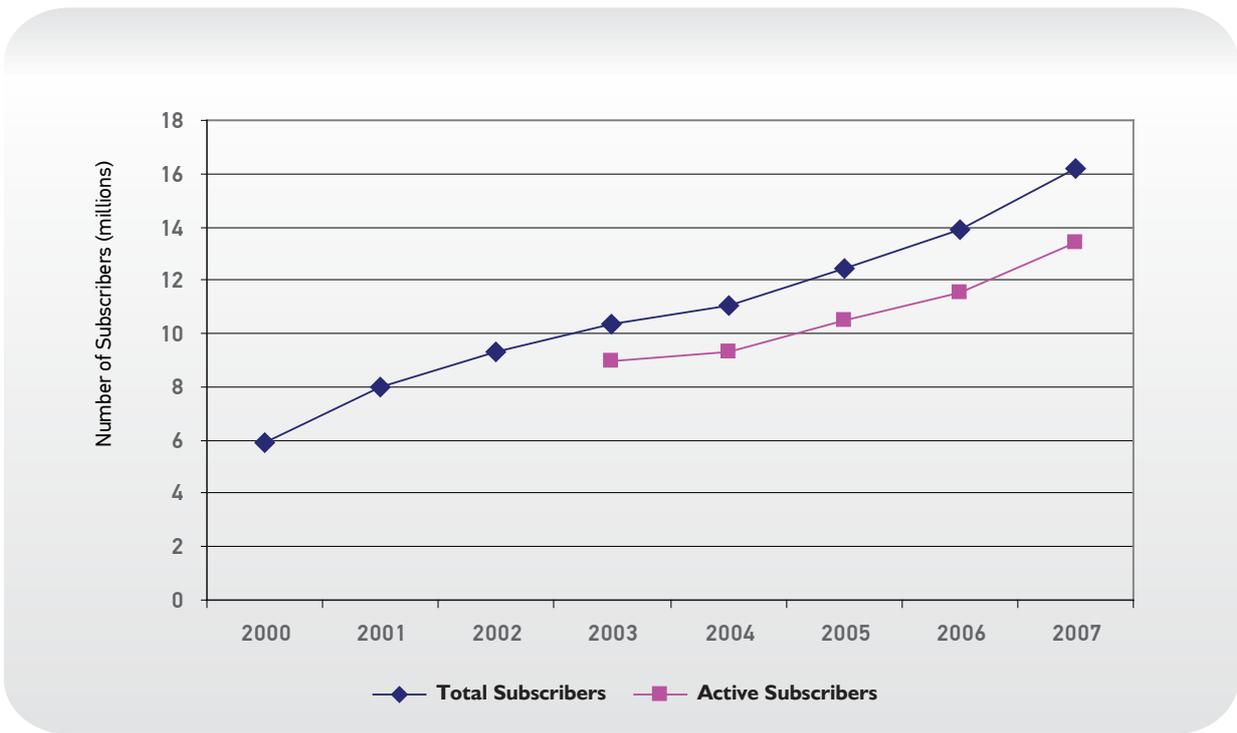


Source: 13th Report of the European Commission

Analytically, the total number of the mobile subscribers at the end of 2007 as depicted in Figure 47 rose to 16,227,000, having increased by 17.24% compared to the end of 2006. At the same time, the number of active mobile subscribers⁷ reached 13,392,000, having increased by 16.38% compared to the end of 2006.

7. It is clarified that the term "active subscribers" refers to all subscribers under contract or pre-paid status, who during the last three months have contributed to the generation of revenue, either a retail one (call or SMS/ MMS etc.) or wholesale (call acceptance or SMS/ MMS etc.).

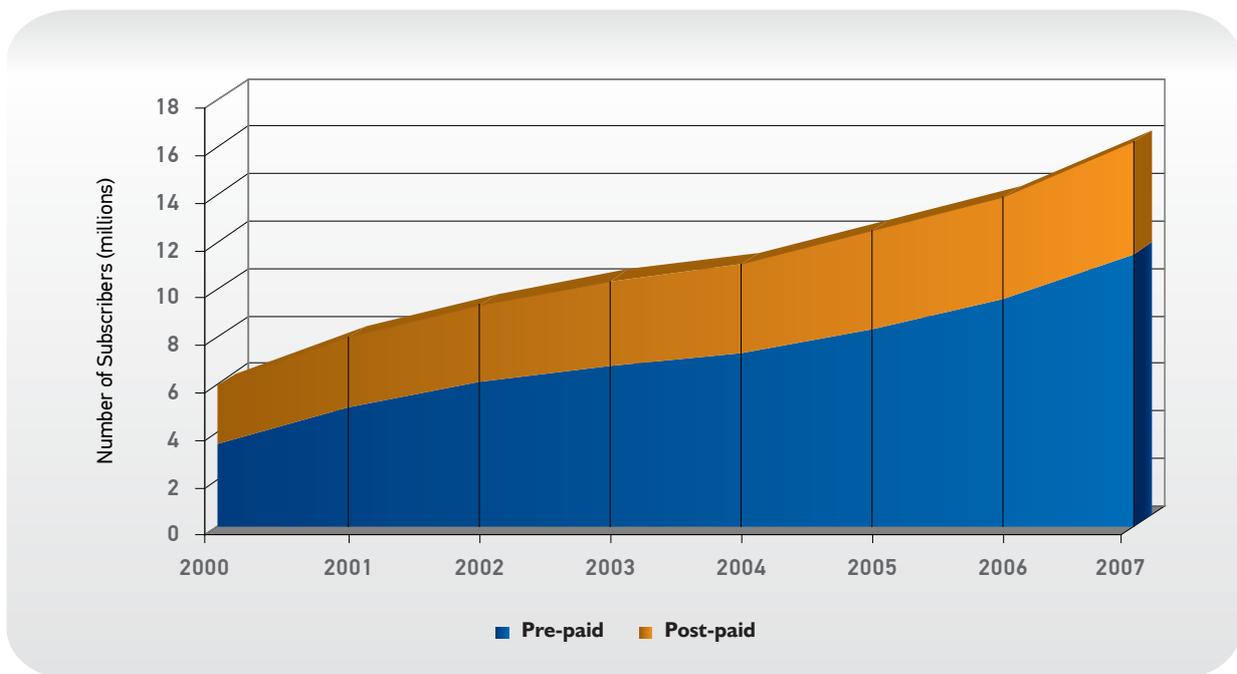
Figure 47
Mobile Telephony Subscribers



Source: EETT (based on the licensed operators' data)

Figure 48 shows that the mobile subscribers, who prefer pre-paid rather than post-paid mobile telephony, exceeded 11 million at the end of 2007 consisting almost 71% of the total subscribers. The increase was 2% compared to the previous year.

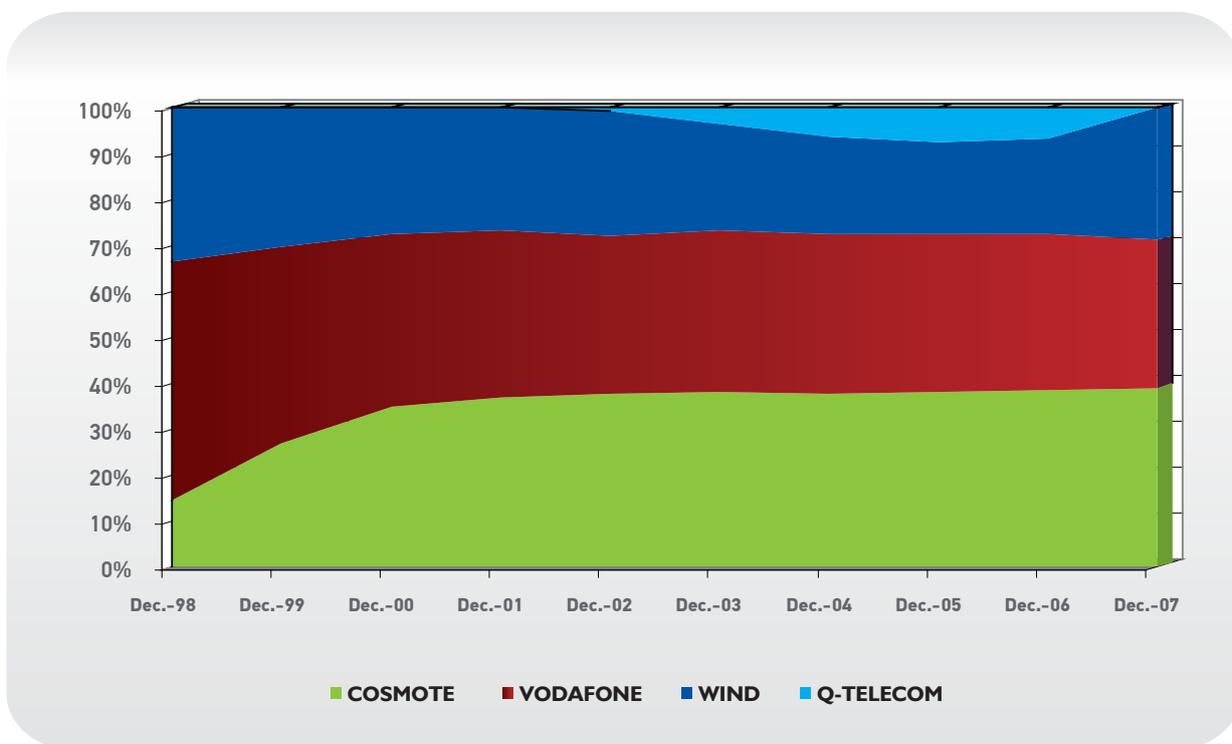
Figure 48
Progress of the Post-paid and Pre-paid Mobile Subscribers



Source: EETT (based on the licensed operators' data)

Finally, Figure 49 presents the distribution of the total subscribers' number per MTO. It is mentioned that the acquisition of Q-TELECOM by WIND was completed during 2007.

Figure 49
Market Shares Based on the Subscribers' Number



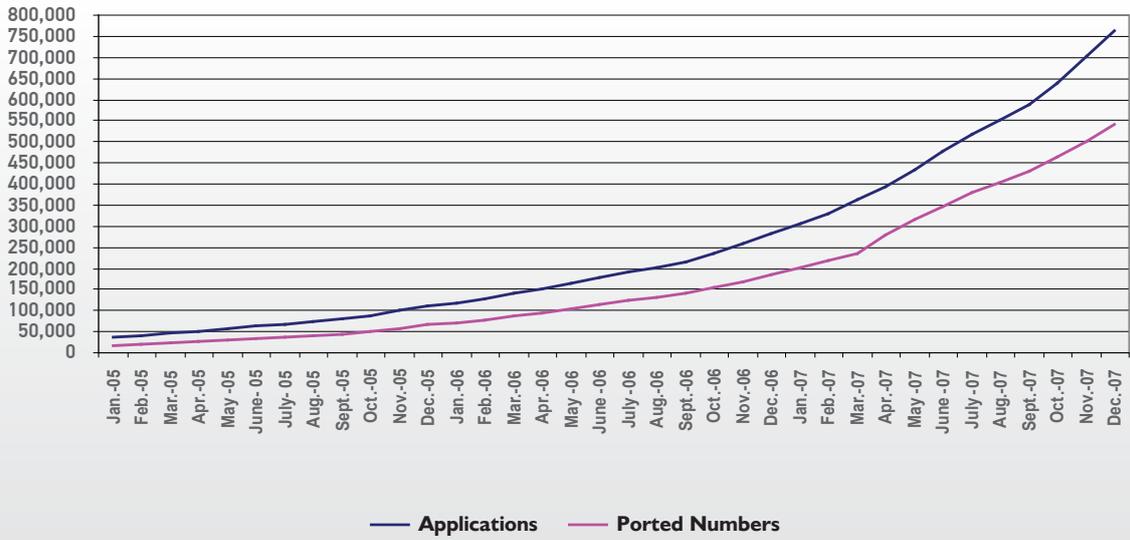
Source: EETT (based on the licensed operators' data)

1.9. Number Portability

Number Portability, namely the facility that enables consumers to keep their telephone number whilst changing operator, continued to increase during 2007 as well. The

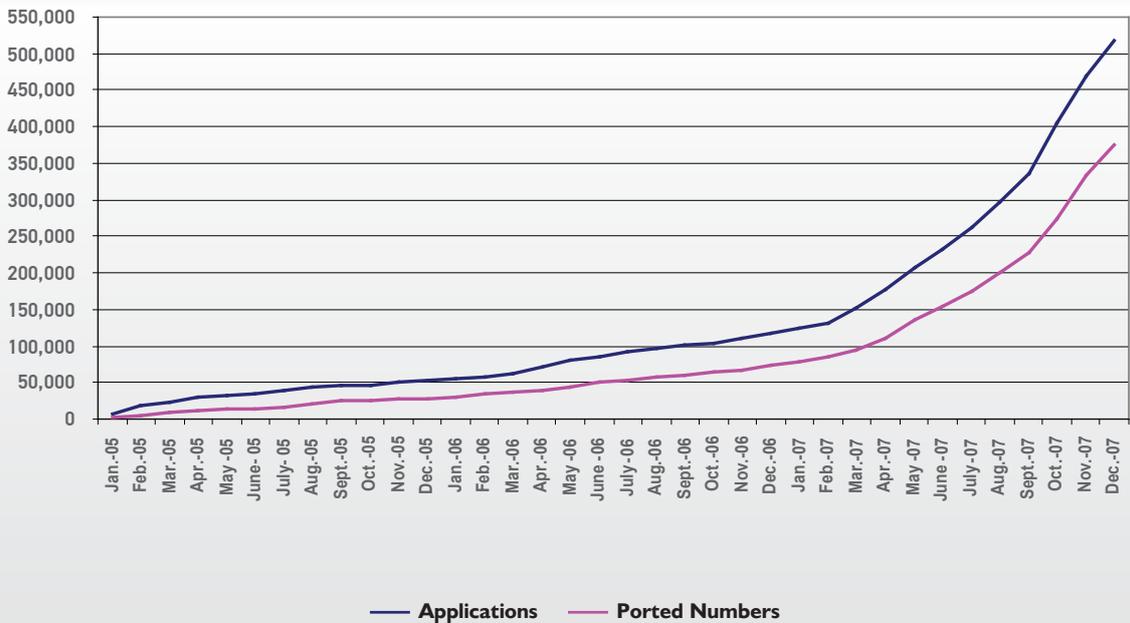
progress of the applications' number and the ported numbers of mobile and fixed telephony are presented in Figures 50 and 51. Figure 52 presents the ported numbers per month.

Figure 50
Number Portability: Applications and Ported Numbers of Mobile Telephony



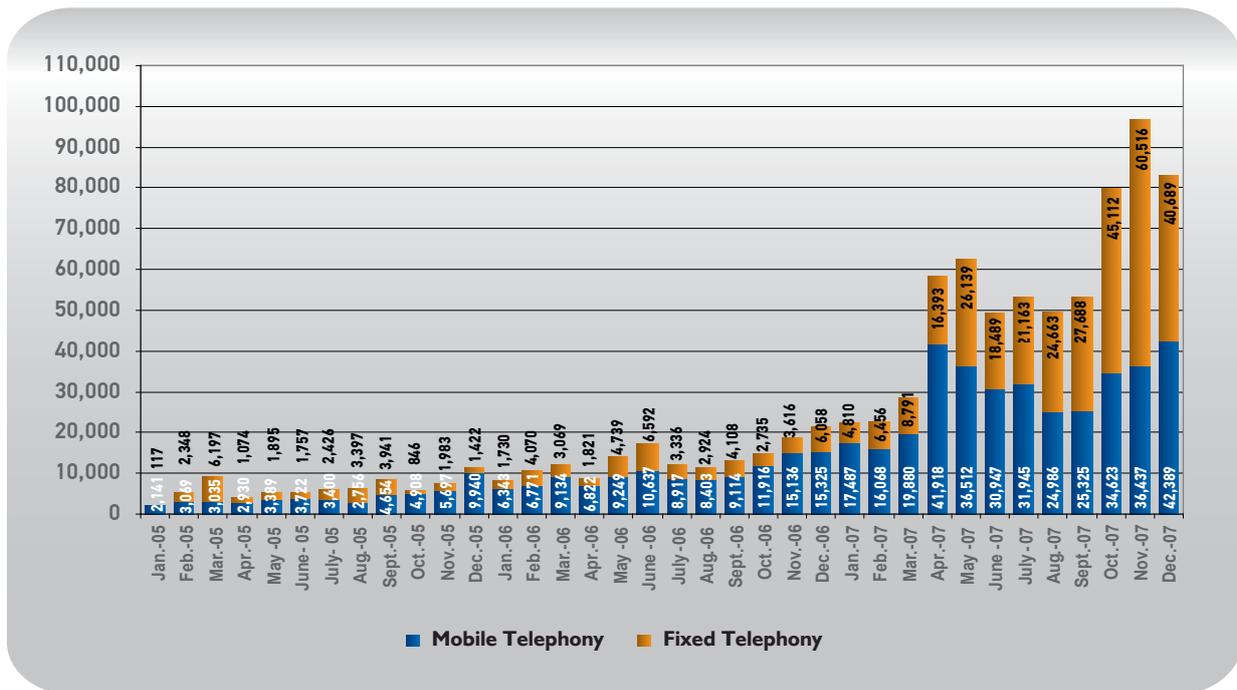
Source: EETT

Figure 51
Number Portability: Applications and Ported Numbers of Fixed Telephony



Source: EETT

Figure 52
Number Portability: Ported Numbers per Month



Source: EETT

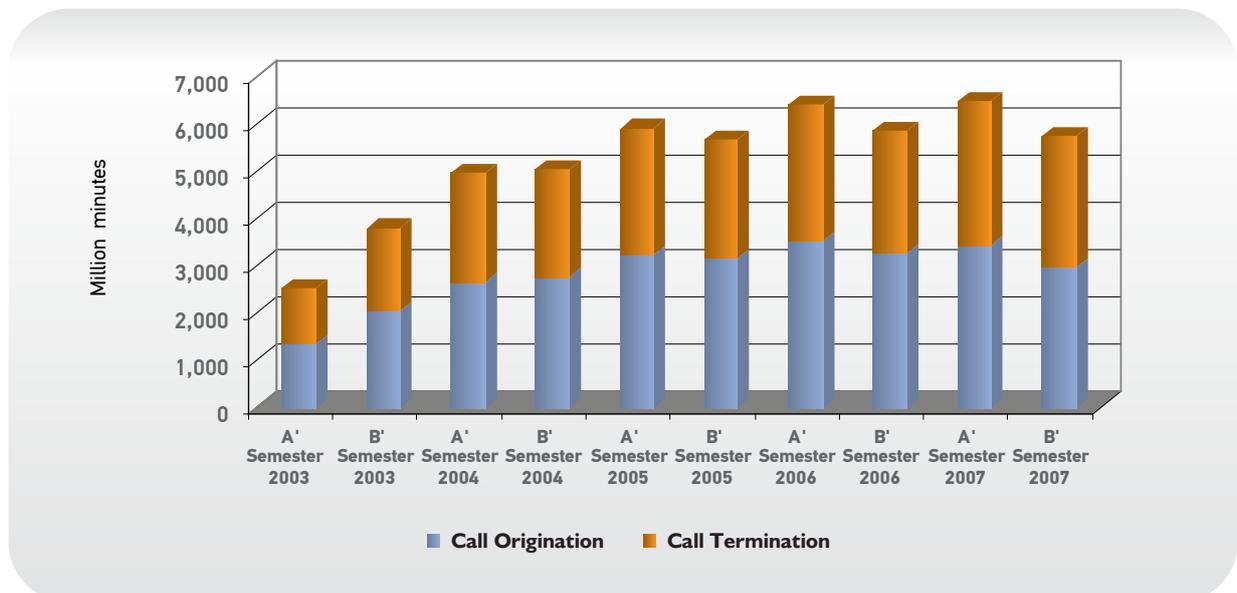
During 2007, 478,395 applications were submitted for mobile telephony (a 175% increase compared to 173,786 applications of 2006) and 358,517 numbers were ported (increase 204%). For fixed telephony, 401,605 applications were submitted and 300,909 numbers were ported.

I.10. Interconnection

I.10.1. Fixed Telephony

Figure 53 shows the intertemporal progress of the Interconnection traffic for the OLOs, which includes call origination and termination from/to OTE's network.

Figure 53
Interconnection Traffic of Other Local Operators via OTE

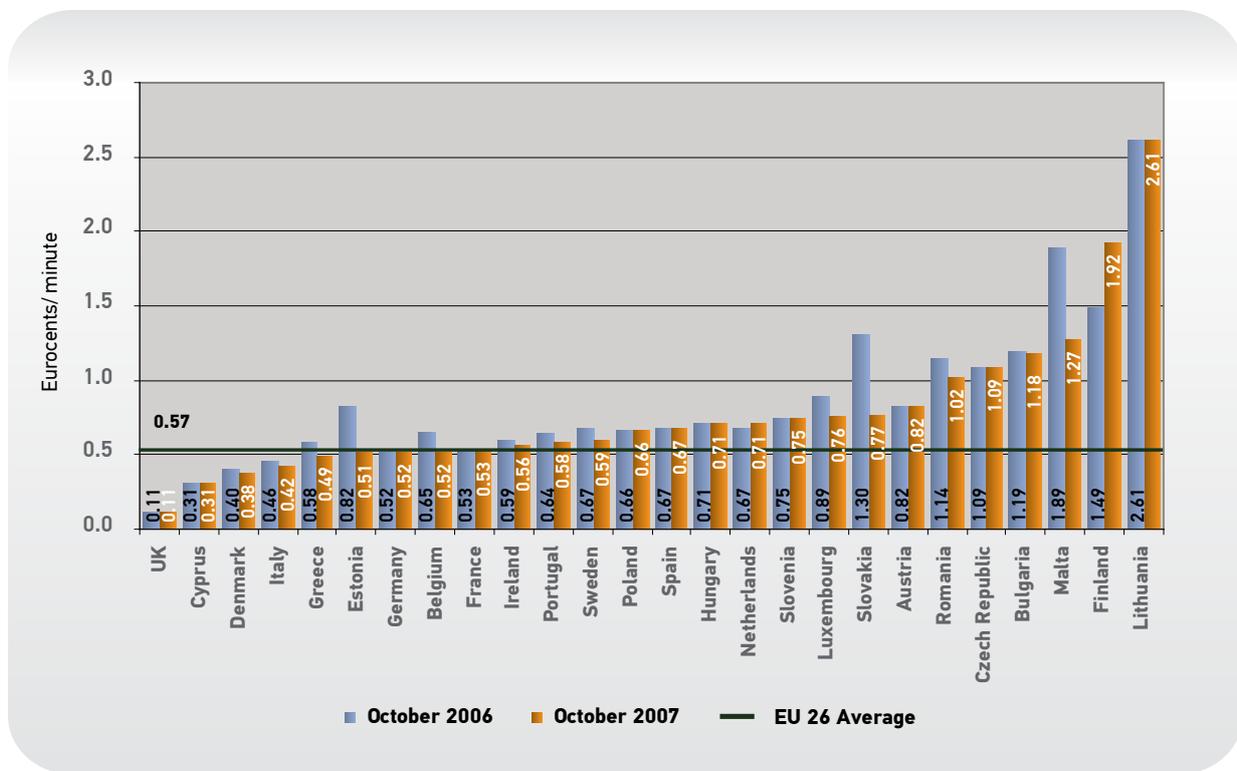


Source: EETT (based on the licensed operators' data)

During 2007, call origination decreased for the first time compared to 2006 reaching 6.4 billions minutes (6% reduction compared to 2006). On the contrary, call termination increased by 6% compared to 2006 (5.8 billion minutes versus 5.5 billion minutes respectively). The reduction of the call origination volume is attributed to the important increase of the full LLU lines, through which the calls of the OLOs' respective subscribers originate directly from their network without the interference of OTE and consequently, without the call origination procedure.

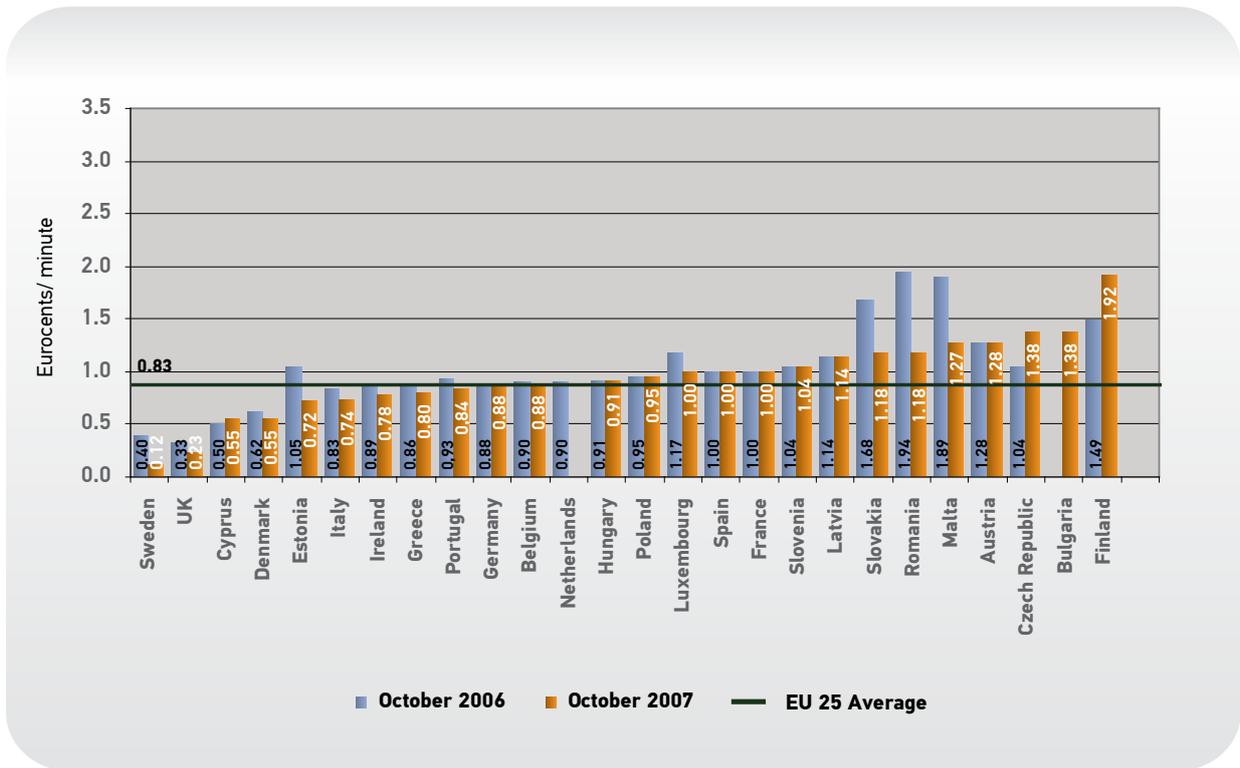
According to the 13th Report of the European Commission, the Interconnection fees in Greece in October of 2007 were lower than the respective European averages. Figures 54 till 56 present the Interconnection fees to the network of the incumbent operator for each member state of the EU, in relation to the Interconnection type (Local, Single, Double). Greece is one of the cheapest member states, since for Local Interconnection is in the 5th place, for Single in the 8th place and for Double in the 6th place.

Figure 54
Local Interconnection Fees 2007



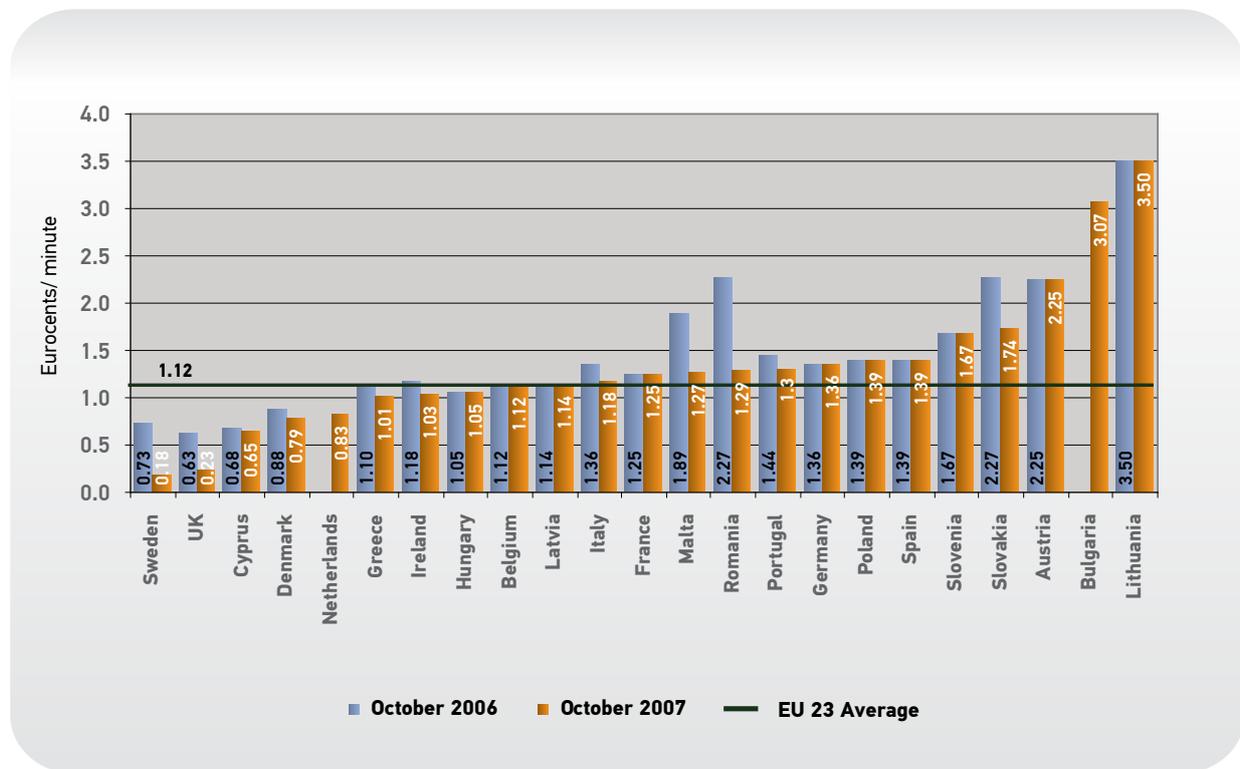
Source: 13th Report of the European Commission

Figure 55
Single Interconnection Fees 2007



Source: 13th Report of the European Commission

Figure 56
Double Interconnection Fees 2007



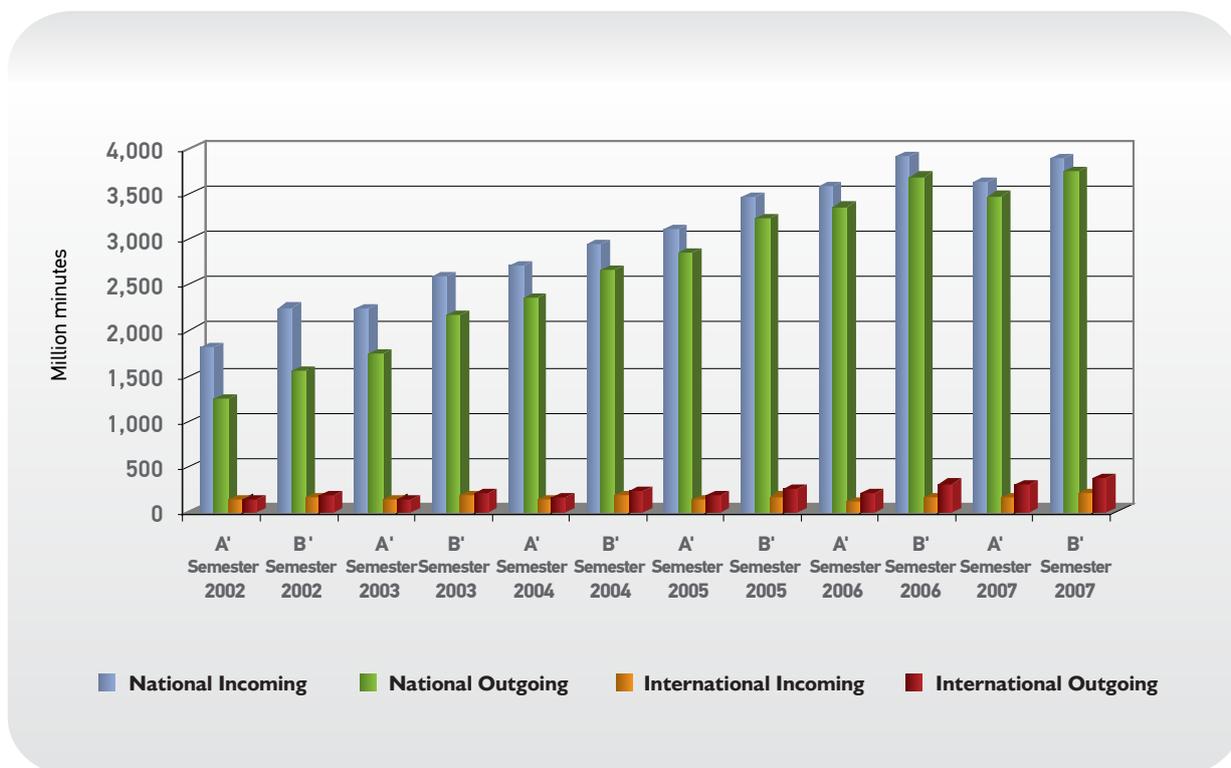
Source: 13th Report of the European Commission

I.10.2. Mobile Telephony

The Interconnection Traffic for the MTOs increased during 2007 as depicted in Figure 57, which presents the national and international Interconnection Traffic (incoming and outgoing) for the 3 MTOs⁸. The national incoming traffic is the sum of the traffic that each MTO's network has and is originated by the networks of the other domestic MTOs

and of the fixed telephony operators (OTE and OLOs). On the contrary, the national outgoing traffic is the sum of the traffic routed from the network of each MTO towards the other domestic MTOs and fixed telephony operators (OTE and OLOs). The international incoming and outgoing traffic are the total respective traffic, which originates from or terminates on foreign operators' networks.

Figure 57
Interconnection Traffic of the Mobile Telephony Operators



Source: EETT (based on the licensed operators' data)

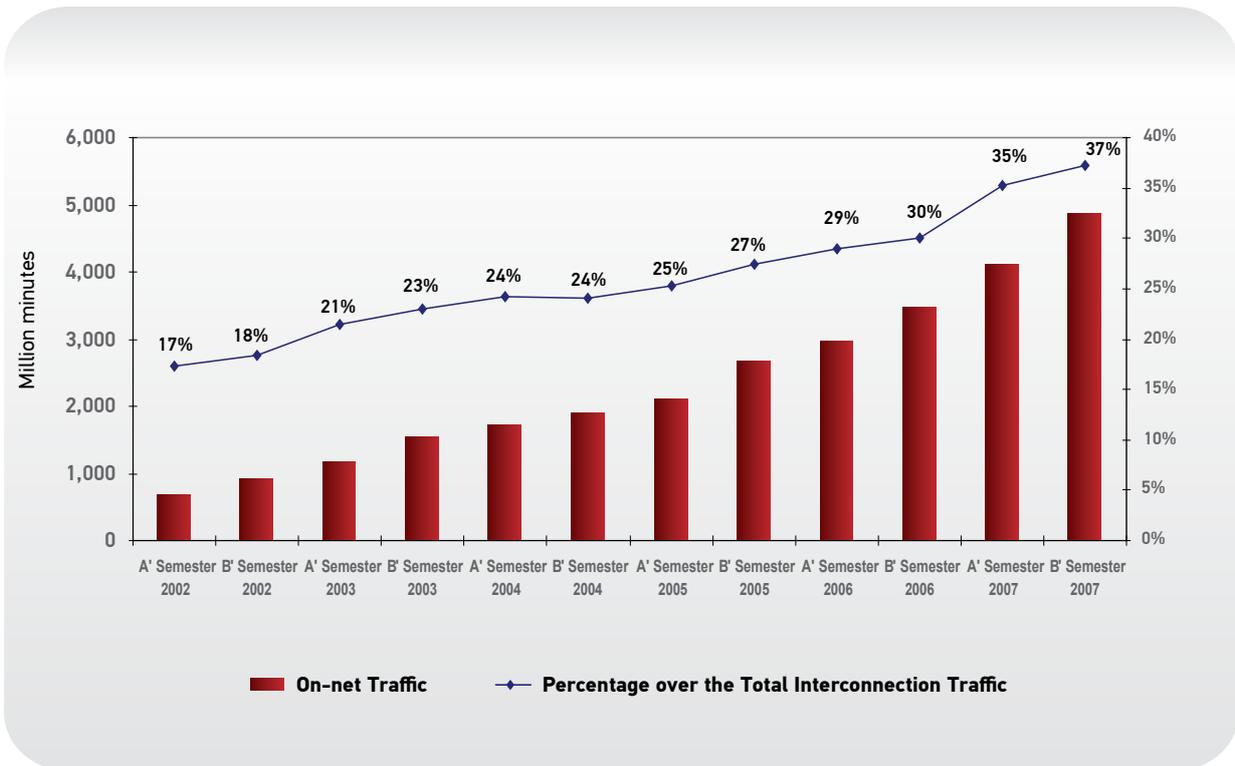
The international traffic registered the biggest increase, with the international incoming traffic increased by 32% and the international outgoing traffic increased by 30%, compared to 2006. Furthermore, the national outgoing traffic increased by 2%, while the national incoming traffic changed marginally (increase by 0.3%).

8. It is reminded that within 2007 the acquisition of Q-TELECOM by WIND was completed, hence the Interconnection traffic of the former existed separately till April of 2007 and onwards was integrated in the Interconnection traffic of the latter.

Figure 58 illustrates the on-net traffic for the 3 MTOs. The on-net traffic is the traffic among the subscribers of the same MTO's network and constitutes a significant part of each MTO's traffic. At the same time it forms a substantial revenues source, since it is not affected by the Interconnection agreements with the other operators. The

on-net traffic in 2007 reached 9 billion minutes, having registered a 39% increase compared to 2006 (6.4 billion minutes). Hence, the on-net traffic constituted the 37% of the total Interconnection traffic (which includes also the incoming and outgoing traffic).

Figure 58
On-net Traffic of the Mobile Telephony Operators

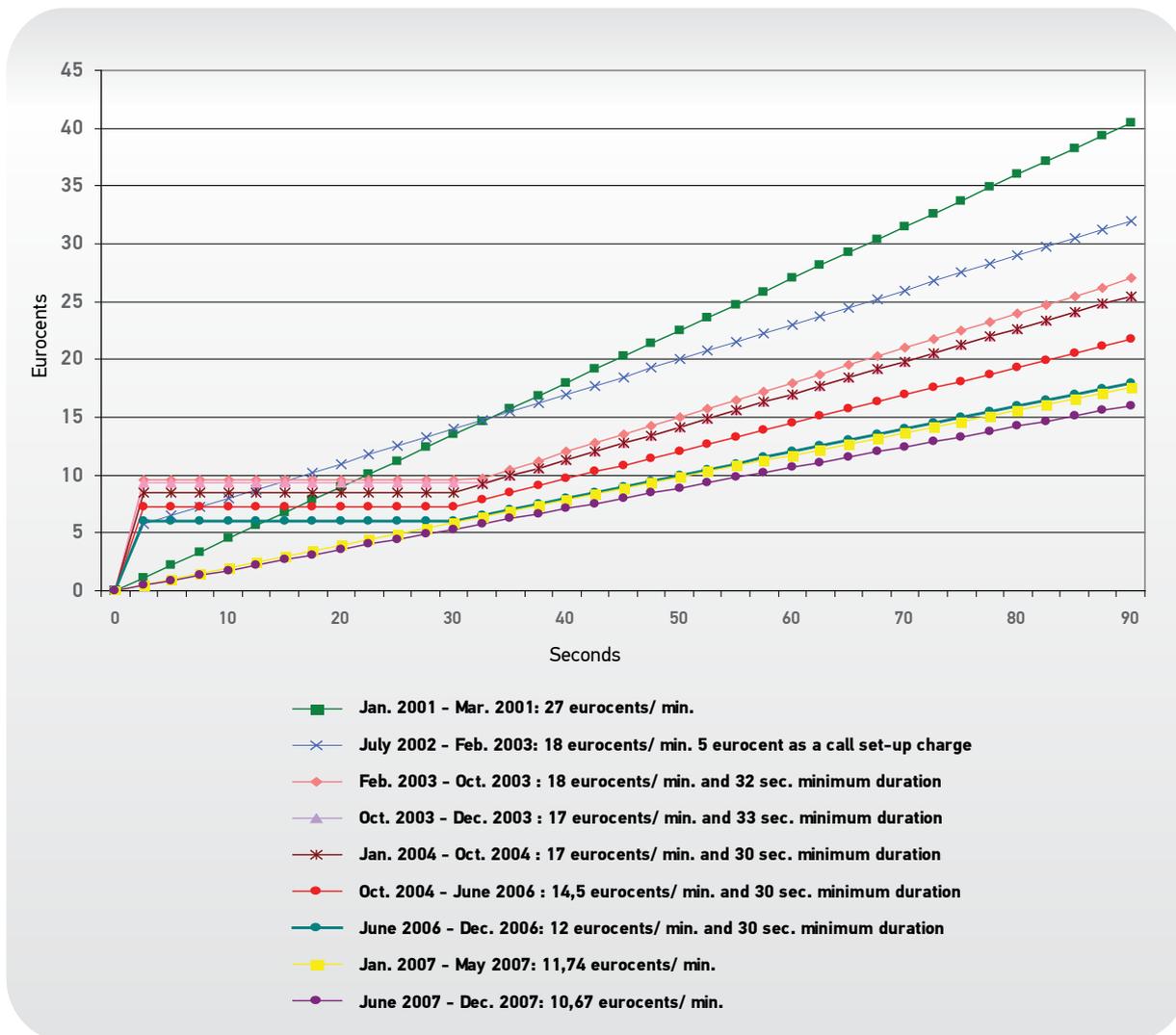


Source: EETT (based on the licensed operators' data)

At the same time, the gradual reduction of the termination fees on the mobile networks continued, according to EETT Decisions⁹, which were based on the approved by the European Commission Draft Measures¹⁰ for the mar-

ket of wholesale mobile voice call termination. The progress of the termination fees on each MTO's network from 2001 till the end of 2007 is presented thoroughly in Figures 59-61.

Figure 59
Termination Fee on COSMOTE Subscribers

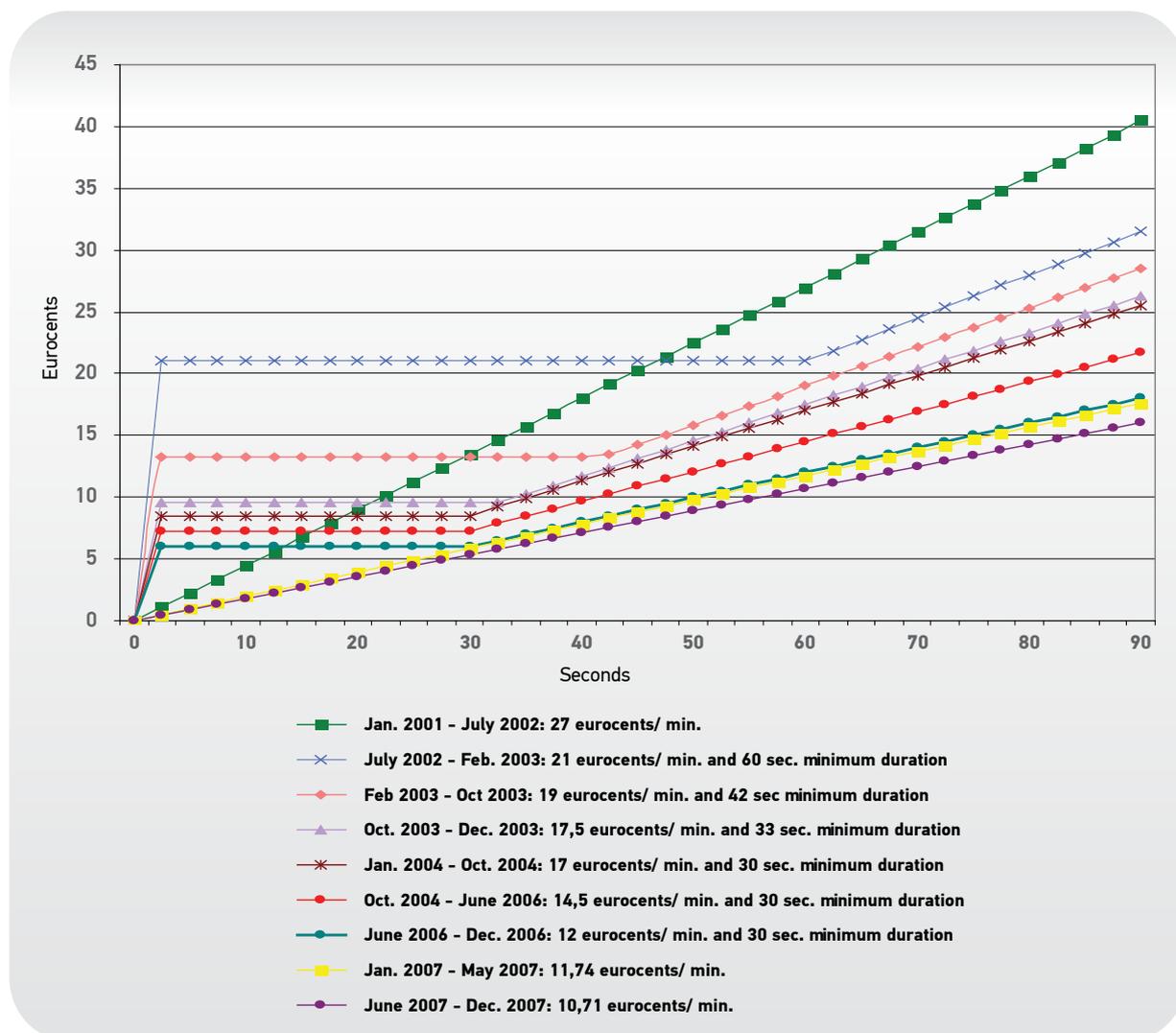


Source: EETT

9. EETT Decisions 392/17/22-06-2006 and 410/37/15-II-2006.

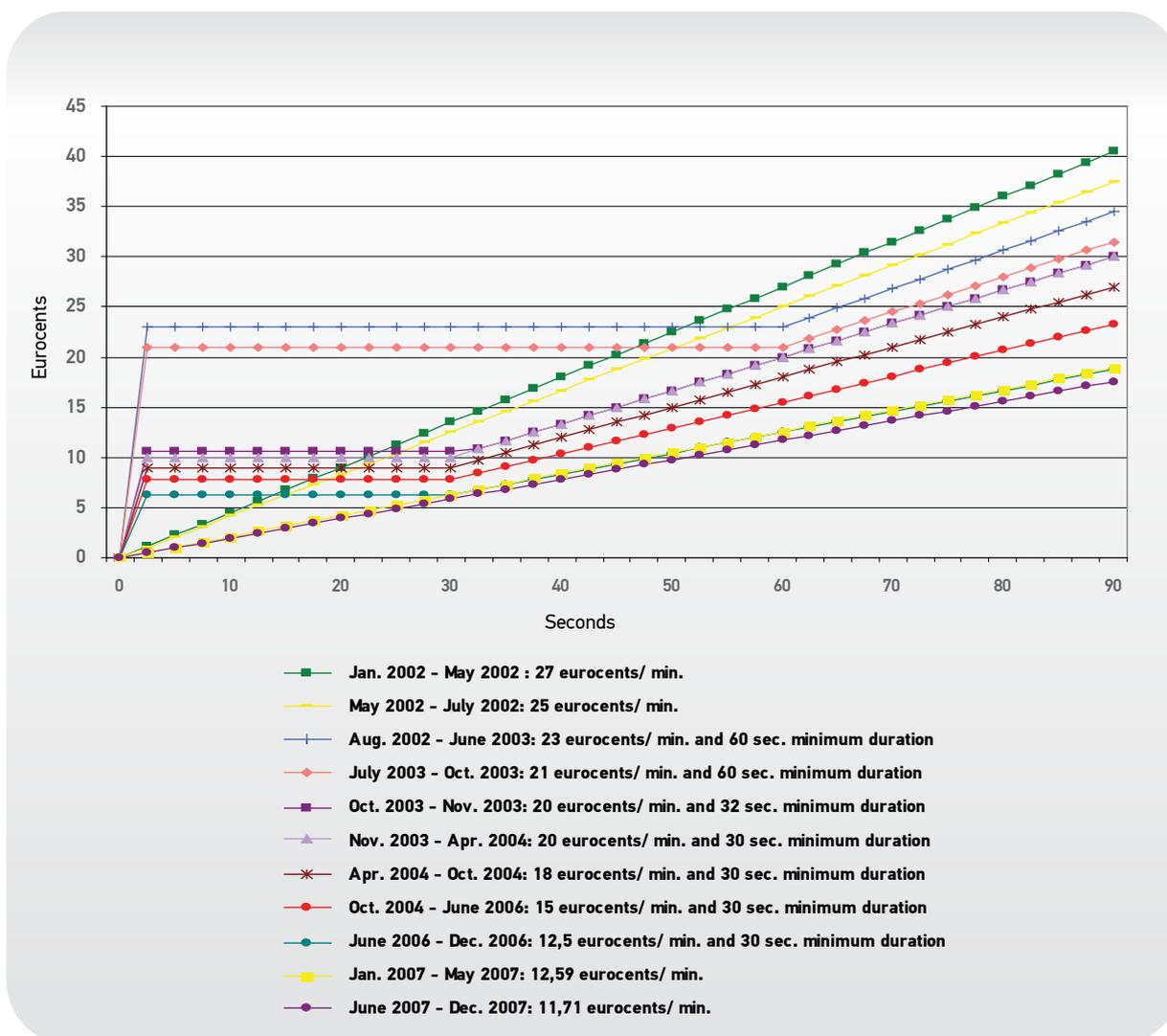
10. http://www.eett.gr/opencms/sites/EETT/Electronic_Communications/Telecoms/MarketAnalysis/Agora16.html

Figure 60
Termination Fee on VODAFONE Subscribers



Source: EETT

Figure 61
Termination Fee on WIND Subscribers

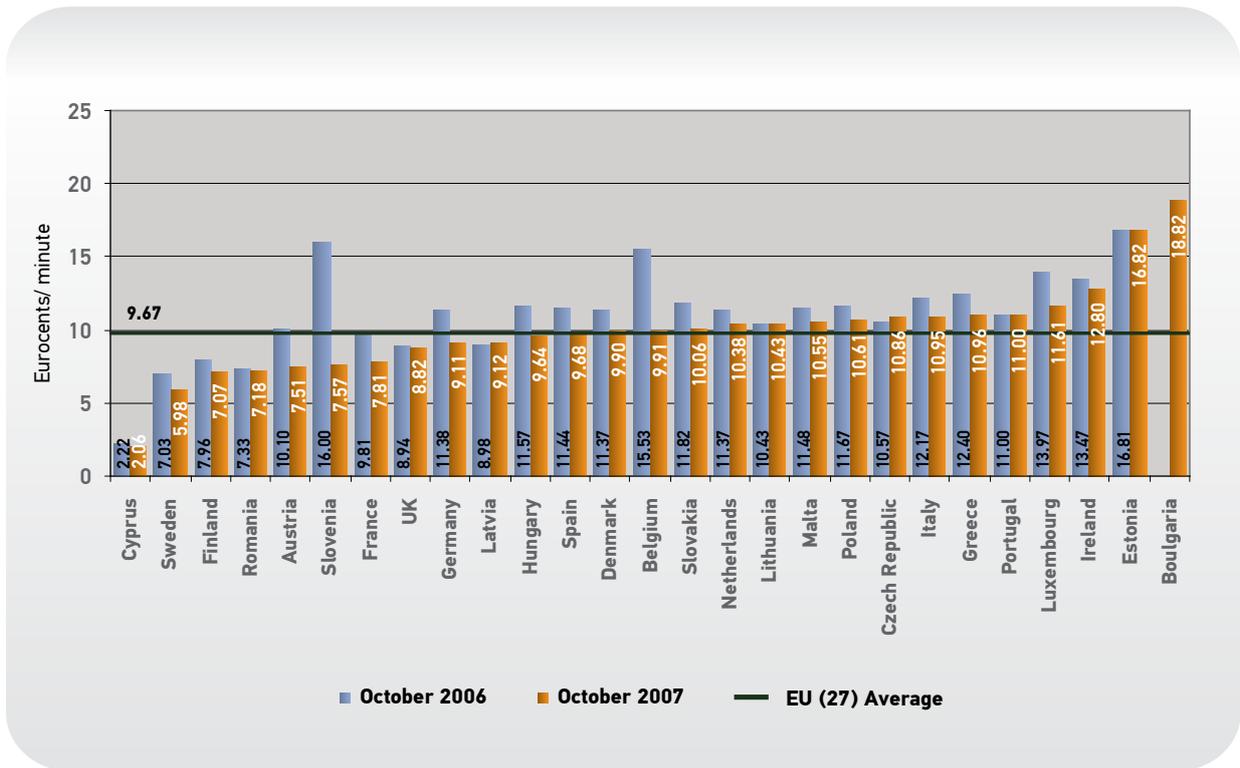


Source: EETT

Figure 62 shows the Average National Termination Fee on mobile networks for the 27 member states of the EU (data of October 2007). Greece is the 6th most expensive member state with an average termination fee of 10.96 eurocents/min. compared to 9.67 eurocents/min. of the EU average.

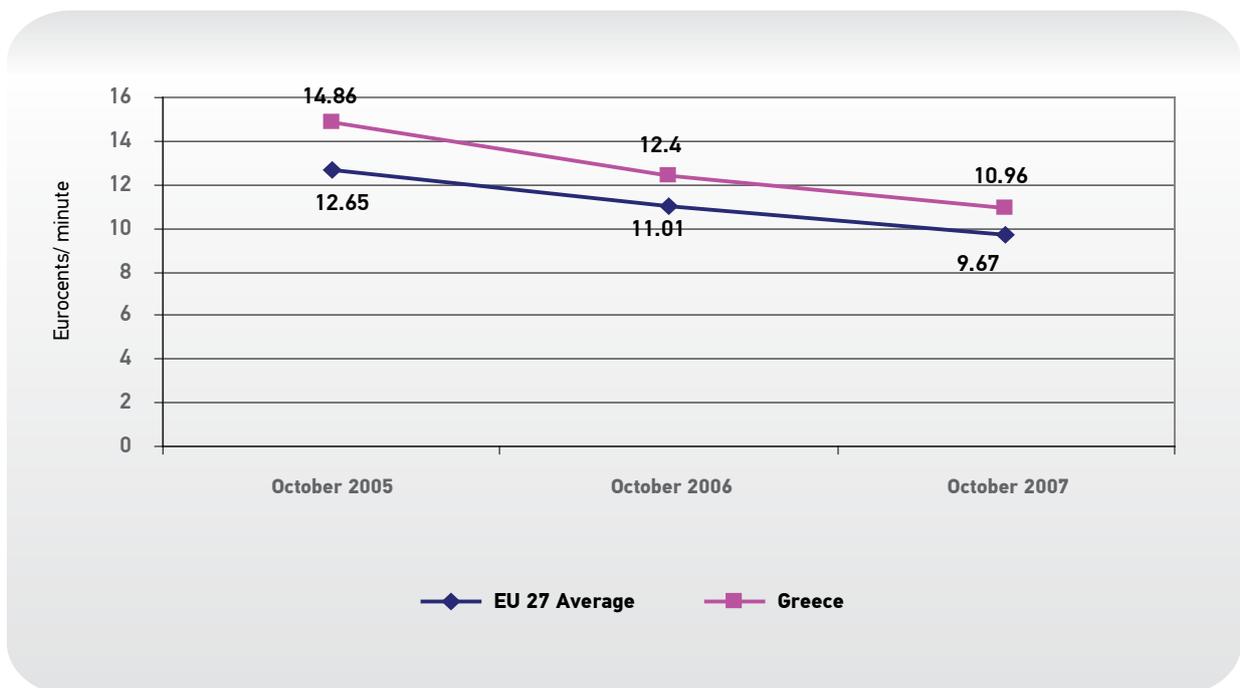
This data indicates stagnation as far as Greece is concerned, since the difference with the European average during 2007 was marginally higher, as presented in Figure 63. Specifically, Greece in 2007 was by 13% more expensive than the EU average just like 2006.

Figure 62
Average National Interconnection Fee for Call Termination on Mobile Networks



Source: 13th Report of the European Commission

Figure 63
Average National Interconnection Fee for Call Termination on Mobile Networks



Source: 13th Report of the European Commission

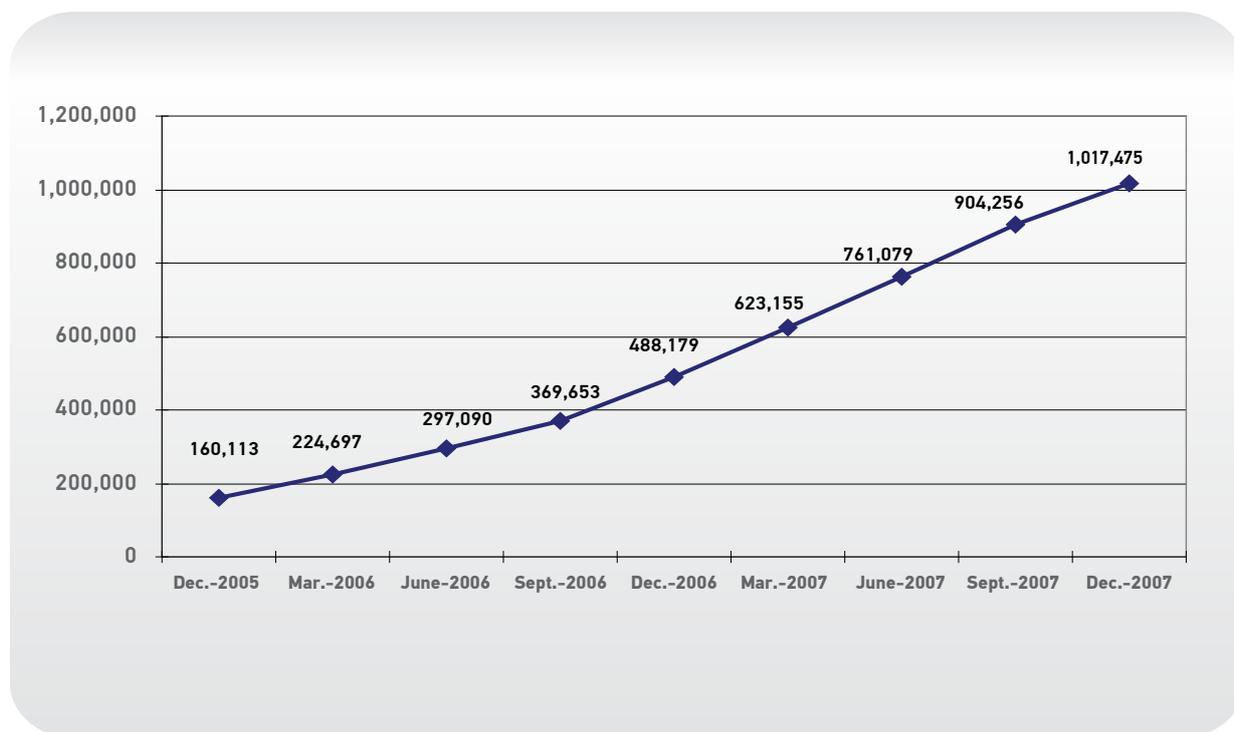
I.II. Broadband

2007 is characterized by the impressive growth of the broadband market that exceeded 1,000,000 lines and started converging for the first time with the rest of Europe.

I.II.I. Progress of Broadband Lines

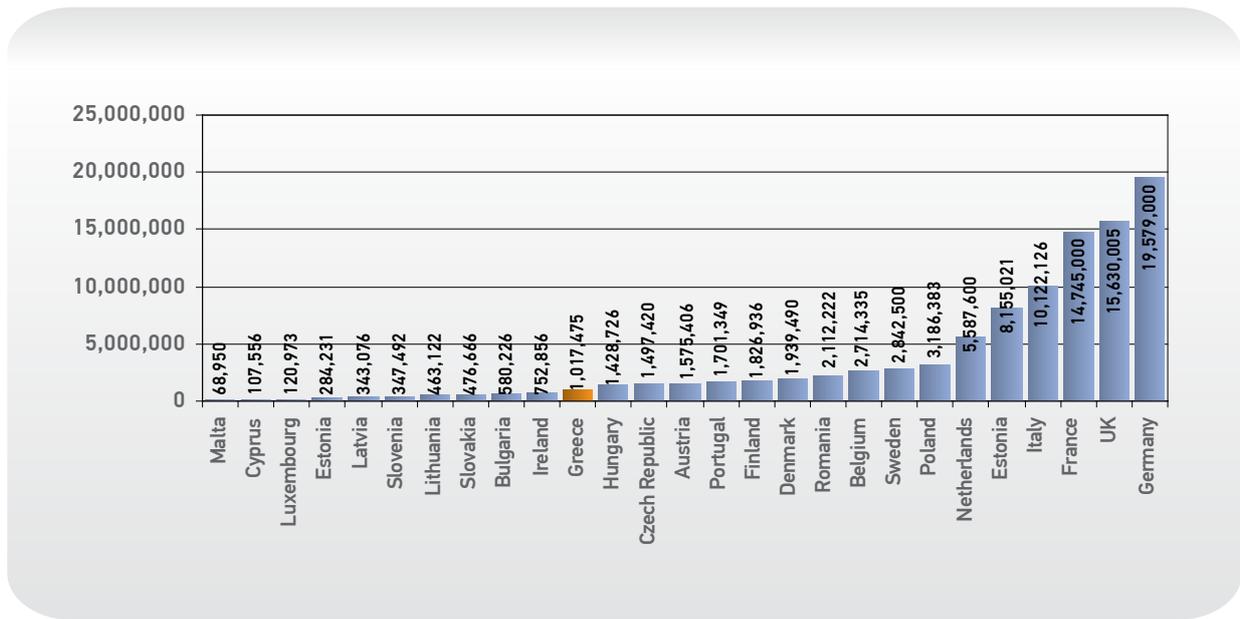
Specifically, the number of broadband lines during 2007 overdoubled and reached 1,017,000 lines compared to 488,000 lines at the end of 2006, having increased 108% (Figures 64 και 65).

Figure 64
Development of Broadband Lines



Source: EETT (based on the licensed operators' data)

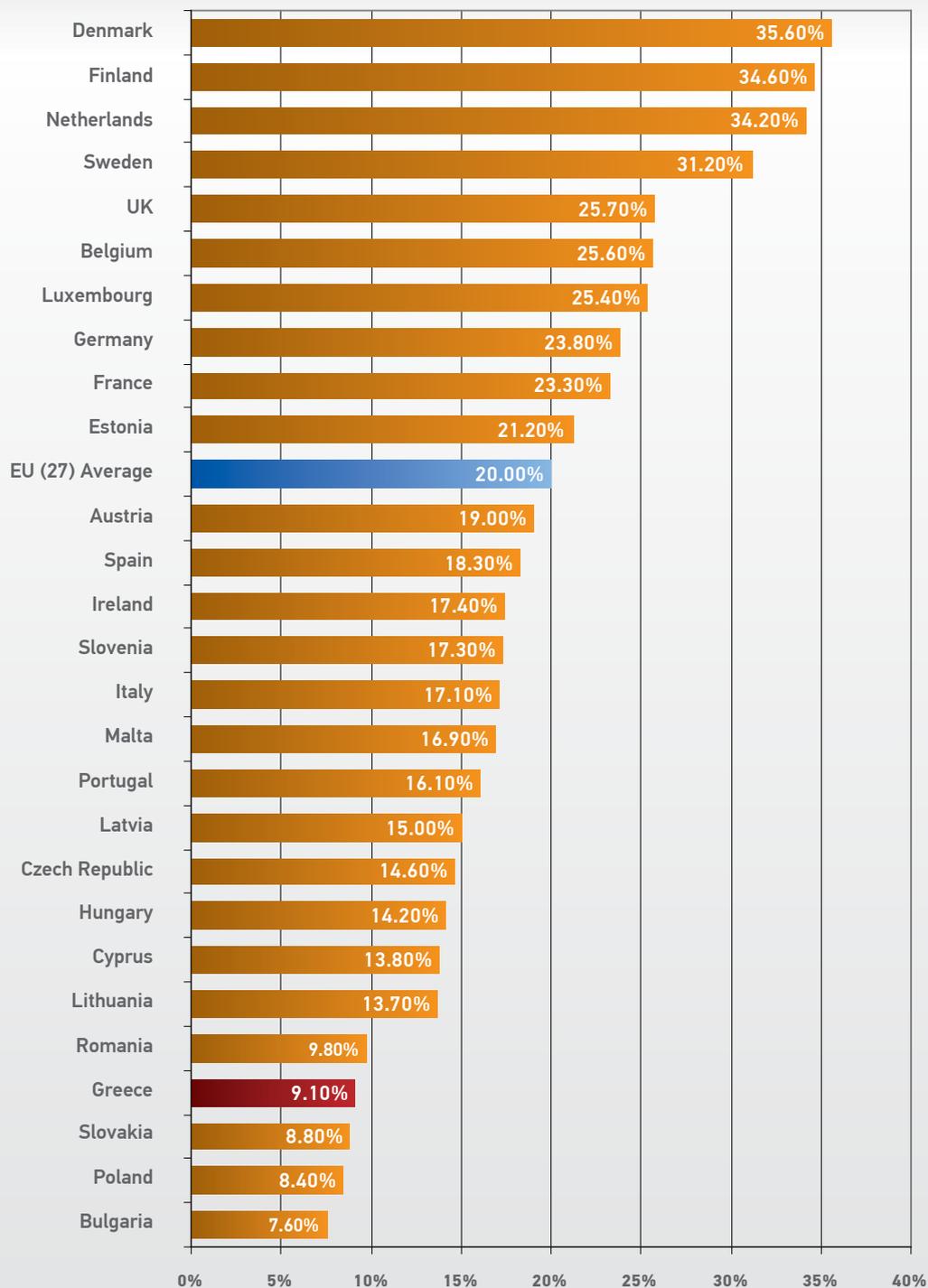
Figure 65
EU Broadband Lines by Member State, January 2008



Source: 13th Report of the European Commission

The broadband penetration, as depicted in Figure 66, reached 9.1% versus 4.4% at the end of 2006. Greece was no longer in the last place since it surpassed 3 countries, though remained in the rear end of the list and with a great distance from the average broadband penetration rate of the EU, which ranged at 20%.

Figure 66
Broadband Penetration Rate in 01-01-2008

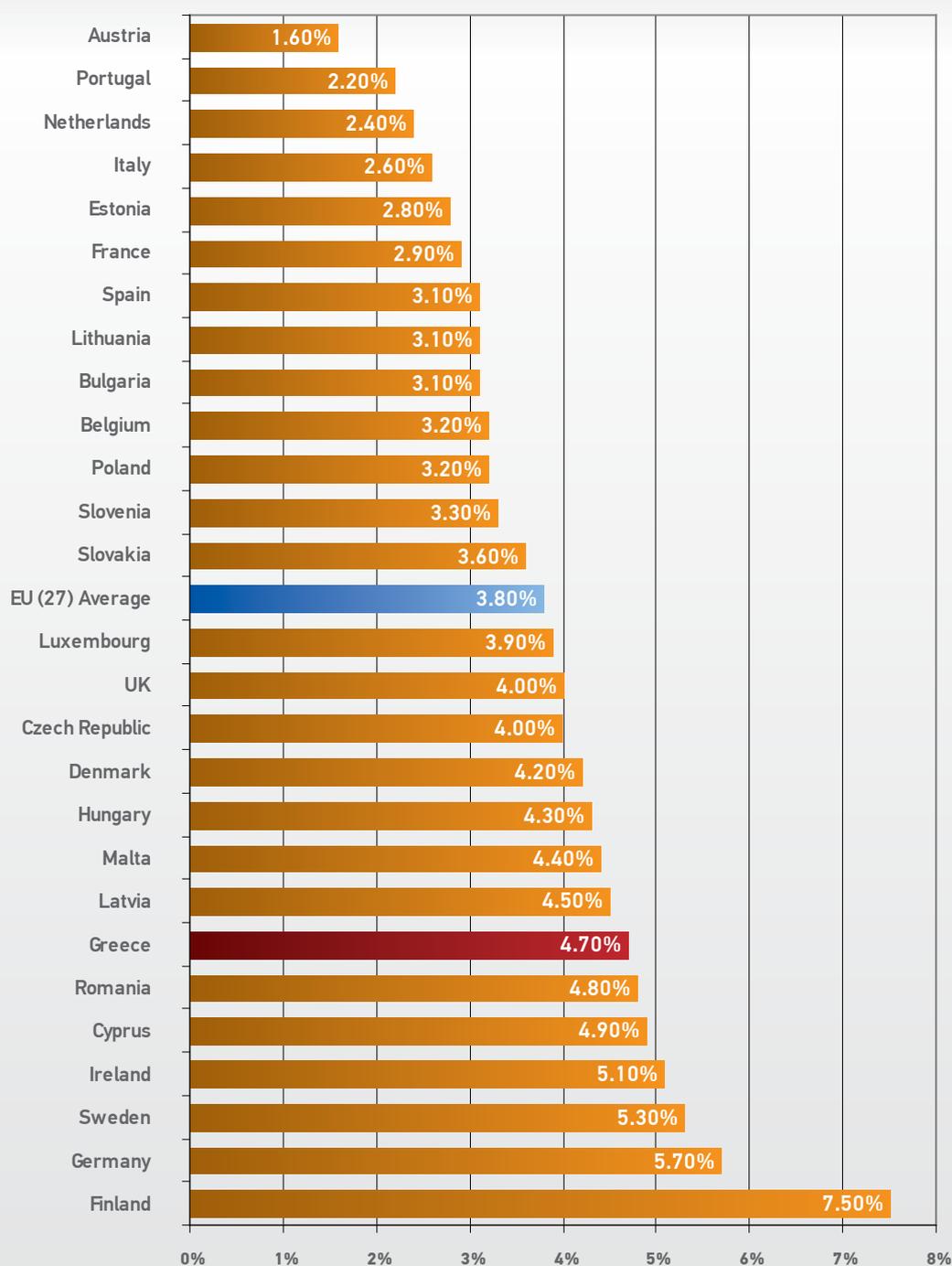


Source: 13th Report of the European Commission

The increase by 4.7 units in the broadband penetration rate in 2007 was among the higher in the EU and considerably higher than the respective European average increase (3.8 units), a fact that signals the convergence of the Greek with the European broadband market (Figure 67).

Figure 67

Increase of Broadband Penetration Rate in the Member States of the EU in 2007



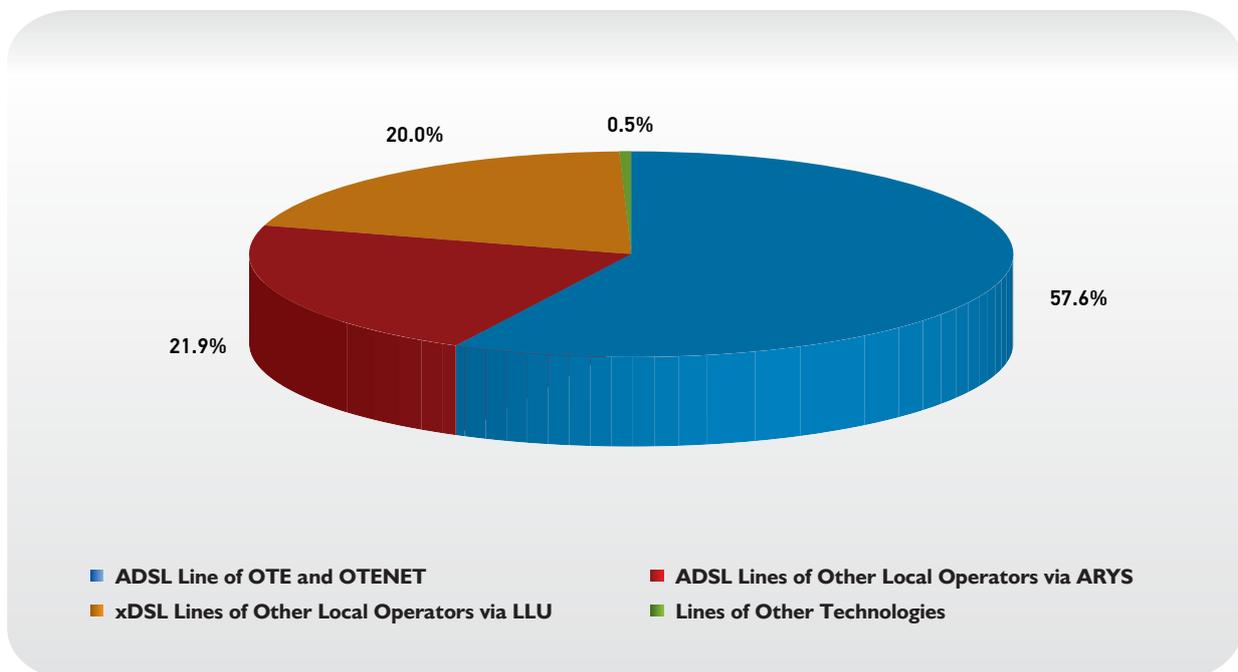
Source: 13th Report of the European Commission

I.II.2. Broadband Lines by Technology

The distribution of the broadband lines by technology at the end of 2007 in Greece and the respective progress as well, are presented in Figures 68 and 69. The most basic way for broadband access at 79.5%, is still the ADSL access via ARYS (wholesale or retail). It is worth mentioning that the above percentage is constantly decreasing, since it constituted the 95.3% of the total broadband

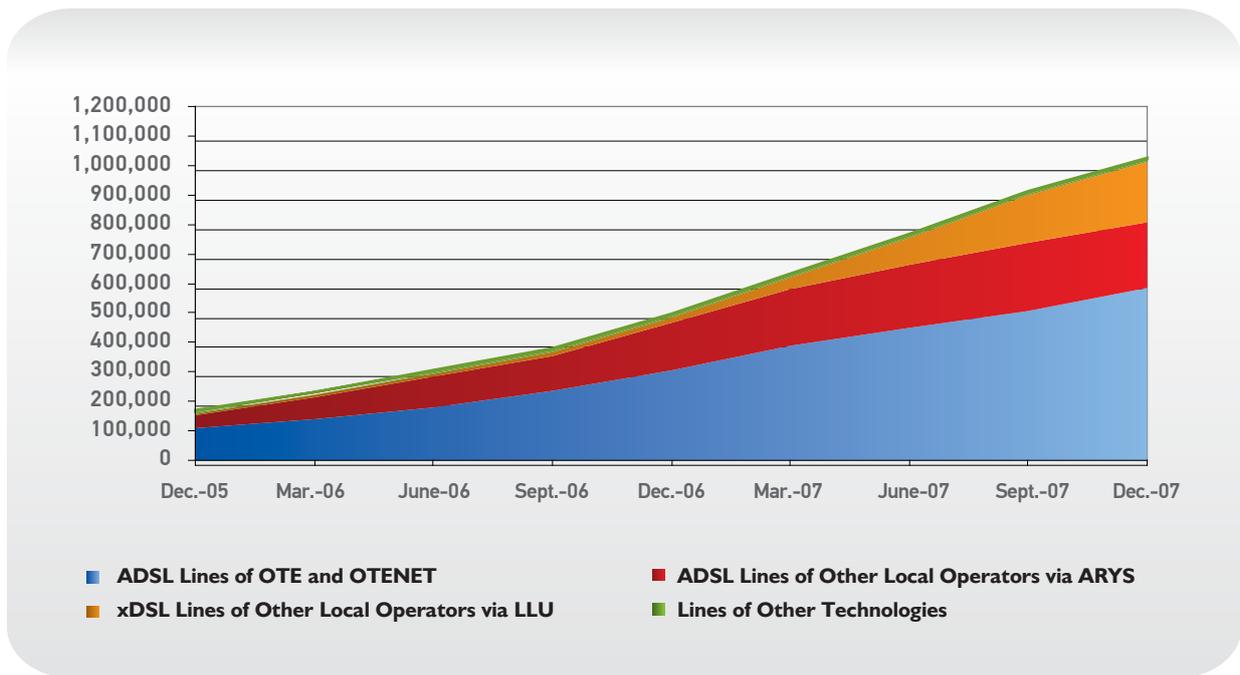
lines of Greece at the end of 2006. The access via other technologies was confined to a percentage less than 1%, which is very low compared to the rest of the member states of the EU. This fact implies the lack of alternative networks in our country. On the contrary, the percentage of the LLU access lines presented a significant growth, reaching 20% of the broadband lines, compared to 4% at the end of 2006.

Figure 68
Distribution of Broadband Lines by Technology, December 2007



Source: EETT (based on the licensed operators' data)

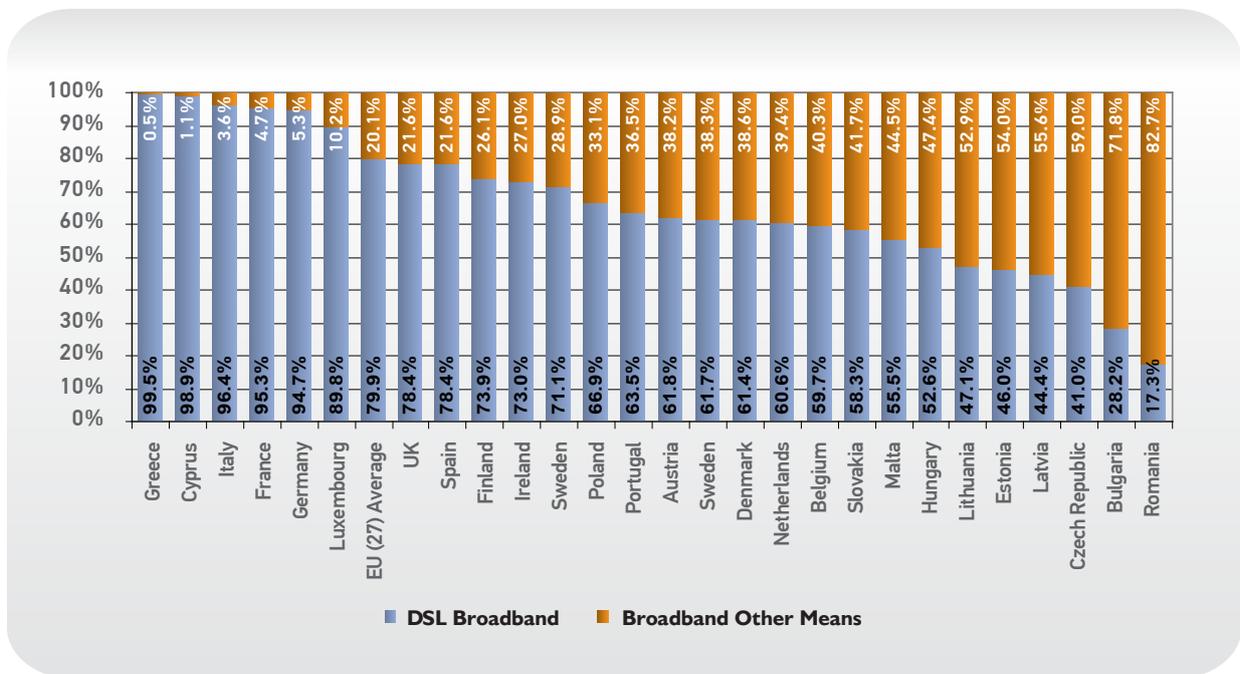
Figure 69
Development of Broadband Lines by Technology



Source: EETT (based on the licensed operators' data)

Figure 70 presents the distribution of broadband lines to DSL and non-DSL technologies in the member states of the EU and reflects the lack of alternative infrastructure in Greece, compared to the EU.

Figure 70
Fixed Broadband Lines by Technology, December 2007



Source: 13th Report of the European Commission

I.II.3. Speeds of Broadband Lines

In 2007 the access speeds to Internet rocketed, since the overwhelming majority of the broadband access packages at the end of the year ranged between 1Mbps and 24Mbps, while at the beginning of the year were among 512Kbps και 1 Mbps (download).

The distribution of the total broadband lines by speed in December 2007 is illustrated in Figure 71. The majority of broadband lines (70.4%) corresponded to access speeds up till 1Mbps (download), while the rest 29.6% of the broadband lines were in higher speeds. It is pointed out that 8.4% of the high access speeds corresponded to access speeds higher than 20 Mbps.

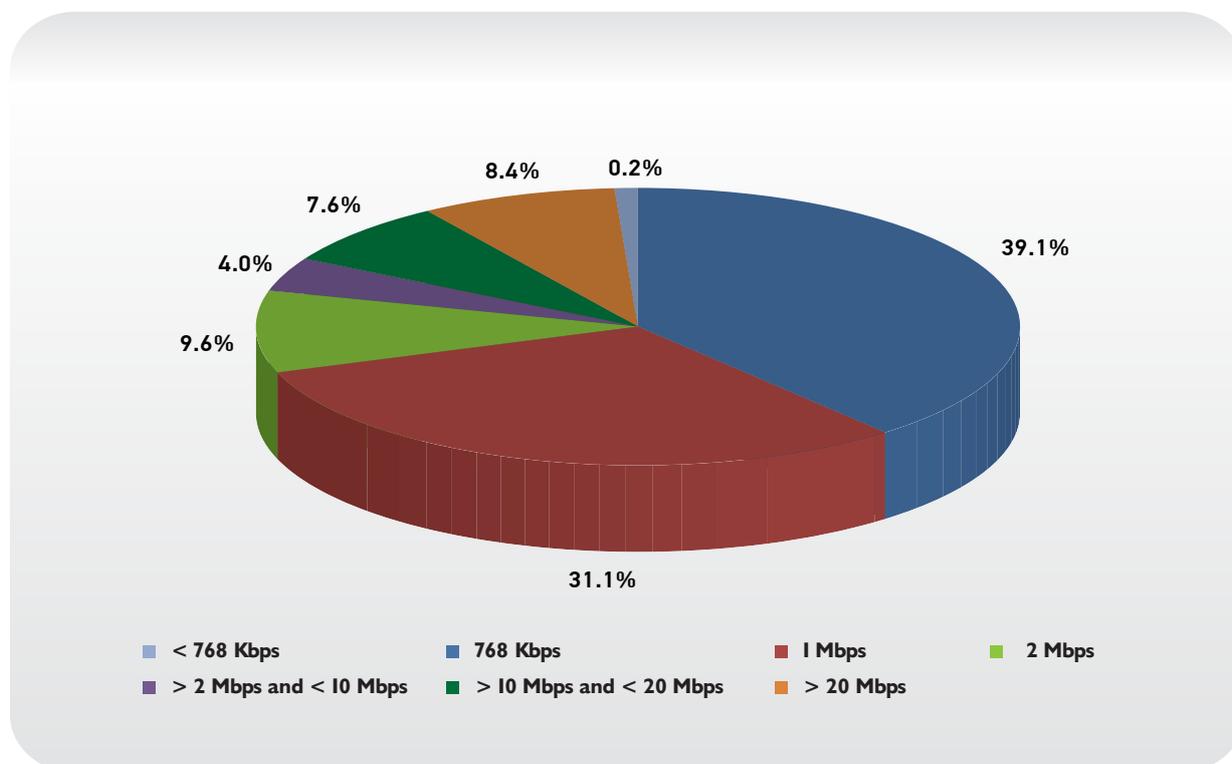
I.II.4. Local Loop Unbundling

2007 was characterized by the rapid increase of the LLU lines which is by now the leader in the broadband growth

of the country. It is worth mentioning that this development takes place mainly in Attica and secondly, in Thessalonica. However, there has been a gradual broadband expansion to the rest of Greece from the second semester of 2007.

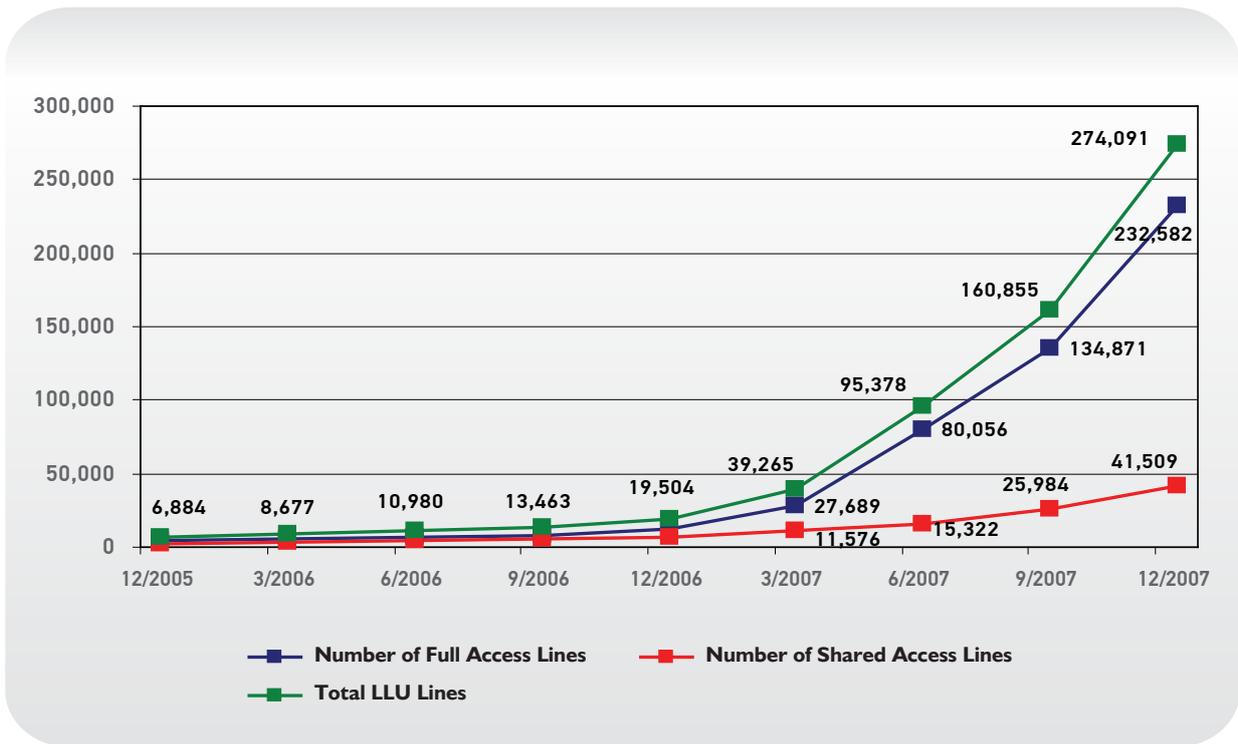
As presented in Figure 72, the LLU lines reached 274,000 by the end of 2007, having registered a 1,270% increase compared to the beginning of the year when the respective number was under 20,000. The utilization of LLU gave the alternative operators the capability of promoting services to the market that combine broadband access to Internet with telephony or Video on Demand via Internet. It is noted that 30% of the presented total connections via LLU is for telephony services exclusively and consequently, is not included in the broadband connections.

Figure 71
Percentage Distribution of the Broadband Lines' Speeds, December 2007



Source: EETT (based on the licensed operators' data)

Figure 72
Development of LLU Lines

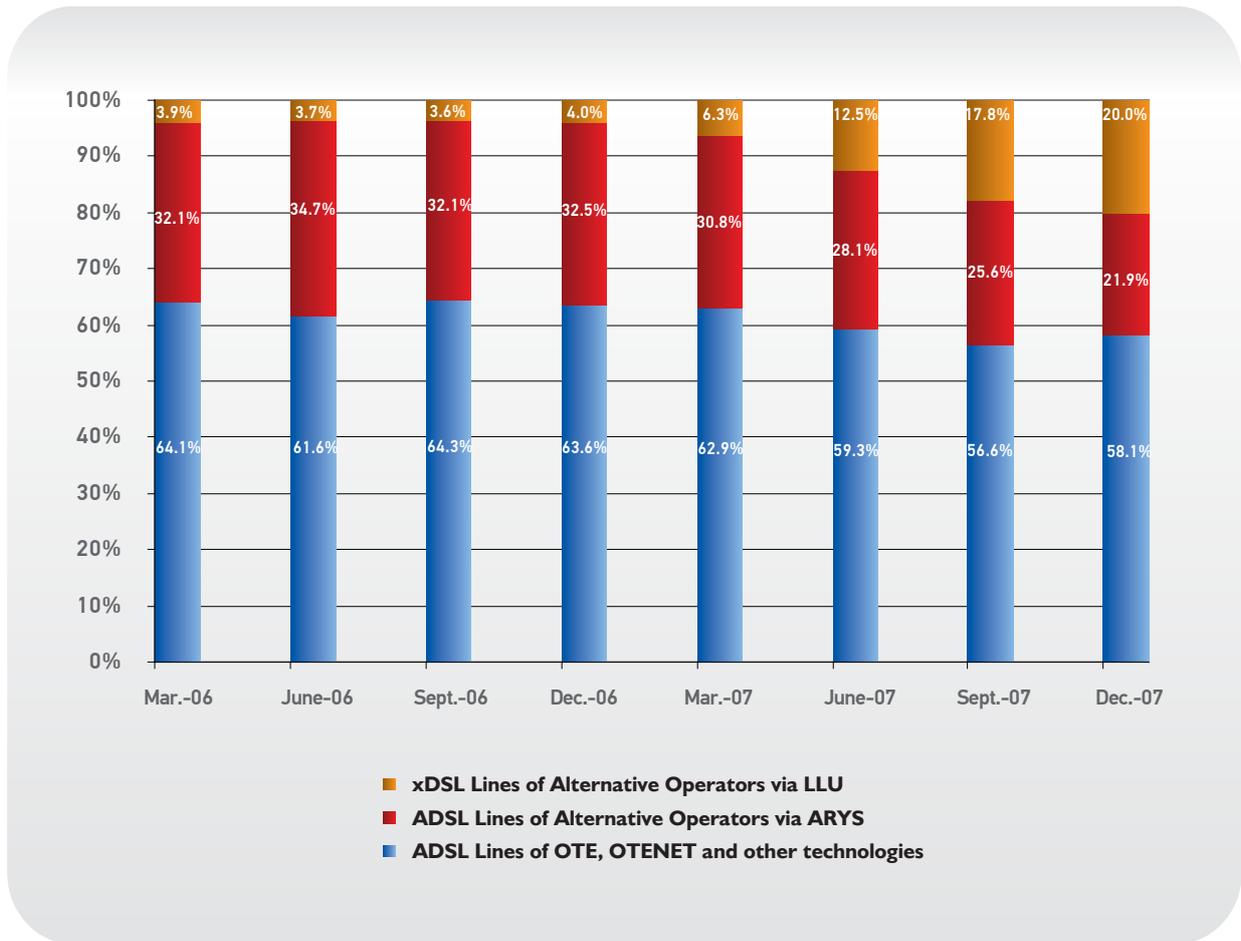


Source: EETT (based on the licensed operators' data)

At the same time, the contribution of the access shares via LLU lines, ARYS, ADSL lines of OTE and OTENET and of other technologies as well, to the broadband growth is presented in Figure 73. It is observed that the increase of the broadband lines via the LLU access lines is

taking place at the expense of the access via ARYS, a fact that implies the turn of the alternative operators to higher investment levels and less to the market of wholesale broadband access products.

Figure 73
Distribution of Broadband Lines by Access Type

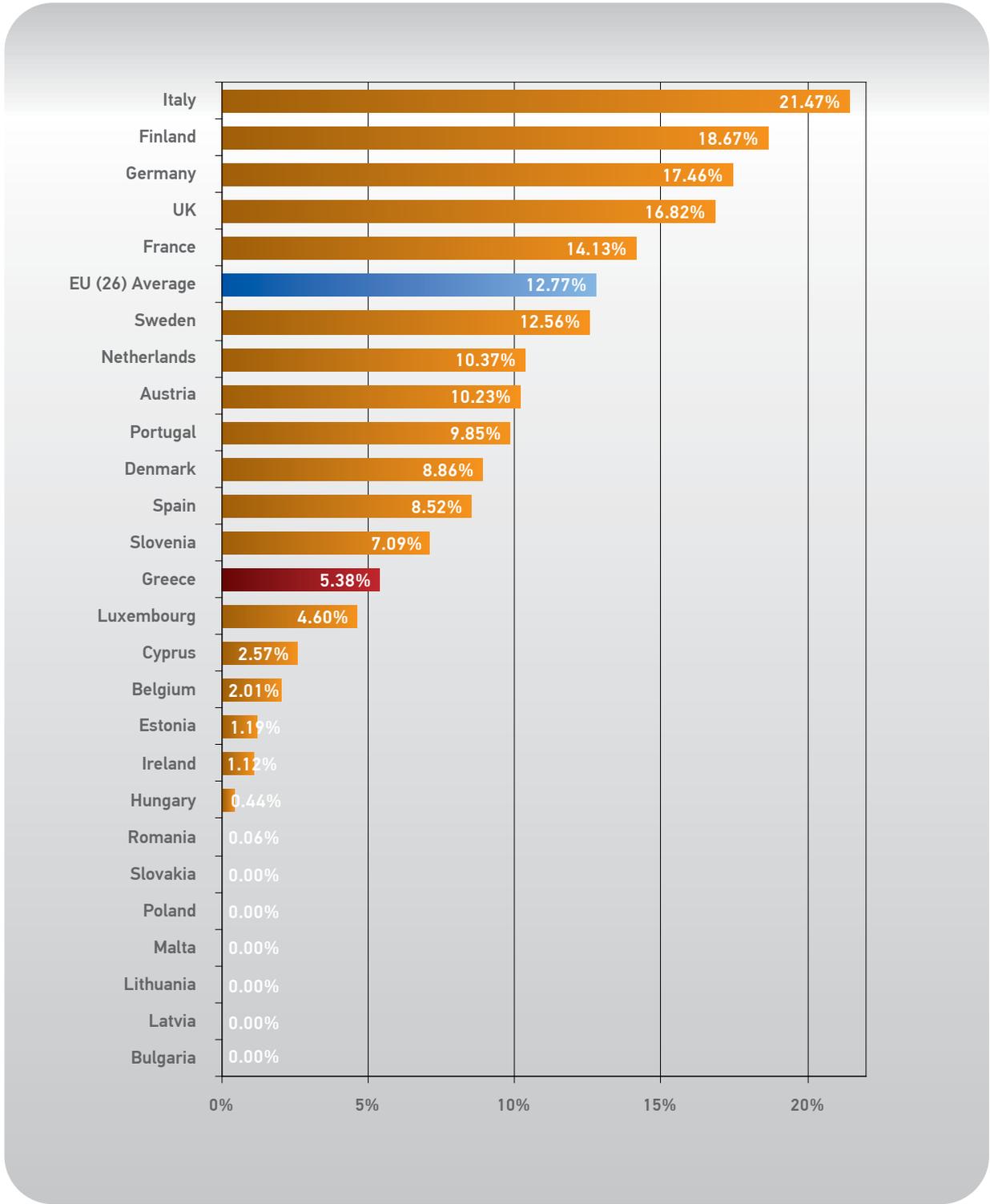


Source: EETT (based on the licensed operators' data)

Respectively and according to data of October 2007, the number of the LLU lines corresponds to a 5.38% penetration rate over the main telephony collections, a percentage that is significantly increased compared to the respec-

tive period of 2006, when it was 0.26% (Figure 74). It is noted that, the European average penetration rate of LLU lines over the main telephony lines was 12.77%.

Figure 74
 Penetration (%) of the LLU Lines over the Telephone Lines
 in the Member States of the EU



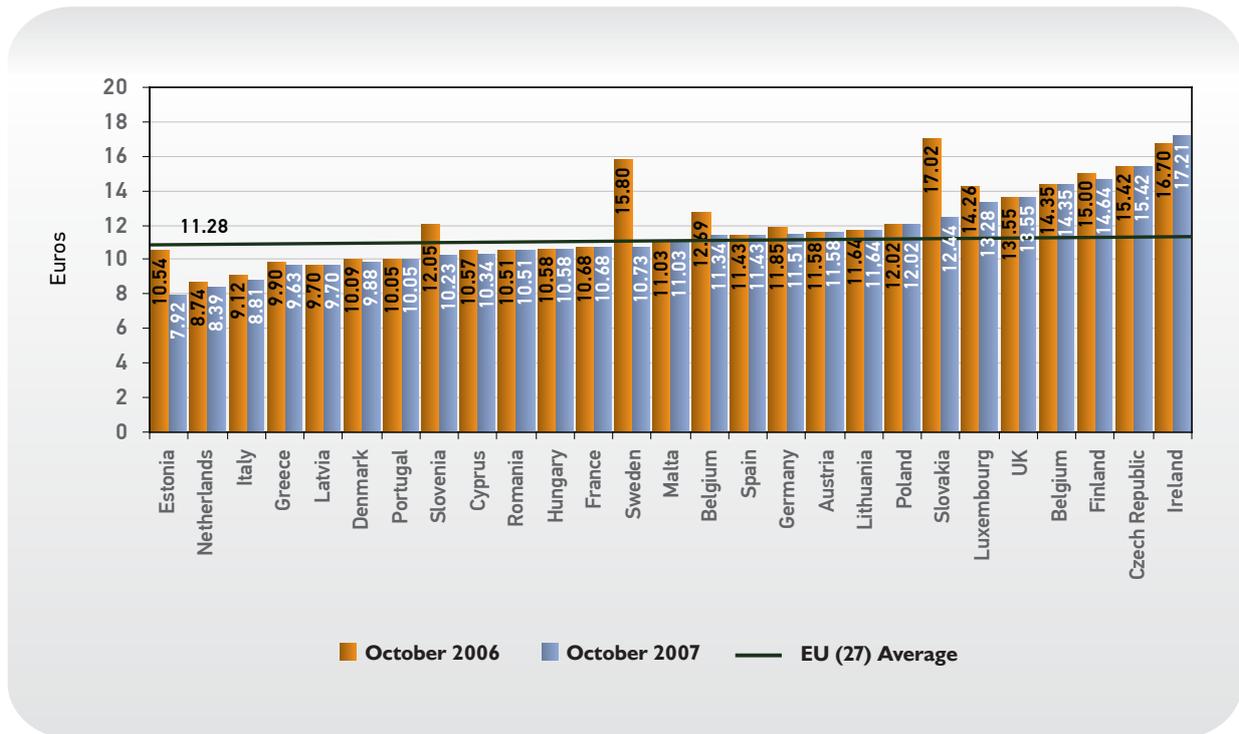
Source: 13th Report of the European Commission

I.II.5. Costs of Local Loop Unbundling

The prices of full access LLU lines remained relatively stable, presenting in most of the EU member states a slight decrease. According to data of October 2007, Greece,

with its average monthly total cost of full access LLU line at 9.63 euros, was still among the 4 cheapest member states of the EU, while at the same time the respective EU average was 11.28 euros (Figure 75).

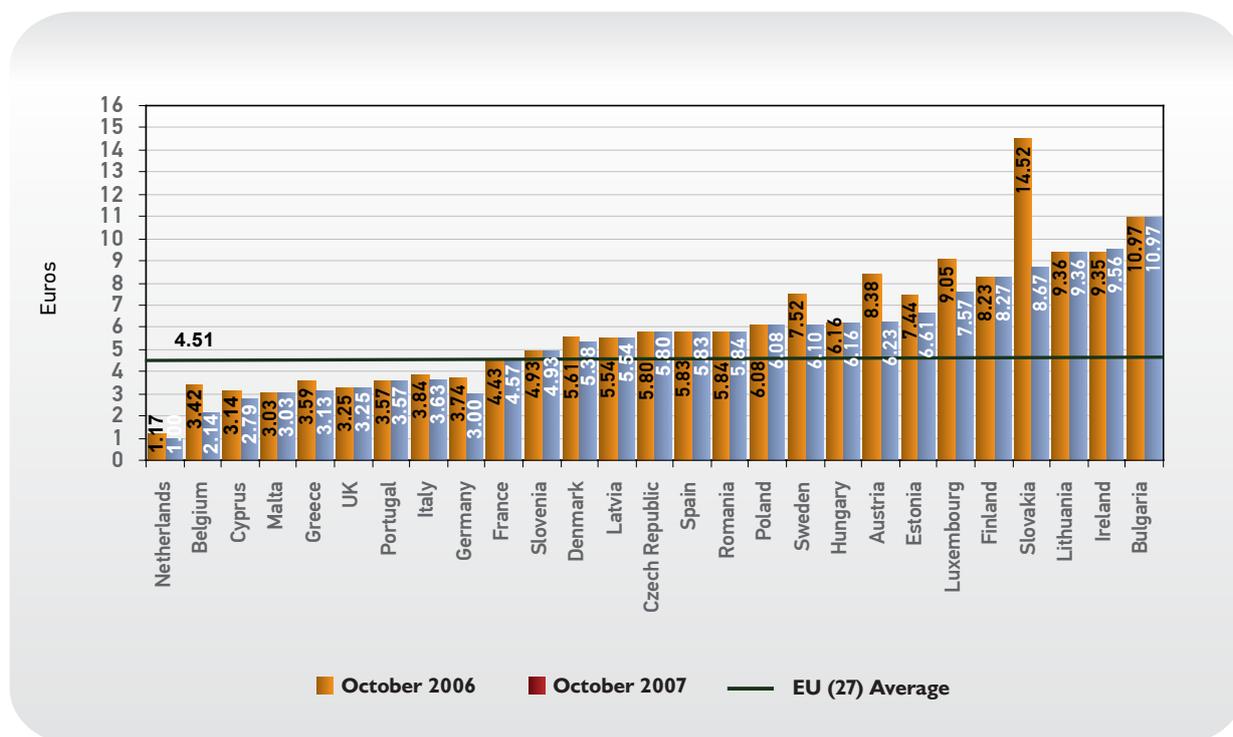
Figure 75
Monthly Average Total Cost per Full Unbundled Loop



Source: 13th Report of the European Commission

Similarly, the prices of shared access LLU remained stable except some cases in which the prices were reduced considerably compared to those of October 2006. Greece is the 5th cheapest member state in the EU, with an average cost for shared access LLU lines in October 2007 at 3.13 euros, which is by 30.6% lower than the European average (4.51 euros).

Figure 76
Monthly Average Total Cost per Shared Access



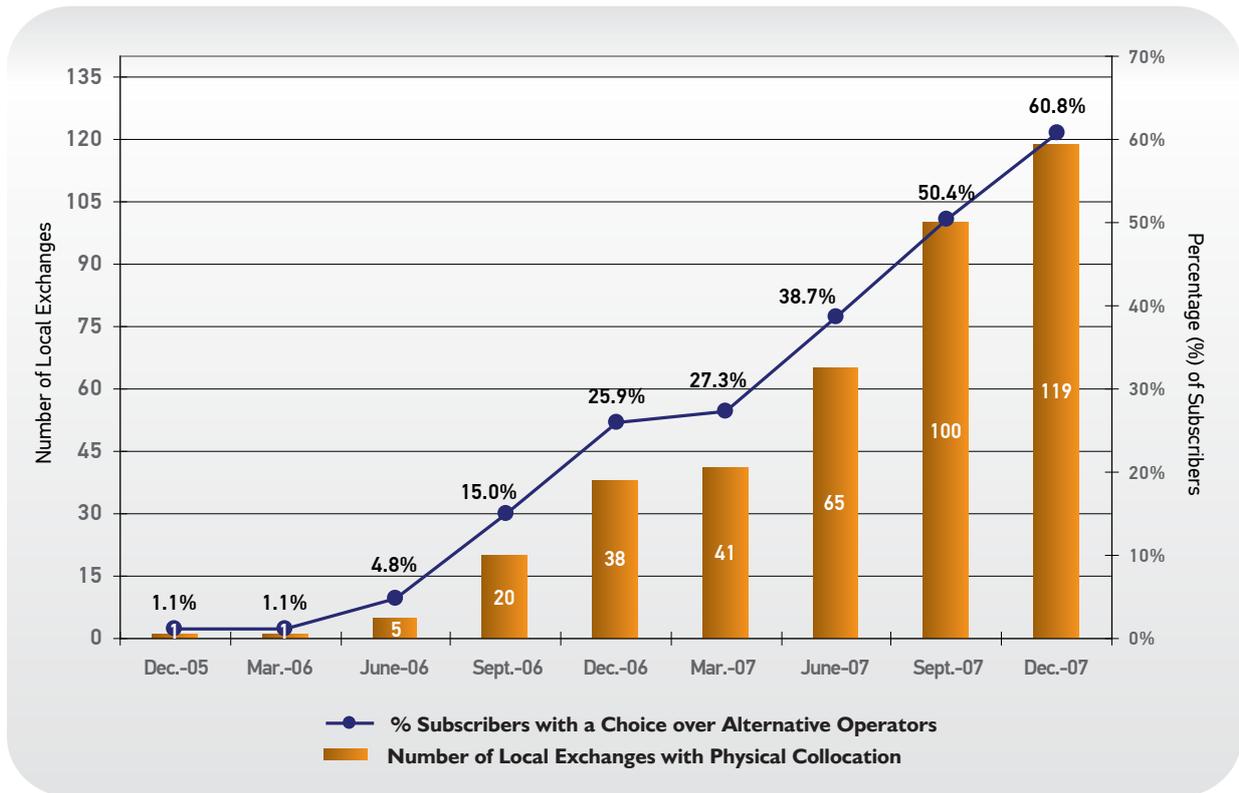
Source: 13th Report of the European Commission

I.II.6. Collocation

The number of OTE's Local Exchanges that provided Physical Collocation at the end of 2007 reached 119 and is expected to exceed 150 during 2008. It is worth mentioning that the development of the Physical Collocation was the main leverage for boosting LLU. In this way, the alternative operators gained access to OTE's Local Ex-

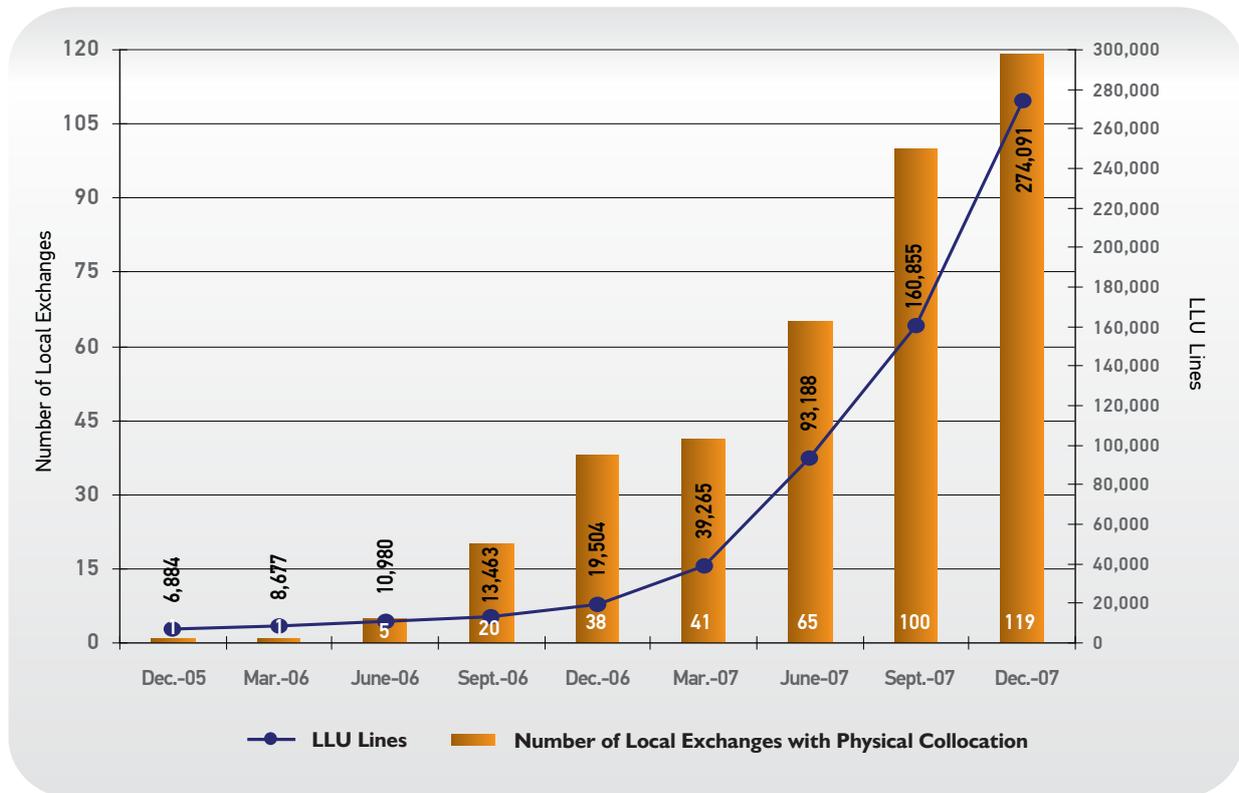
changes and the potential to provide services to subscribers of those Local Exchanges without OTE's intervention. Figures 77 and 78 present the progress of the number of Local Exchanges with Physical Collocation combined with the respective number of LLU lines and the subscribers' percentage accessed by the alternative operators as well.

Figure 77
Development of Physical Collocation



Source: EETT (based on the licensed operators' data)

Figure 78
Connection LLU - Physical Collocation



Source: EETT (based on the licensed operators' data)



02 Postal Services Sector



EETT conducts an annual survey registering the market developments and detecting issues which call for its intervention in order to ensure the operation of a sound competitive environment for the benefit of consumers.

As far as the demand for Postal Services is concerned, the examined issues refer to:

- The growth rate of the domestic market.
- The most significant business customers of the sector.
- The factors that affect the demand and the cost of Postal Services.

Regarding the supply side, the survey imprints issues such as:

- The number and the size of the providers.
- The kind of the provided Courier Services.
- The level and the structure of employment.
- The growth rate of infrastructure in the market.

Furthermore, the survey analyses the competition level among the sector providers and examines their investment activity in the Postal Services sector. Specifically, it registers:

- The market shares of the biggest providers.

- The negotiating power of the customers and the providers.
- The development methods and the barriers to entry for the new providers in the market.

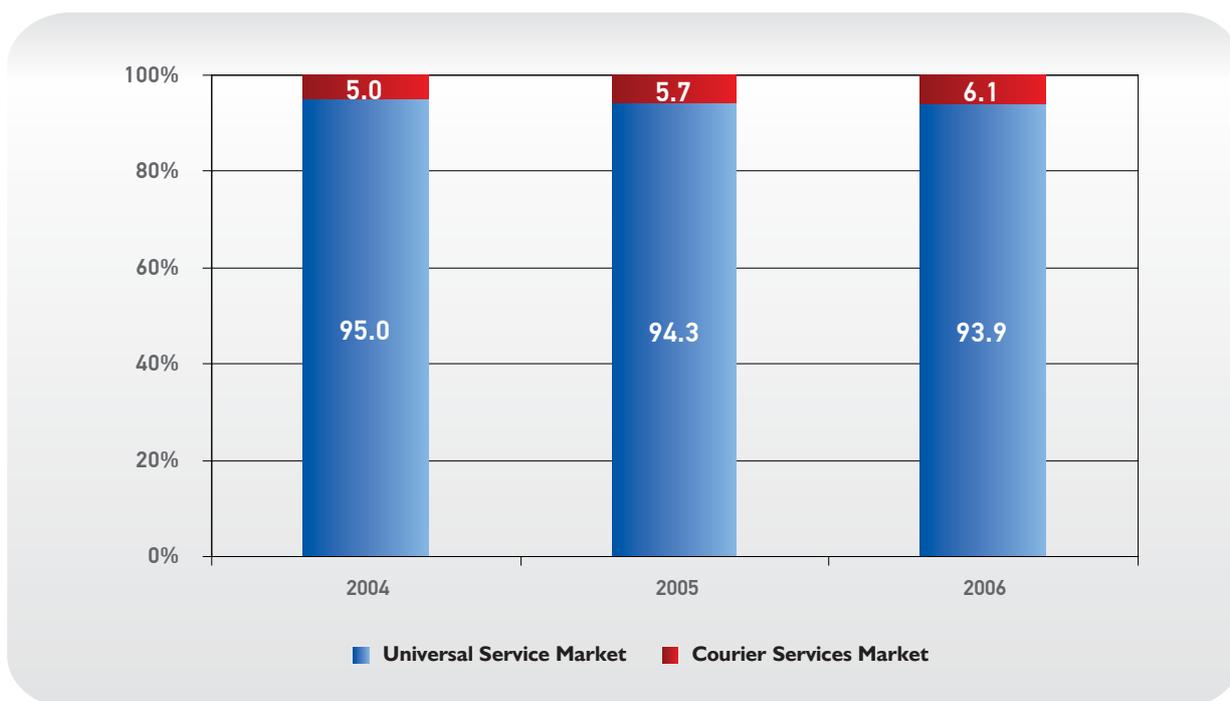
For 2006, the rate of the participants in the survey ranged at 65% (195 providers out of 301). The above rate corresponds to 97% of the Courier Services market, in terms of the distributed items' volume. The data presented below refer to the total market and resulted from the reduction of the survey results to 100% of the market size.

2.1. The Greek Postal Services Market

The annual turnover of Postal Services providers in Greece corresponded to 0.27% of the Gross National Product (GNP) for 2006. The Postal Services are provided by:

- The Universal Service Provider (USP) which for Greece is the Hellenic Post (ELTA).
- The private Postal Services providers who operate either in the Courier Services market under a General Authorization or in the liberalized section of the US under an Individual Licence.

Figure 79
Greek Postal Services Sector: Volumes of Postal Items (%), 2004 - 2006



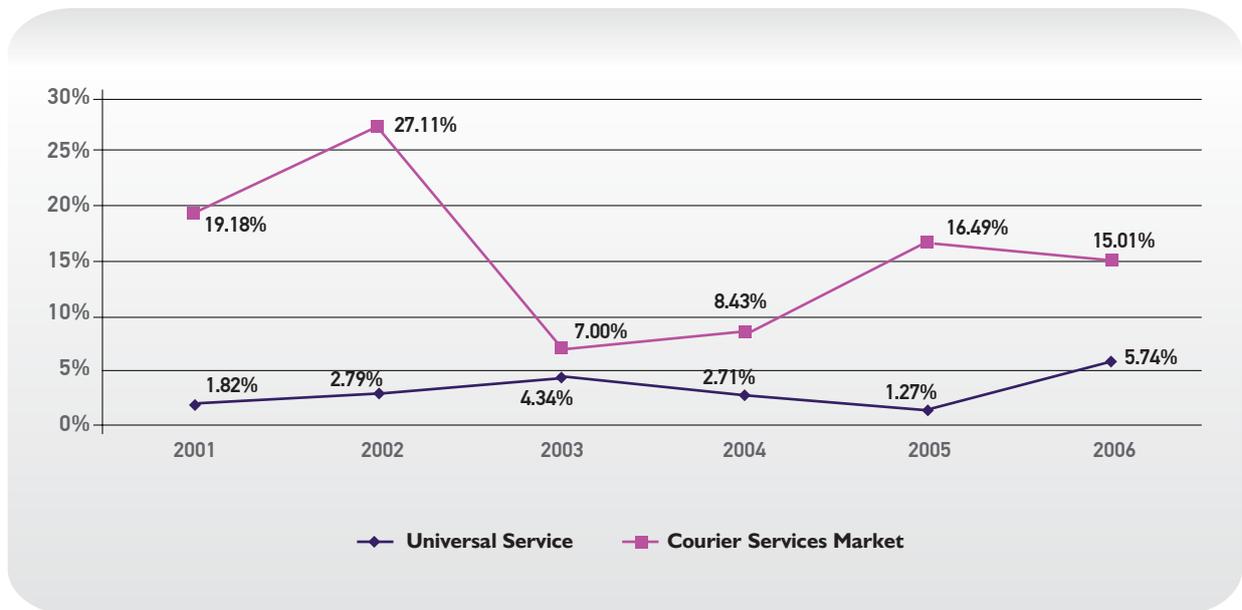
Source: EETT

During 2006, 732 millions of postal items were distributed in the Greek Postal Services market while 93.9% of those corresponded to the US market. As far as the volumes of the distributed postal items are concerned, a clear differentiation between the growth rates of the two markets is observed. Specifically, the average annual growth rate for the Courier Services market is estimated at 15.5% for the period 2000 - 2006, while the respective rate for the US market was 3.1%. A direct consequence of the differ-

entiated growth of the two markets is the gradual reduction of the US market share in terms of the distributed postal items volume (from 95.0% in 2004 to 93.9% in 2006).

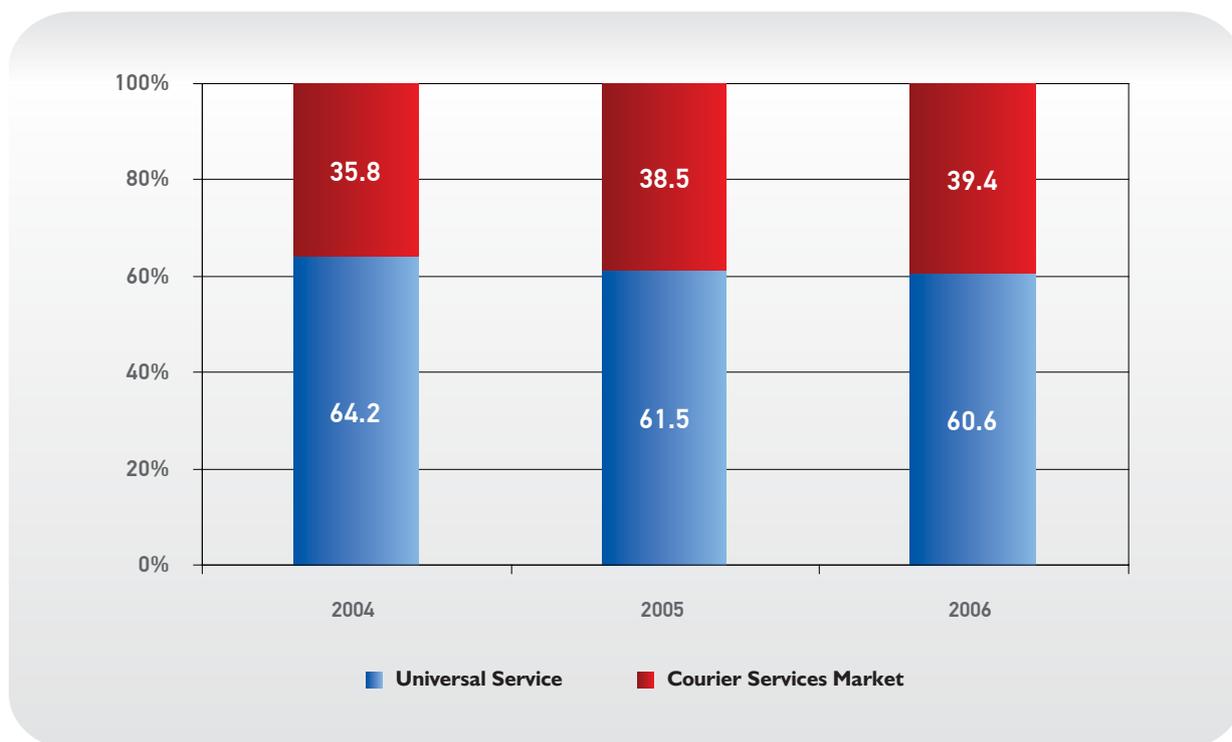
Figure 80 presents the growth rates of the above markets for the period 2001 - 2006. It is noted that the Courier Services market continues to grow, contrary to the mature levels of the US market.

Figure 80
Greek Postal Services Sector: Variation of Postal Items Volumes (%), 2001 - 2006



Source: EETT

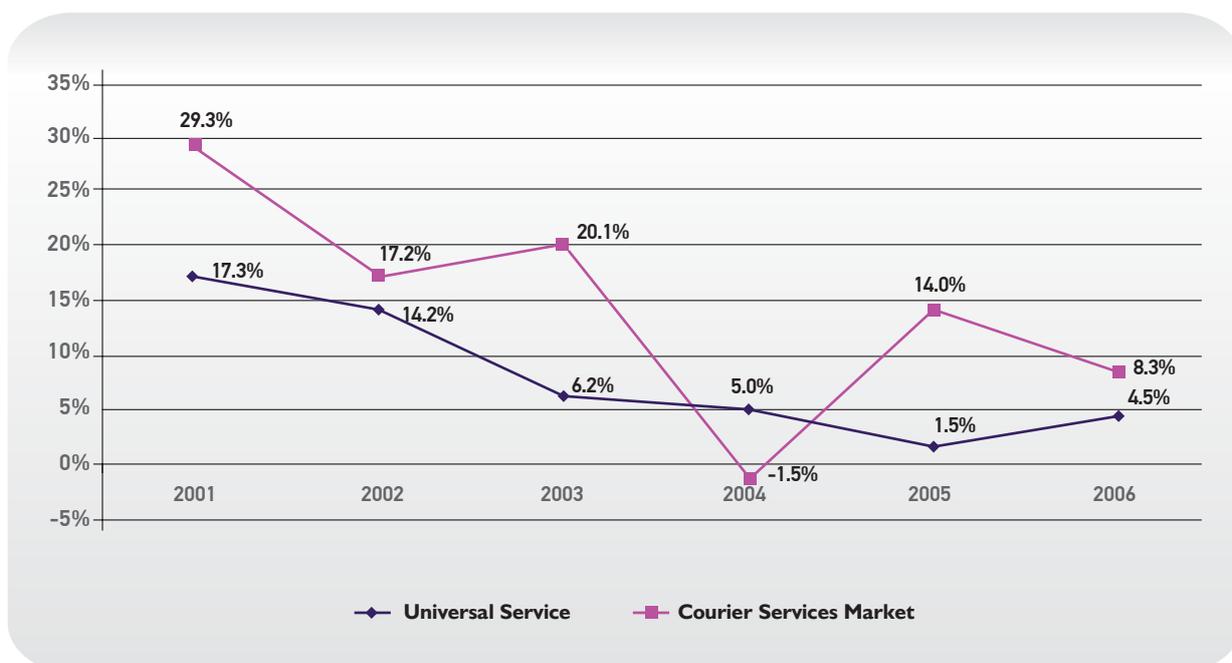
Figure 81
Greek Postal Services Sector: Postal Items Revenues (%), 2004 - 2006



Source: EETT

The Postal Services revenues ranged at 669 million euros, while 60.6% of those revenues corresponded to the USP. The price of each service is a significant factor affecting the allocation of the volume - revenue shares among the US and the Courier Services markets.

Figure 82
Greek Postal Services Sector: Variation of Postal Items Revenues (%), 2001 - 2006



Source: EETT

2.1.1. The Greek Courier Services Market

During 2006, the Courier Services market distributed almost 45 millions postal items, registering an increase of 15.1% in relation to 2005. The market revenues reached 263 million euros having increased about 8.6% in relation

to the previous year. Despite the historical growth of revenues, the average revenue per postal item decreased mainly due to the fact that the average annual growth of the distributed postal items volume exceeded the respective one of the revenues (see Table 6).

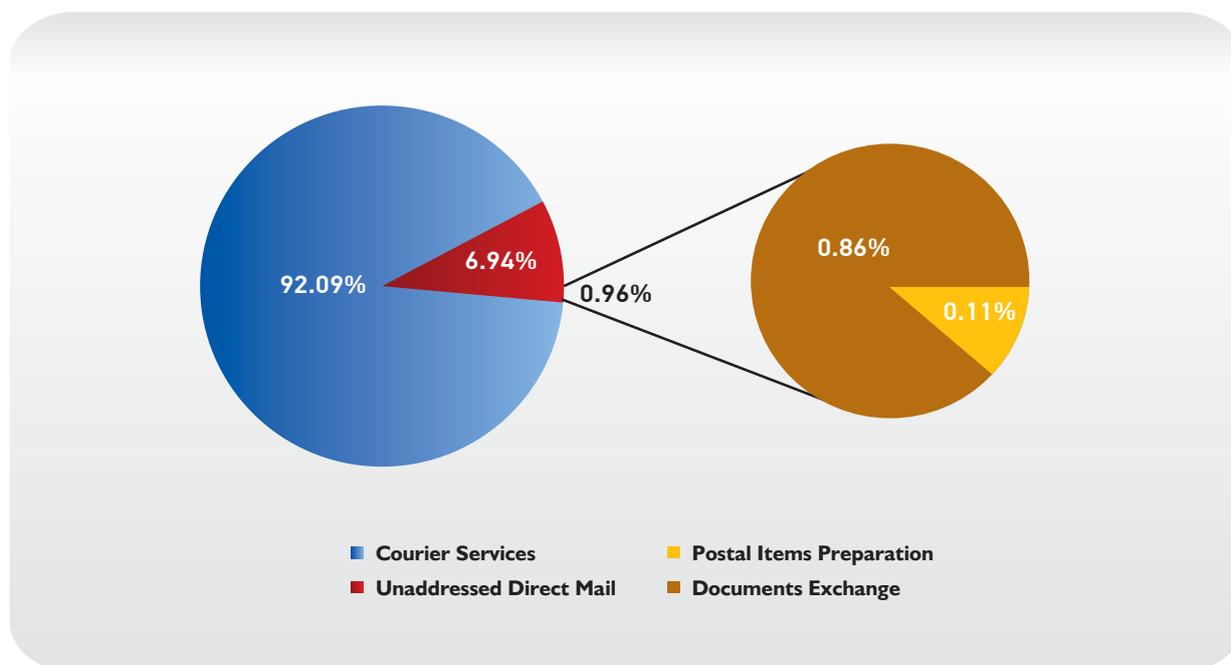
Table 6
Average Revenue per Postal Item (Courier Services Market)

	2000	2001	2002	2003	2004	2005	2006
Average Revenue (euros)	6.21	6.74	6.22	6.98	6.34	6.21	5.85
Change (%)	-	8.53	-7.77	12.28	-9.16	-2.13	-5.80

Source: EETT

The allocation of the volume distributed by the Courier Services providers is of great interest as well. Figure 83 presents the Courier Services which constitute 92% of the total volume of the distributed items and 99% of the generated revenues. The second most important service category is the unaddressed direct mail (6.9%) followed by the postal items' preparation and document exchange with smaller percentages.

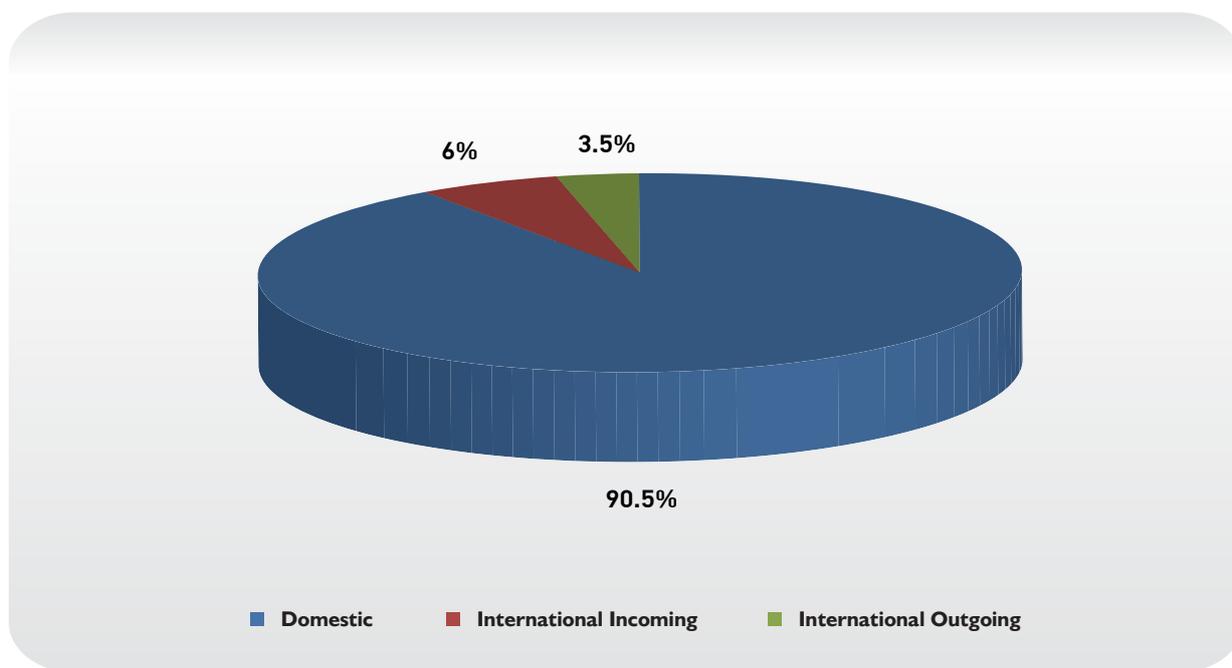
Figure 83
Volume Allocation of Courier Services



Source: EETT

During 2006, the postal items that are deposited and delivered within the country represented the largest portion (approximately 90%) of the total correspondence volume, while they generated 68% of the total revenues. On the contrary, the international correspondence (international incoming/ outgoing) constituted a small percentage (barely 10%) of the total volume, though yielded approximately 1/3 of the total revenues.

Figure 84
Volume Allocation of the Domestic/ International Postal Items (%)

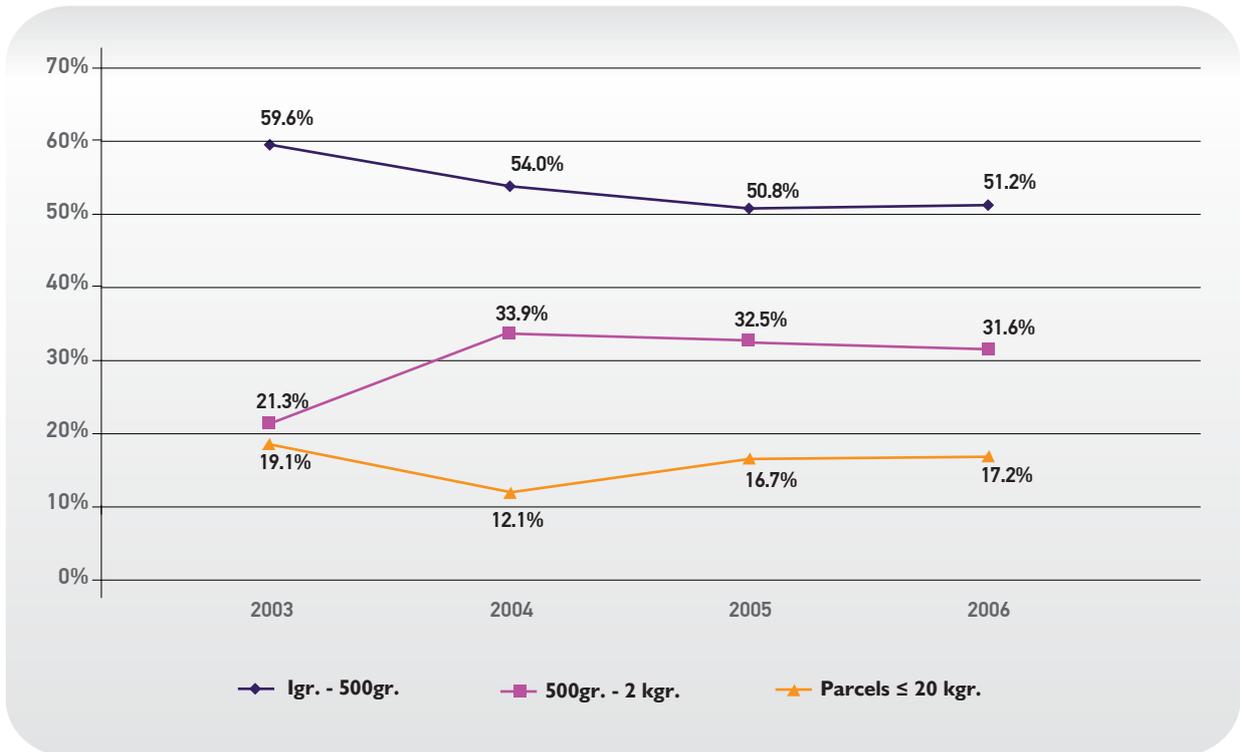


Source: EETT

The majority of the domestic postal items volume is being handled by providers with strong and nationwide autonomous networks, which are able to distribute large volumes of postal items. Respectively, the majority of the international postal items is being handled by multinational providers with international networks. Hence, the autonomous distribution is the most common way of handling postal items in Greece.

In 2006, the parcels under 20 kgr. accounted for 17.2% of the total Courier postal items presenting a 0.5% increase compared to 2005. The majority of the distributed items (51.2%), weighted under 500 gr., standing at the same level with 2005.

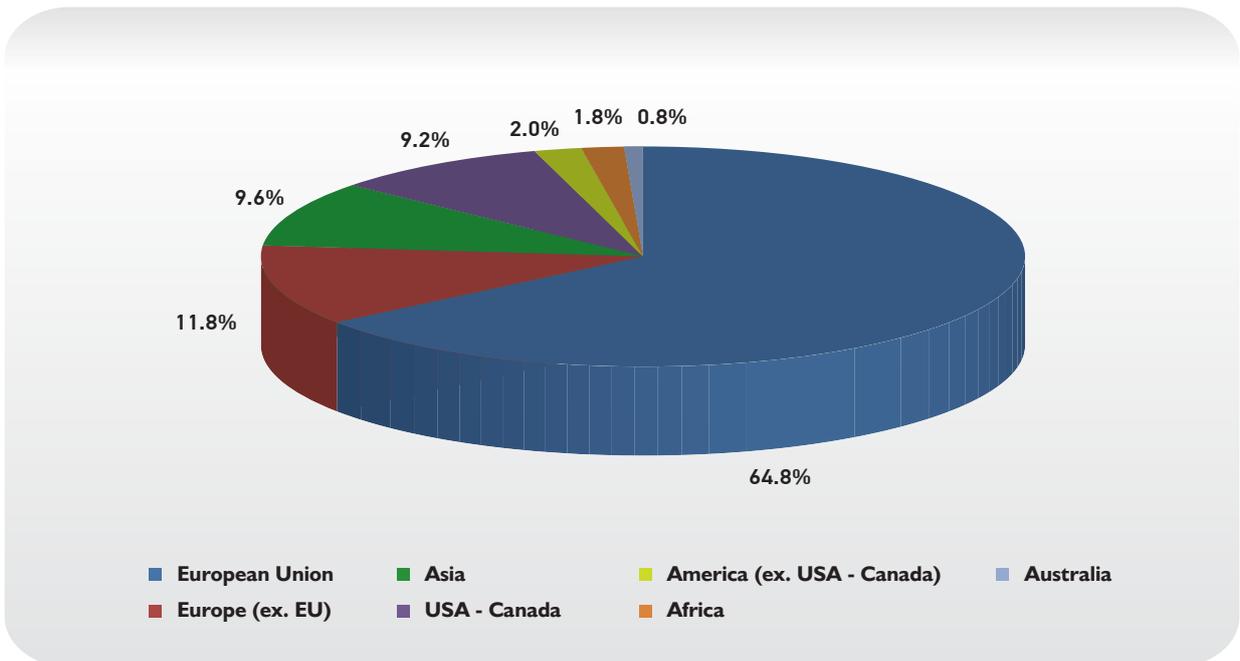
Figure 85
Annual Evolution of the Postal Items Distribution (%) per Weight Category



Source: EETT

The destination of the international outgoing mail is mainly (76.6%) the European countries (EU and non EU members), followed by the USA-Canada and Asia that each receives 10% of the postal items of this category (see Figure 86).

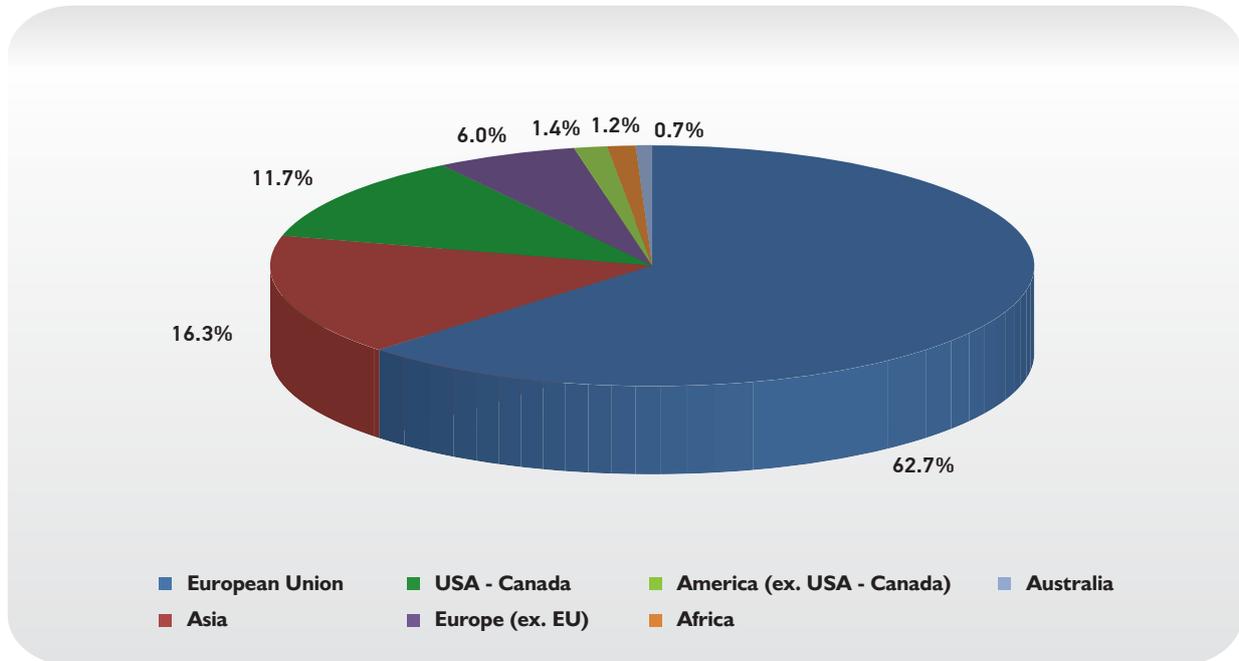
Figure 86
Volume Allocation of the International Outgoing Postal Items per Destination (%)



Source: EETT

The scheme is slightly different for the origination countries of the international incoming mail (see Figure 87). Almost 68.7% of these items originated from the European countries (EU and non EU member countries). However, an important percentage (16.3%) of courier items came from Asia demonstrating the strong business bonds between the Asian countries and Greece, while about 11.7% of the international incoming items originated from the USA and Canada.

Figure 87
Volume Allocation of the International Incoming Postal Items per Origination (%)



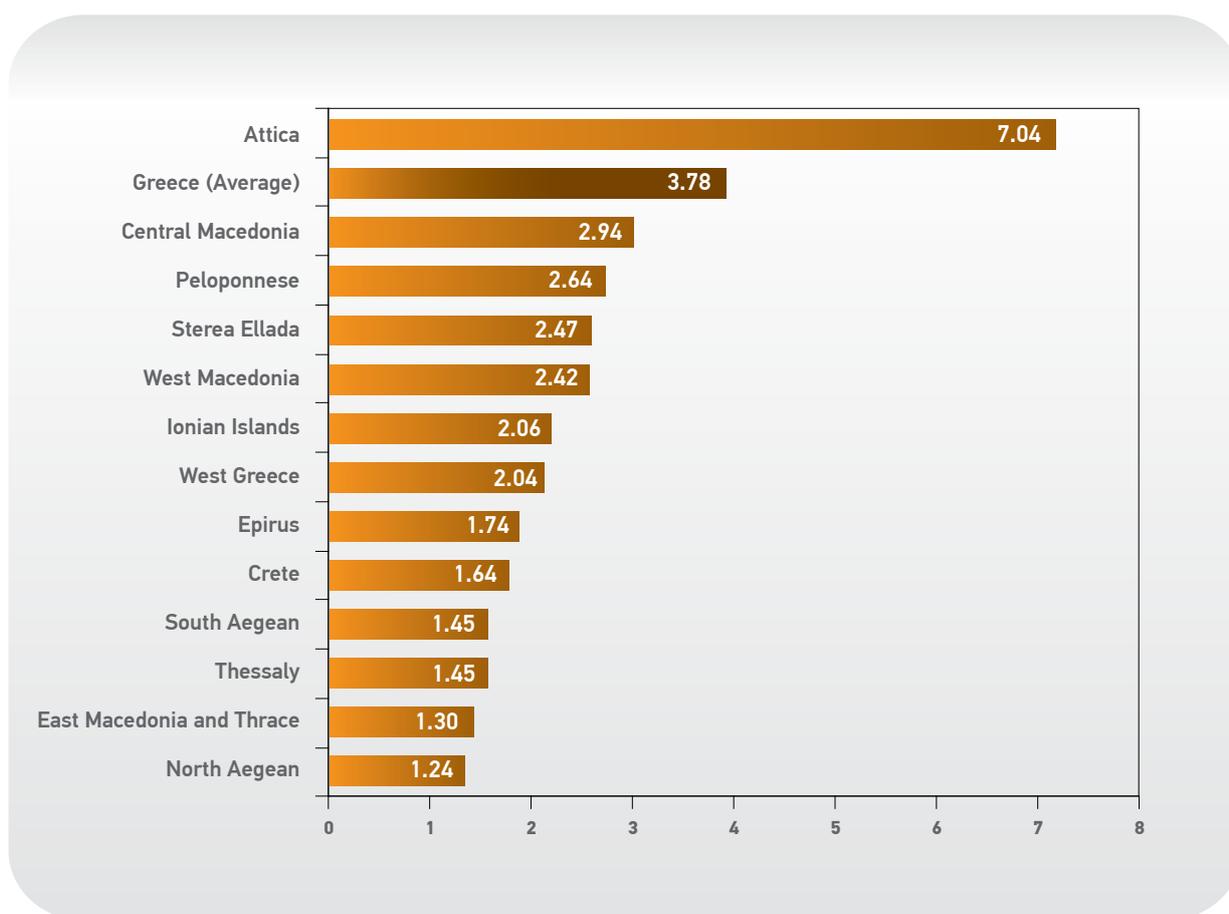
Source: EETT

The demand for Courier Services differs between the Administrative Regions of Greece, as depicted in Figure 88 which presents the postal items per resident for all Greek Regions in 2006. This number is calculated by combining the volume of the postal items with the population of the Greek regions according to the provisional data of 2001 census.

Specifically, Attica presented the higher demand with 7.04 postal items per resident. Additionally, the providers operating

in this specific region distributed 64% of the total postal items volume according to EETT's survey. Central Macedonia and Peloponnesus occupied the following places with 2.94 and 2.64 postal items per resident, respectively. The demand for Courier Services was lower in North Aegean and Thrace (1.24 and 1.30 items per resident, respectively). It is worth mentioning that the prices for this specific indicator stand below the national average (3.78 postal items per resident) for all Greek regions except Attica.

Figure 88
Postal Items per Resident, 2006



Source: EETT

According to EETT's survey, the factors that affected the demand for Postal Services in 2006 are the following (from most important to less important):

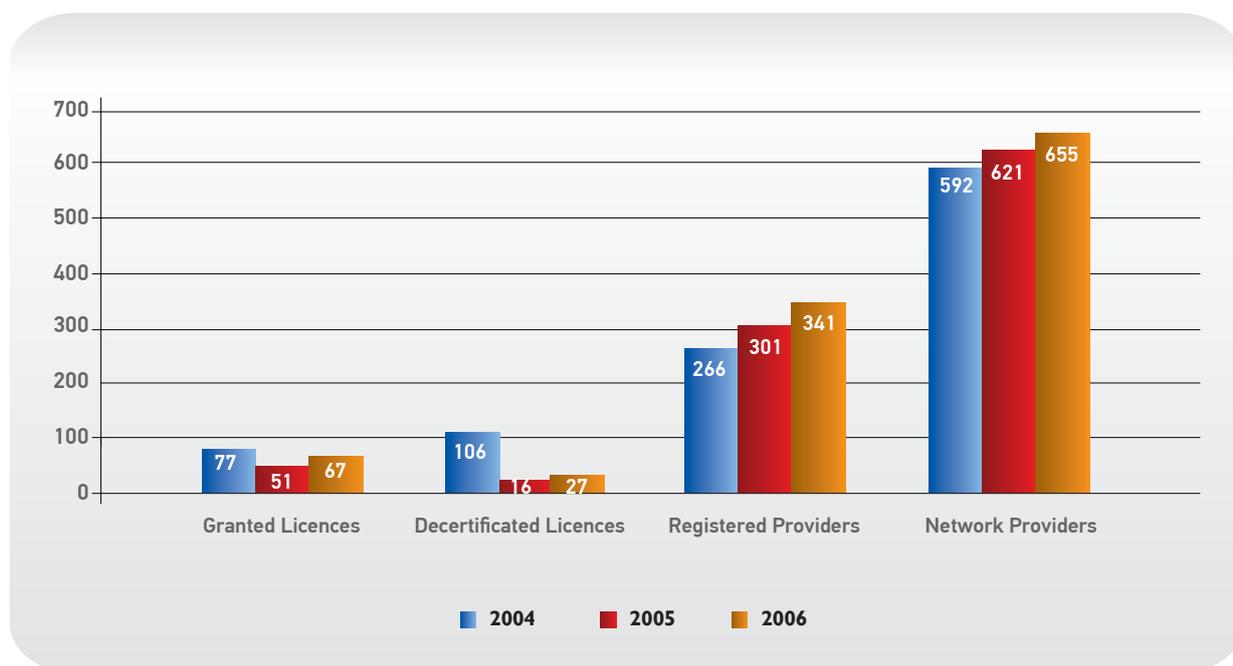
1. Quality of customer service.
2. Company's credibility in the market.
3. Price of the provided services.
4. Income level of the customers.

It is worth mentioning that the findings of the survey in relation to the aforementioned subject, do not vary considerably compared to those of the period 2004 - 2005.

The major clients of Courier Services providers come from trade (39% of items) and services sector (31% of items). Specifically and as far as the distributed postal items volume is concerned, the advertising and the tourist companies are the most important corporate clients of courier providers followed by the information technology companies, the banks and the insurance companies, the editorial companies and finally, the Electronic Communications operators which all have relative smaller volume and revenues shares.

Within 2006, the number of the registered postal providers in EETT's Registry increased by 13% compared to 2005, as shown in Figure 89.

Figure 89
Number of Licensed Postal Providers, 2004 - 2006



Source: EETT

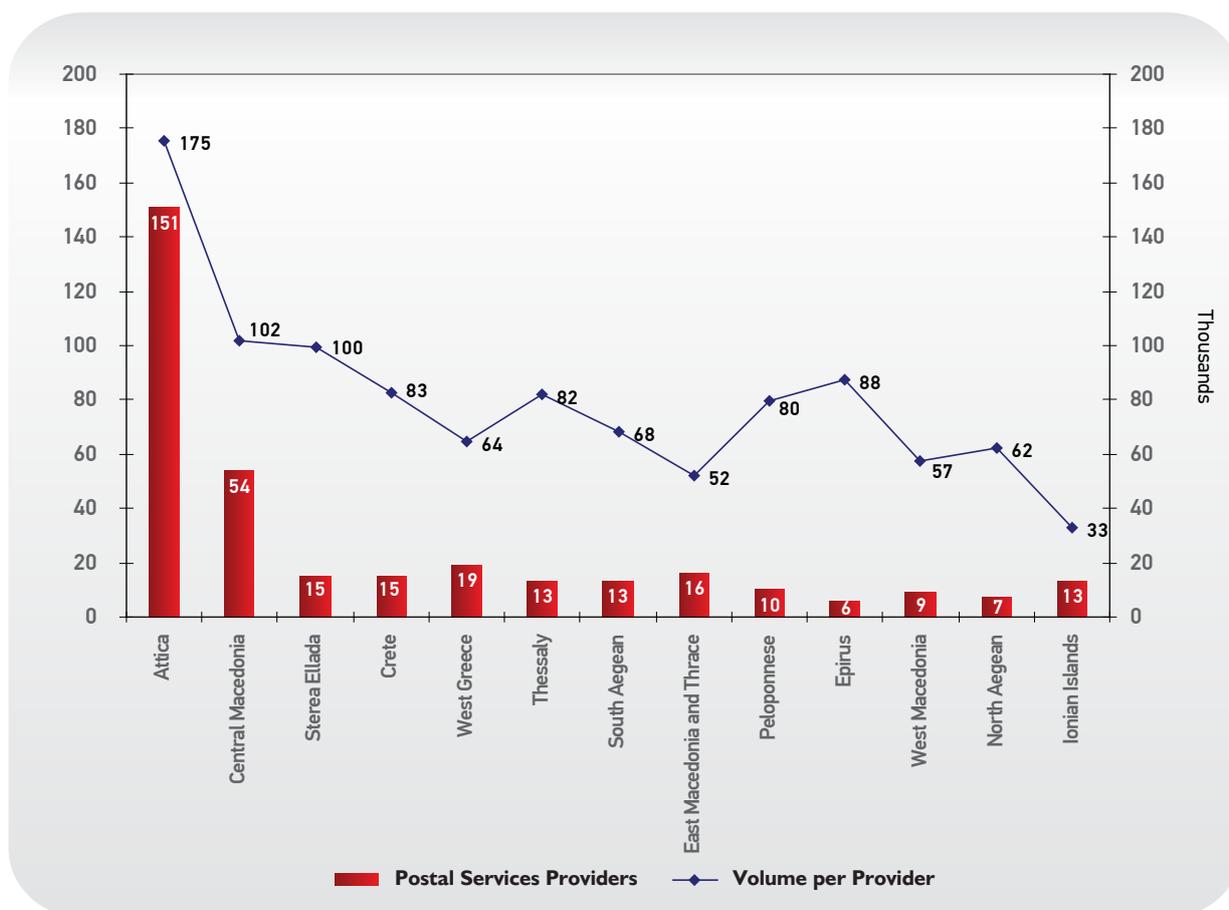
Table 7 presents the geographic distribution of the head offices of Courier Services providers. Additionally, Figure 90 illustrates the regional distribution of the registered providers, as well as the average postal item volume per provider.

Table 7
Geographical Distribution of Courier Services Providers, 2005 - 2006

Geographical Area	2005	2006
Attica	132 (44%)	151 (44%)
Central Macedonia	48 (16%)	54 (16%)
Greece (excluding Attica and Central Macedonia)	121 (40%)	136 (40%)
Total	301 (100%)	341 (100%)

Source: EETT

Figure 90
Geographical Allocation of the Licensed Courier Services Providers
and Postal Items per Provider, 2006



Source: EETT

In 2006, the 9 largest companies of the sector distributed almost 85.5% of the postal items volume compared to 87.3% in 2005. Furthermore, the market share of the 5 largest providers of the sector was reduced by 3.6% compared to 2005. It is noted that only one provider had a 30% market share in terms of postal items volume and almost a 24% market share in terms of generated revenues.

During 2006 and with respect to the prices of the provided services, the prices of mail Courier Services reduced, while the prices of parcels increased. For the same period, no significant change occurred in the prices of the unaddressed direct mail, of the items' preparation service and of the documents exchange services.

The factors that affected the prices for 2006 are the following (from most important to less important):

1. Dispatch time of the service.
2. Postal item's weight.
3. Postal item's destination.

The control over the cost of the provided services is the main concern of the Courier Services providers. It is mentioned that the personnel salaries and the operational expenses are the major cost categories of the sector's providers.

The increasing demand for Courier Services shaped the conditions for further personnel employment in order to meet the increasing needs. It is estimated that in 2006 the sector employees amounted to 10,737 individuals increasing by 1% compared to 2005. Almost 81% of this workforce was full-time employees. Furthermore, the majority of the market employees (91%) has received compulsory or secondary education. Moreover,

the proportion between mail-men and other courier staff was altered during 2006. Specifically, 48% of the total workforce of the providers and their subsidiaries consisted of mailmen, while the residual 52% entailed other personnel expertises.

In 2006, the number of the transportation means of the Courier Services providers for the first time was reduced by 11% contrary to the continuous growth of the previous years, mainly due to the decline of the number of the transportation means occupied by the network subsidiaries.

The strategies adopted by the Courier Services providers in order to develop their business and establish their market position are mainly two:

- The close monitoring of the competition regarding the pricing of the provided services, in order to provide services affordable as possible, and win back the customers and consequently, the market shares previously lost, by their competitors.
- The provision of innovative customised services, in order to meet special customer needs and be more competitive.

In order to fulfil the aforementioned goals, the providers proceed in upgrading their technological infrastructure and training their employees.

In this context, the providers have adopted state of the art technologies for the best service of their customers. Most of them use other information systems beside Special Postal Item Tracking System (SPITS). Additionally, a small percentage of the registered providers possess scanners (barcodes) used by their mailmen, automated screening systems, electronic filing and invoicing systems, as well as Internet based Customer Relationship Management (CRM). Finally, almost 74% of the market participants confirmed that they command a fully organized call centre.

Another strategy that is broadly adopted by the market participants and aims at increasing their market shares is the expansion of the consumer points of presence by contracting or co-operating with other courier providers. The multinational courier providers without any wide-range autonomous networks co-operate with other (big or small-sized) Courier Services providers that operate nationally, regionally and/or locally, in order to acquire points of presence across the country and expand fur-

ther in the Greek market. Respectively, the providers without any international postal network for cross border postal distribution co-operate with international Courier Services providers that operate in Greece, in order to provide the relative services.

As far as the medium-sized providers are concerned, they mainly co-operate with small-sized courier providers operating locally, in order to expand their network and achieve economies of scale. In this way, they ensure their presence in the Courier Services market and achieve their further economic development.

According to the survey conducted by EETT, the most important problems of the market are the following:

- Continuous price squeeze of the provided services.
- Increasing operational costs.
- Existence of many unregistered small family providers which do not possess the proper infrastructure for providing quality services.
- Lack of highly skilled human personnel.

Nevertheless, the sector's perspectives are particularly positive since a further increase in the demand of all Courier Services is anticipated. Specifically, an increase of 7% in the parcels Courier Services is expected along with a 4% increase in the unaddressed direct mail, a 3% increase in the mail Courier Services and a 1% increase in the items' preparation services and documents exchange services.

The largest increase of the demand regarding the domestic postal items volume is expected to happen in Attica, while regarding the international incoming/ outgoing items is anticipated in the EU countries. A significant factor for the further growth of the domestic market is the operation of the Greek providers in the neighbouring countries and the increase of postal-related investments in the Greek Territory. Eventually, the growth of the commercial transactions in the Balkans is expected to boost the development of both national and international Courier Services providers operating in Greece.

In conclusion, the growth perspectives for the Courier Services market are, also corroborated by the increasing trend of the courier items' indicator per resident. Specifically for 2006, 4.11 courier items corresponded to every Greek resident while the respective indicator for 2005 was 3.57.

2.1.2. Postal Services Market under the Individual Licences Regime

Since the 1st of January 2006, the Greek USP (ELTA) is the exclusive distributor for the postal items of A' Priority Domestic Mail that weight under 50 gr. This maximum weight limit does not hold if the price is equal or by 2.5 times bigger than the public fees for a letter of 20 gr. of the A' Priority Domestic Mail.

As far as the US liberalized market segment is concerned, there are 5 providers with Individual Licence from EETT,

registered in the Postal Services Providers Registry. Also, 4 of them provide Postal Services on a regular basis. The providers in question distribute 1.18% of the US postal items and have a 0.84% market share of the US generated total revenues.

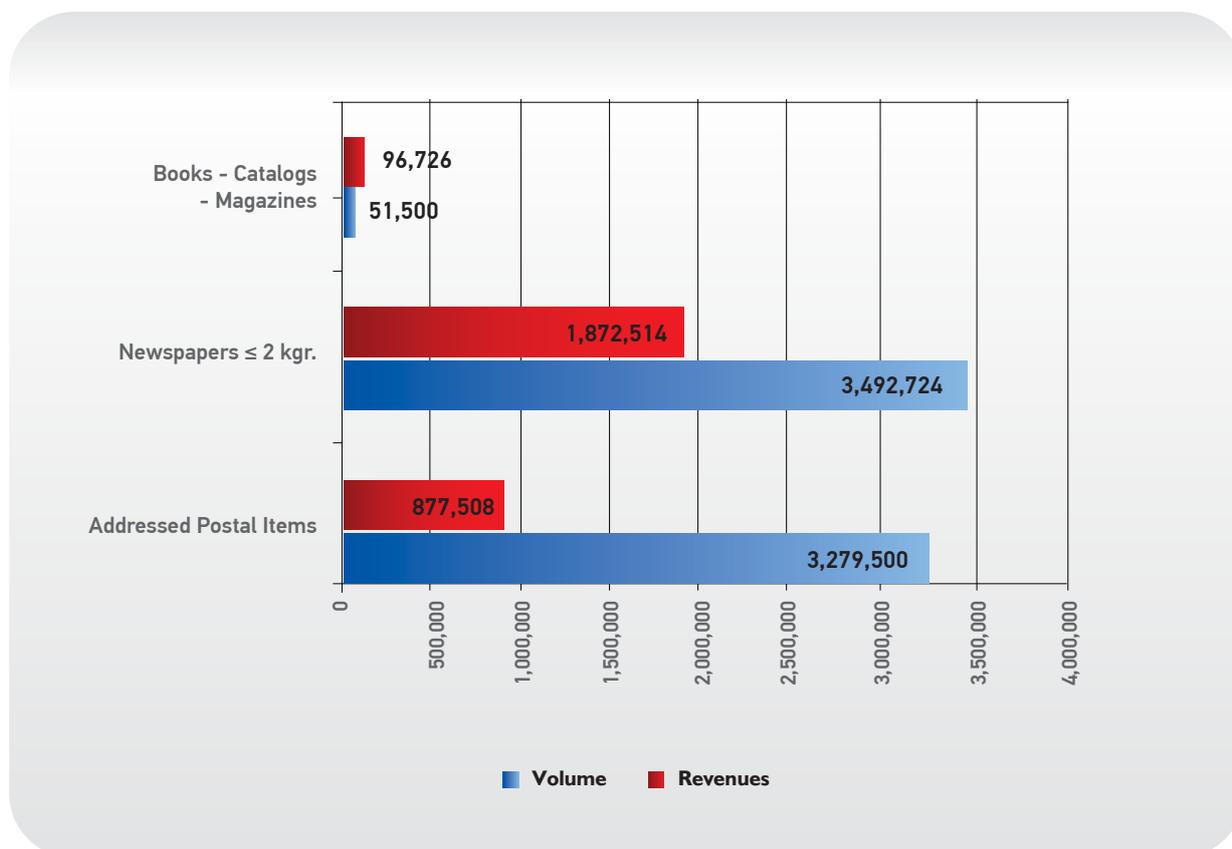
Table 8 presents the volume and the respective revenues of the aforementioned providers for rendering Postal Services. It is mentioned that the examined postal providers do not provide letter-post mail that weight under 2 kgr. and parcel services that weight under 20 kgr.

Table 8
Postal Items Distribution per Provided Service under Individual Licence

Postal Service	Volume	Revenues (euros)	Average Revenue per Postal Item (euros)
Addressed Direct Mail	3,279,500	877,508	0,268
Newspapers ≤ 2 kgr.	3,492,724	1,872,514	0,536
Books – Catalogs - Magazines	51,500	96,726	1,878
Total	6,823,724	2,846,748	0,400

Source: EETT

Figure 91
Volume and Revenues of Postal Services Providers under Individual Licence, 2006



Source: EETT

The following Tables 9 - II present data related to personnel, building infrastructure and transportation means for the postal providers that operates under Individual Licence.

Table 9
Personnel of Providers under Individual Licence, 2006

Employment		Personnel Type	
Full - Time	68 (32.5%)	Mailmen	184 (88.0%)
Part - Time	141 (67.5%)	Other Personnel	25 (12.0%)
Total	209	Total	209

Source: EETT

According to the data provided by the survey participants, the average postal revenue per employee amounted to 19,000 euros for the 2006, compared to 24,500 euros that is the respective revenue for the providers under General Authorization. This fact is attributed to the different nature of the Postal Services provided under the Individual Licence Regime.

The providers under Individual Licence maintain well-organized networks (a large number of subsidiaries - agencies) in order to service better and more efficiently their consumers. Tables I0 and II show that the majority of the building and transportation infrastructure belongs to the networks of the providers under Individual Licence.

Table I0
Infrastructure of the Postal Services Providers and their Networks, 2006

	No of Buildings	Size (m ²)	Average Size (m ²)
Postal Services Provider	15	3,601	240.07
Network (Agencies or Subsidiaries)	67	5,605	83.66
Total	82	9,206	112.27

Source: EETT

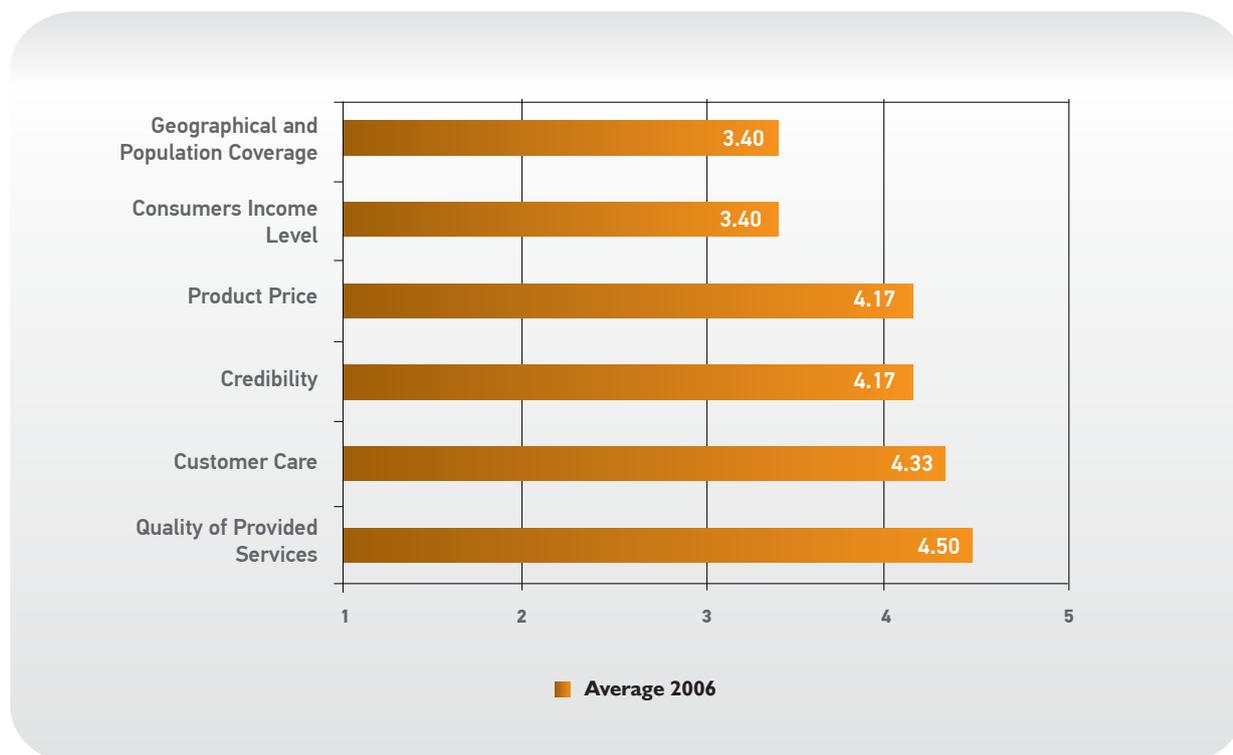
Table II
Transportation Means of the Postal Services Providers and their Networks, 2006

Production Vehicles	85 (51.5%)	Postal Services Provider	44 (26.7%)
Motorbikes	70 (42.4%)	Network (Agencies or Subsidiaries)	121 (73.3%)
Other Vehicles	10 (6.1%)	Σύνολο	165
Total	165		

Source: EETT

The views of the market participants concerning the determinative factors that affect the demand for Postal Services are of great interest. The results were produced by using a weight average range from 1 to 5, where 5: most important to 1: less important.

Figure 92
Determinative Demand Factors for Postal Services
under the Individual Licence Regime



Source: EETT

2.2. The European Postal Services Market

The EU Postal Services sector is estimated to distribute 135 billion items per year; generating about 88 billion euros, which is 1% approximately of the EU GNP¹¹. In 2005 the European Postal Services market employed almost 0.6% of the EU total workforce¹² (data from Italy and Bulgaria is not included).

Setting aside the directly occupied personnel, another 4 millions jobs are expected to be driven by the growth in this sector due to the investments made in technology, equipment, infrastructure, as well as to the third parties contracting sector. Consequently, the sector is anticipated to contribute 203 billion euros in total in the EU GNP (2.3%).

The Business to Business (B2B) market constitutes the major postal client in Europe, since it dispatched 88% and

received 30% of the total distributed postal items during 2006¹³.

The competition level differs between the various segments of the European Postal Services market. The European USPs remain dominant in the letter-post market holding a 75% share of the total revenues, despite the fact that strong competitive pressures have emerged during the last years. For example, in Germany, the postal items volumes increased from 16.6 billions in 2003 to 17.4 billions in 2006, while at the same time the competitors of the German USP (i.e. DEUTSCHE POST) increased their market share from 0.5 to 1.6 billion items for the same period¹⁴. The European express delivery industry (courier/ cargo) was intensively competitive since 6 providers (DHL, DPD, FEDEX, GLS, TNT, UPS) are considered to be dominant by occupying 61% of the market, while the respective national USPs have a share in 4 of them.

11. Source: European Commission, Internal Market, Postal Services (http://ec.europa.eu/internal_market/post/index_en.htm).

12. Source: Eurostat, Data In Focus: Postal Services in Europe (2004 - 2005), Eurostat - July 2007.

13. Source: WIK Consult, Main Developments in the Postal Sector (2004 - 2006), WIK Consult GmbH - May 2006.

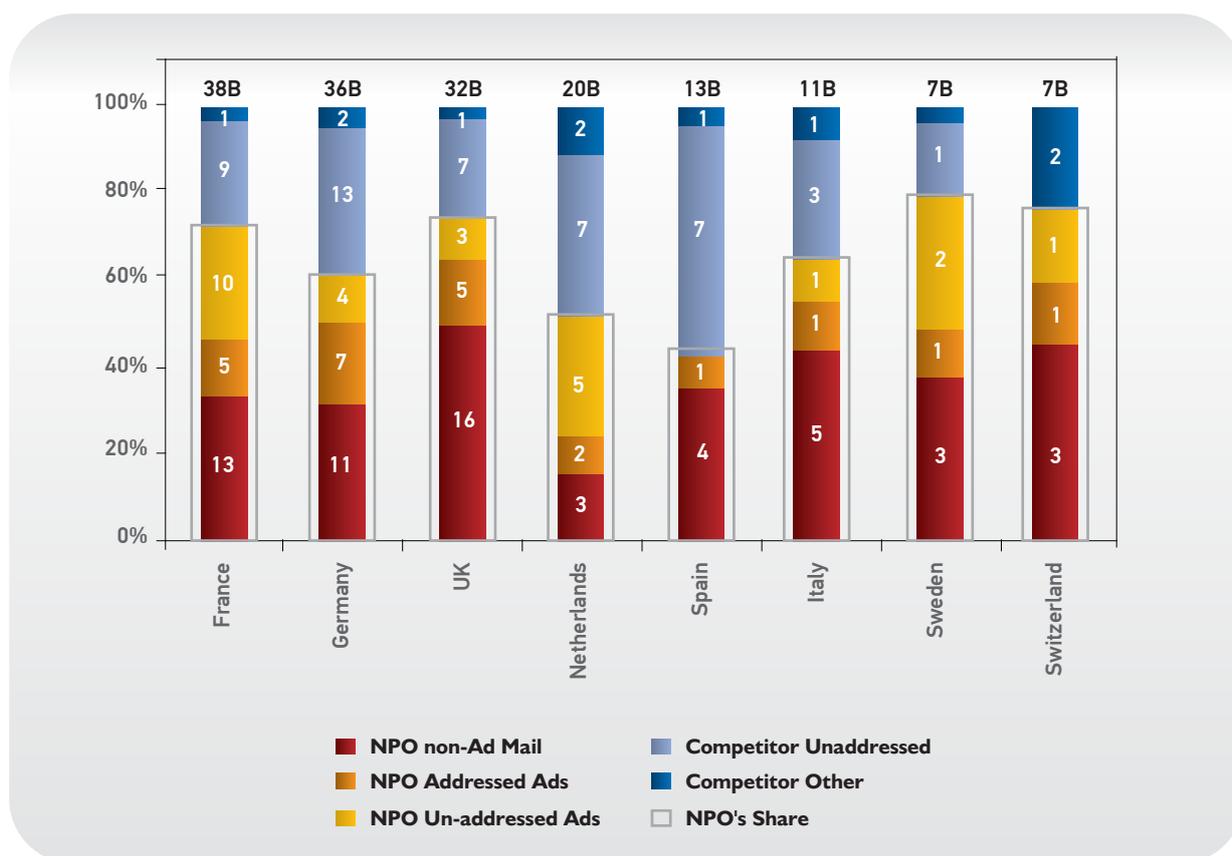
14. Source: Adrenale Corporation, Mail Trends Update - Fouad H. Nader, November 2008.

In 2006, the total number of personnel occupied in the Postal Services sector of the 27 EU member states was 1.7 millions¹⁵, from which almost 250,000 worked in the express industry sector¹⁶.

2.2.1. The Market of Letter-Post Items

The EU domestic market of letter-post items (27 members) amounted to 58 billion euros in 2006. Overall, it is estimated that 93 billions of letter-post items were distributed. The 3 largest USPs still possess a 60% market share of the European Postal Services market.

Figure 93
Revenues per Postal Service in the European Markets



Source: Adrenale Corporation, Mail Trends Update – Fouad H. Nader

The letter post market, despite the remarkable growth rates of the 1995 - 2000 period (about 2.7%), remained relatively stable for the 2001 - 2003 period (almost 0.3% average annual increase). From 2004 and onwards a small annual decrease by 0.7% is observed, which is partially offset by the significant increase of the direct mail volume (total annual expense of 40 billion euros with the direct mail comprising almost 32% of the total advertising expense¹⁷) and by the fact that the electronic

substitution of letter post exchange (e.g. bank statements) was not implemented to the extent anticipated before 2000. Bulk and direct mail represent the most dynamic postal product category in the developed EU markets. In the UK 53% of the total volume is bulk mail, while the respective percentage in France is 48% and is primarily direct mail and in the Netherlands is 41%¹⁸.

15. Source: WIK Consult (2004) "Main Developments in the European Postal Sector", EC - DG Internal Market.

16. Source: European Express Association (<http://www.euroexpress.org>).

17. Source: UPU, The evolution of the Postal Sector – Implications for Stakeholders (2006 - 2012).

18. Source: EETT, Study and Research of Greek Postal Market - Elements of European Postal Market (2007).

The USPs total revenues (EU 25) amounted to 106 billions euros for 2006¹⁹. The revenues from Postal Services comprised 55% of the total revenues, while 66% of which refers to letter post items.

Regarding the progress of the markets in the developed European member states, the data shows that the A' Priority Mail services are substituted by other low-priced services, since users mainly focus on the cost of the services. This market trend is expected to influence the profitability, the cost-accounting models and the US financing in the long run.

The bulk and direct mail are expected to present a further growth, taking into consideration that their use expands to many economy sectors and assuming that its cost will remain competitive, compared to the other traditional advertising means.

The new postal era will be characterized by stability in the postal items volumes, an important squeeze of revenues and fierce competition. This fact will induce USPs to focus on reducing costs, improving core business productivity and introducing new Postal Services in the liberalized segment of the market.

2.2.2. The Market of Parcels and Courier Services

The market of parcels and courier services operate in a fully liberalized competitive environment. According to the most recent data, the total revenue of these markets amounted to 35 billion euros approximately and is expected to register an annual increase of 4.1% by 2010.

In the European level the 5 largest providers of the sector are:

- DHL (100% subsidiary of DEUTSCHE POST).
- DPD (LA POSTE).
- GLS (ROYAL MAIL).

- TNT (member of TNT NV group).
- UPS.

According to the DEUTSCHE POST, the market share of these providers reached almost 59% of the European market.

The above mentioned market was extremely attractive during the last decade for the following reasons:

- The significant growth of e-commerce.
- The new inventory and procurement practices that resulted in the stock reduction.
- The extensive use of "just-in-time" systems, which allow the immediate distribution of small quantities of goods.
- The globalization of the logistics chain systems.

The introduction of value added services which is a necessary step for providing integrated services is anticipated to play a vital role for exploiting the sector's growth opportunities.

The above developments led the USPs to invest substantially in this particular market, despite the relatively low profit margins, the initial high capital investments and the strong competition.

In the future, the providers are expected to focus on improving their competitiveness, adopting a customer-based approach and extending the range of the provided services. Moreover, they will seek to increase their shares in the developing Business to Consumers (B2C) market and at the same time to ensure their position in the competitive B2B market. The providers that will introduce new compensation and transactions practices, in accordance with the Postal Services market requirements, will gain a significant competitive advantage.

19. Source: UPU, Postal Database.

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