



EETT

HELLENIC TELECOMMUNICATIONS & POST COMMISSION

MARKET OVERVIEW **2006**

Market Overview 2006

Maroussi 2007



HELLENIC TELECOMMUNICATIONS & POST COMMISSION

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Introduction

This review presents in detail statistical data regarding the developments in the market of Electronic Communications in Greece during 2006, while it also analyses the data and trends in the Greek Postal market, as they came up from the study entitled: "Greek Courier Market – Market data and trends for the Year 2005" conducted by EETT.

Electronic Communications Market

2006 was marked by a positive change in all economic figures under examination in the market of Electronic Communications. Turnover, gross profits and total assets raised for the majority of the companies. Mobile Telephony Companies (MTC) were the first in all individual categories, OTE's gross profits returned to a positive direction, while Other Alternative Operators (OLOs) of fixed telephony gradually improved their performance. It should be noted, however, that the different structure of the balance sheets of the companies in this market, makes it difficult to come to homogeneous conclusions. In particular, the companies listed to the Athens Exchange (AthEx) apply the International Financial Reporting Standards (IFRS) in contrast to the rest of the companies which continue to apply the Greek Accounting Standards.

In fixed telephony, competition at the level of services continues to be particularly intense. OLOs continued to broaden their shares in outgoing traffic. More specifically, at the end of the first half of 2006, the share of OLOs in outgoing calls (measured by the volume of traffic) increased to 30.7% from 28.3% at the end of the second half of 2005. In total, the increase in the share of the smaller OLO's, is considered as positive, reaching 14.5% in June 2006, instead of 16.2% of the three bigger ones. The competition was more intensified in international calls, in which OLO's have now gained an important position, as their share increased at the end of the first half of 2006 to 60.2%.

At the same time, retail revenues from fixed telephony stabilised above 1 billion euros, changing only slightly compared to the end of 2005. 56% of these revenues come from the provision of access (connection fees, monthly rentals etc.) which moved upwards due to increased revenues from the monthly rentals of PSTN and ISDN BRA connections, while the rest 44% comes from the provision of retail telephony services. In the first half of 2006, OTE shares on the basis of its retail revenues show a small decline, which is attributed solely to the decrease in its share of telephone call services, given that in the market of access OTE maintains an almost monopolistic position.

Regarding retail prices, important declines in fixed telephony were noted only in the average cost of calls from fixed to mobile phone for the majority of the companies. At the same time, the cost of a 3 minute local and national call in Greece remains below the respective European average.

Interconnection both in fixed and mobile telephony increased compared to 2005. Interconnection fees in the network of the main Greek Telecommunications Provider (OTE) were in October 2006 lower than the respective European average. In contrast, termination fees in the mobile telephony networks remain by almost 9% higher than the European average, according to the data of the 12th Report of the European Commission¹. This comparison shows a significant improvement in broadband lines compared to 2005, when the respective difference ranged to 20%, thanks to the significant decline of termination fees during 2006.

Regarding broadband, there was a remarkable rise in broadband lines that reached 500,000, recording the higher percentage increase worldwide (225%). However, Greece still remains last within the 25 member states of the European Union (E.U.), given that in September 2006 the penetration of broadband in the population was 3.3%, as opposed to 15.7% on average

¹ http://ec.europa.eu/information_society/policy/ecomm/implementation_enforcement/annualreports/12threport/index_en.htm

in the E.U. An important obstacle in the development of broadband in Greece is the low level of competition on infrastructures.

The development of Local Loop Unbundling (LLU) is particularly encouraging and constitutes an important step for increasing competition on infrastructures. More specifically, LLU lines increased at the end of 2006 to 19,500 from 7,000 at the end of 2005. Prospects in this area are positive, given both the low charges of LLU and the significant growth of collocation during the second half of 2006. In detail, the number of local exchanges (LE) of OTE, in which collocation is provided, reached 38 in December 2006, from 1 in December 2005.

Postal Services Market

The full opening of the postal market was initially planned to be in force in the countries of Eurozone from 1 January 2009, will influence considerably the content and the quality of provided Postal Services. EETT corresponding for another year in the necessity of recording and analysis significant elements of Greek Postal Market proceeded in the development of a review on the "Greek Courier Market - Market data and trends for the year 2005".

According to the particular review, the Universal Service (US) market as well as the Courier Market developed rapidly in the period 2000-2005. The average annual rate of growth of the Courier Market was of course higher than the growth rate of the Universal Service Market. However, the evolution of Postal Services Sector over time was not accompanied by essential change of market shares between Universal Service Provider (USP) and the courier companies for the three-year period 2003-2005, so much in terms of volume (postal items) as well as in terms of revenues.

More specifically regarding the Courier Market, while in the period 2003-2004 presented marks of saturation, in 2005 was given new impulse in its growth. According to representatives of the market, the two main factors that influence the demand of courier services are the quality of provided services and the reliability of courier undertakings in the market.

The general route of the economy combined with the changes in the tariffs of the provided services, constitute the factors that will decisively influence the supply of Postal Services in our country. More specifically, the tariffs of courier services are determined to a large extent by the time of transaction of service and the weight of the handled item. In the period 2000-2005 intense investment activity was recorded in the sector, as it appears from the volume and the extent of building infrastructures of the courier businesses. These investments created the need of employing executives with the aim to cover the increased needs. Indeed, an increase of 4% of personnel occupied in the undertakings of sector was observed in 2005 in comparison to 2004.

The more important problems the sector is facing today are the continuous pressure of prices, the increased operational costs and the lack of specialised human resources. According to the representatives of the market, the prospects of development are positive, taking under consideration the expected increase of demand for market products in all the categories of courier services.

I. Electronic Communications Market

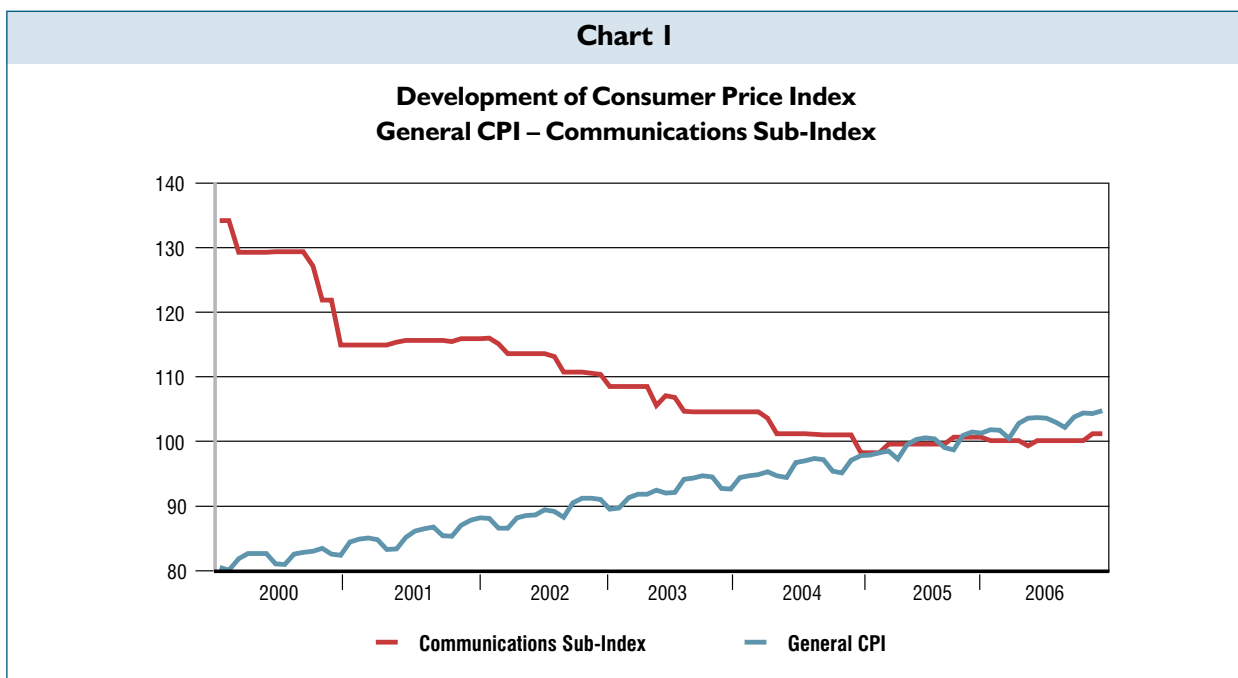
I.1. Consumer Prices Indexes

The general trend in the cost of Telecommunications Services is reflected in the development of the General Consumer Price Index (CPI) over time, as it is depicted in Charts 1 to 3. The CPI, which is calculated from the National Statistical Service of Greece (NSSG) on a monthly basis, is used for measuring the general level of prices of the goods and services that an average household buys. CPI is revised at certain periods of time according to the results of the latest Survey of Family Budgeting (SFB). The last revision was based on the results of the SFB for the period 2004-2005, while the revised CPI has been published since April 2006 with 2005 as base year.

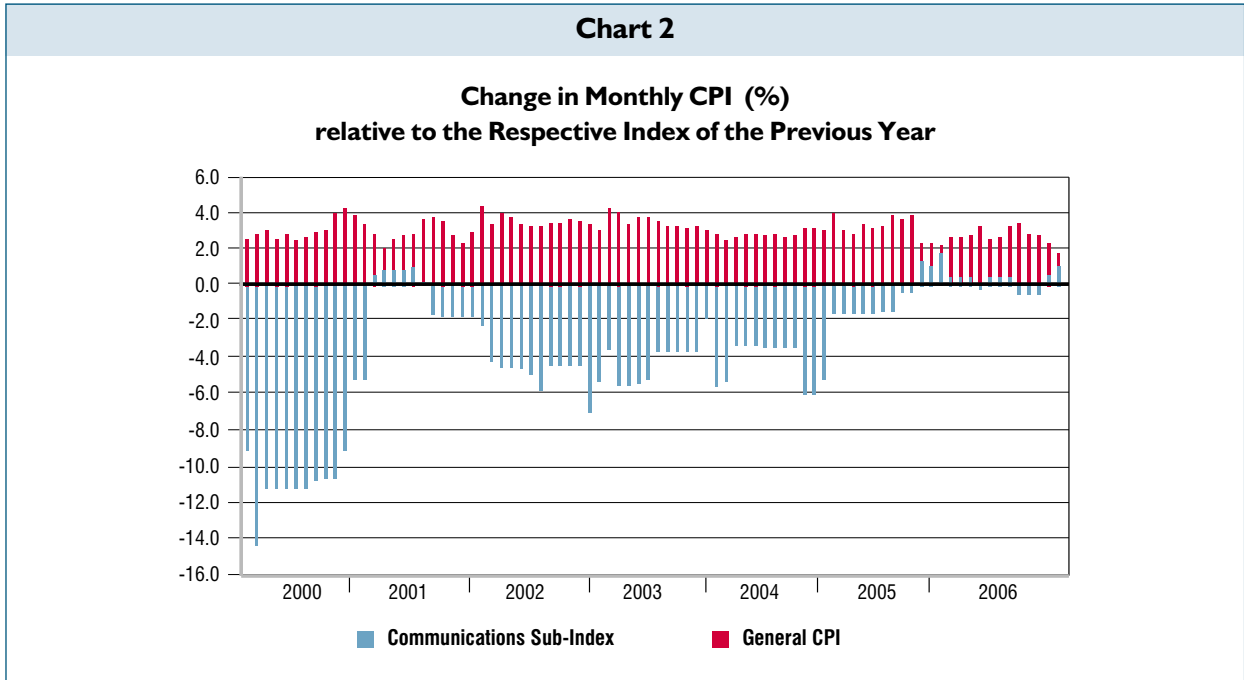
CPI comprises several partial indexes (Sub-indexes),

which measure the level of prices of certain categories of goods and services. The Sub-Index of Communications concerns at a percentage of 99% expenditures for fixed and mobile telephony services. The rest 1% covers postal services (0.5%) and phone equipment (0.5%). It should be noted that the weighted coefficient of the Communications sector increased to 47.02% in 2005 from 37.55% in 1999, due to the significant rise (25.2% in 2005 in comparison to 1999) of the total expenditure of the average household for communication services.

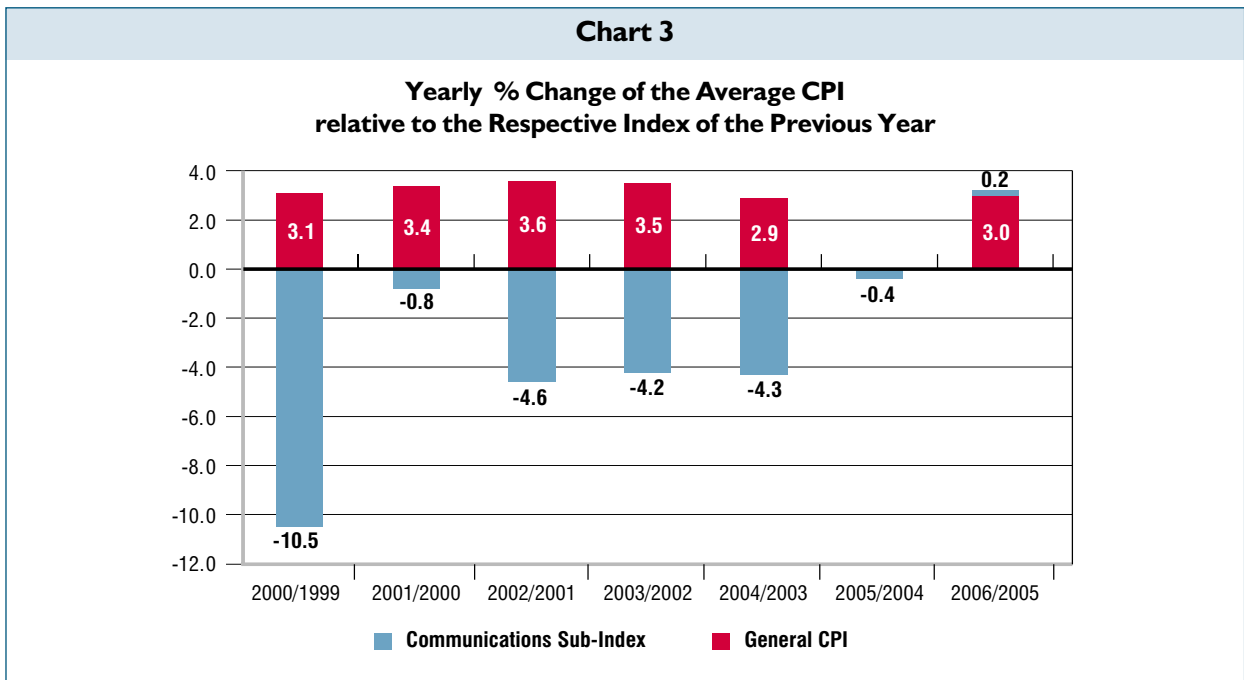
The Sub-Index of Communications has followed in general a declining path, in contrast to the CPI. It should be noted that the yearly change of this Sub-Index was positive for the first time in six years, however only marginally, and in any case it was much lower than the General CPI.



Source: EETT (based on NSSG data)



Source: EETT (based on NSSG data)



Source: EETT (based on NSSG data)

1.2. Financial Data of the Telecommunications Market

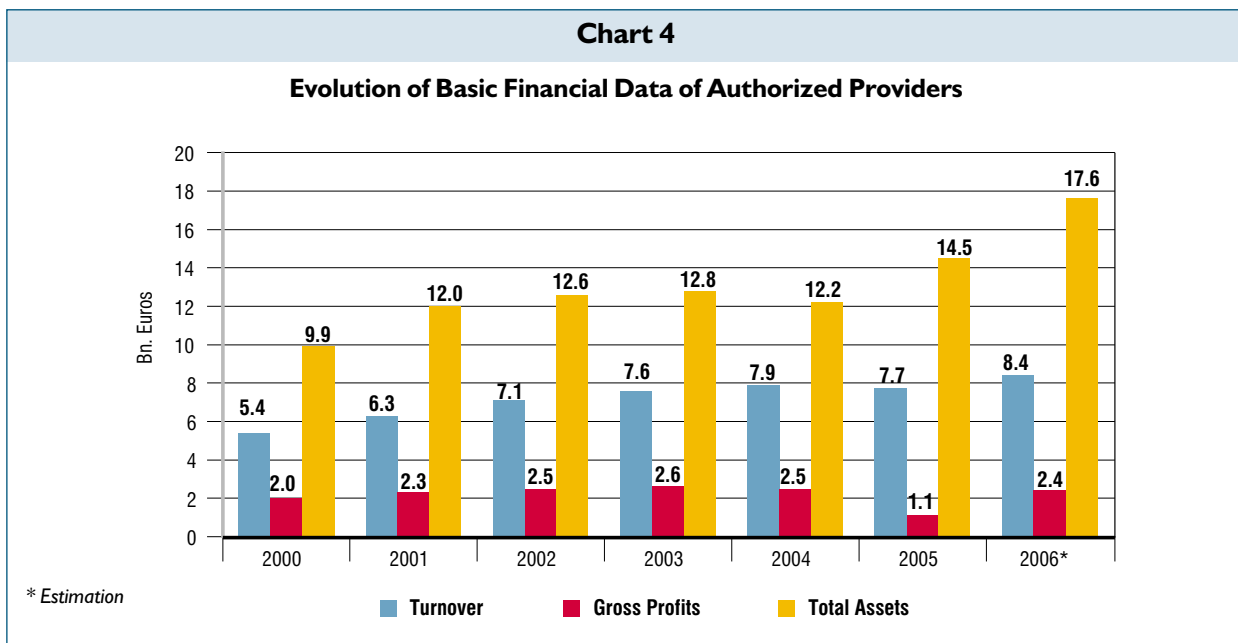
This section presents the basic financial data of Greek Telecommunications market, as they accrued from the published balance sheets of the authorized providers for the time period 1998-2005. For 2006, any financial figures pertaining to providers listed in the Athens Exchange (AthEx), are based on their annual financial statements, pursuant to the International Financial Reporting Standards (IFRS). Moreover, data collected by EETT from licensed providers on a six-month period basis regarding turnover, investments, etc, have also been taken into account.

Overall, as it is illustrated in Chart 4, the market² is characterized by a positive change in all basic financial figures (turnover, total assets, and gross profits).

Providers' turnover - that is the total revenues during

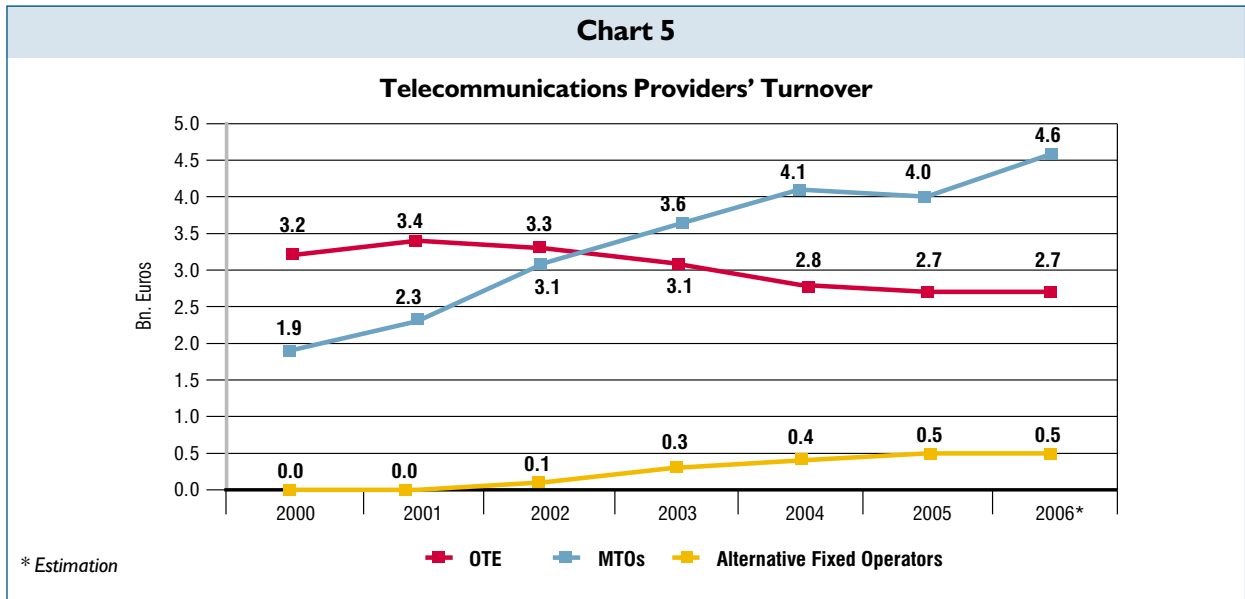
the year - is depicted in Chart 5 (page 9). It should be noted that data on licensed providers (holders of Individual Licenses as well as General Authorizations) that do not provide fixed telephony services, is not included. OTE showed a slight increase of 0.3%, alternative fixed operators experienced an increase of 6% while the corresponding increase of 16% of Mobile Telephony Operators (MTOs) was of particular importance.

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 listed companies, do not include operational expenditures (administration, distribution, research and development) in the cost of goods sold, as opposed to OTE and COSMOTE. Gross profit of OTE and MTOs has increased while for the alternative fixed operators it has been stable at the levels of 2005 (Chart 6, page 9).

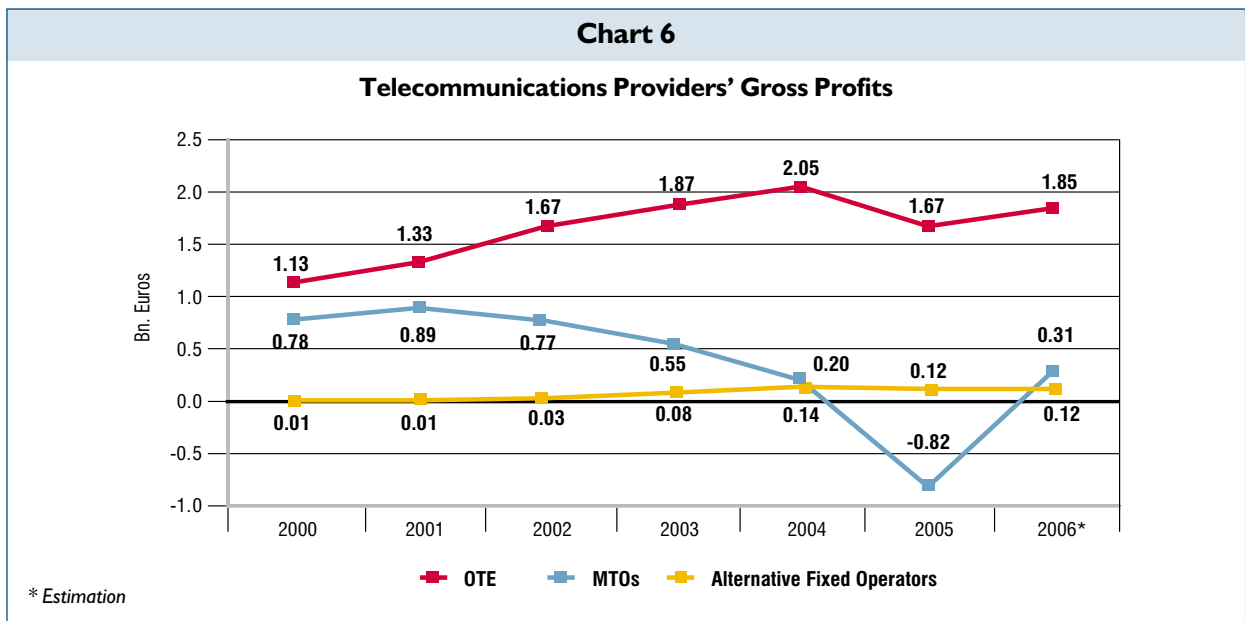


Source: EETT (based on published balance sheets)

² It is noted that the total financial data of the Individual Licenced and General authorised operators is taken into account.



Source: EETT (based on published balance sheets)

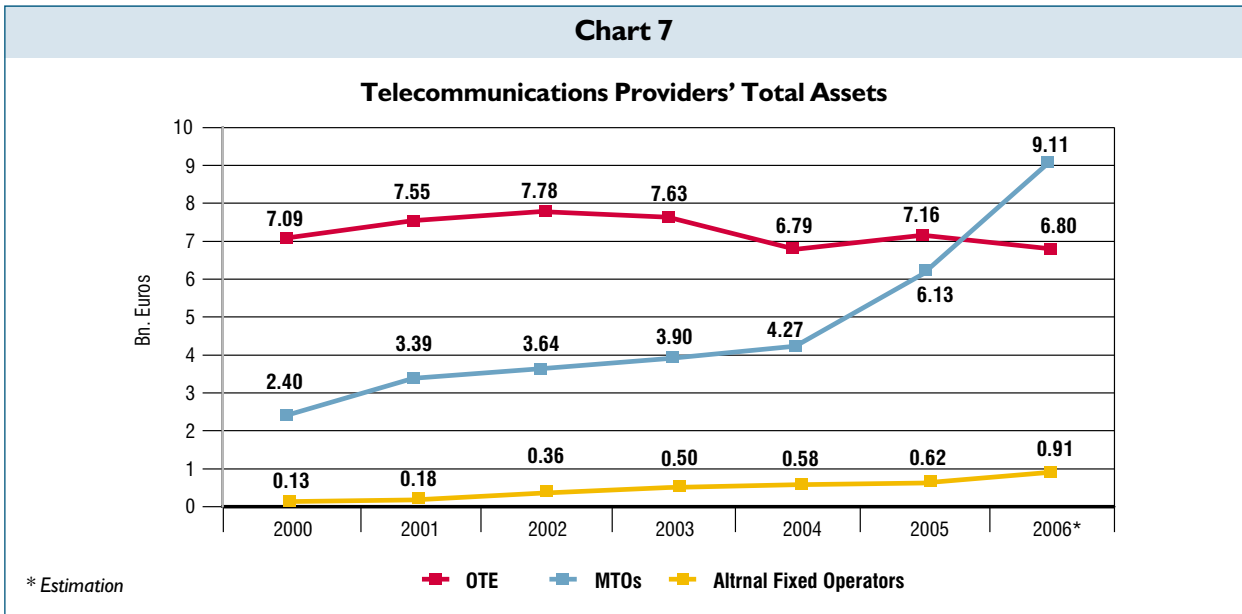


Source: EETT (based on published balance sheets)

The evolution of assets³ is illustrated in Chart 7 (page 10). Total assets of MTOs present a significant increase and amount at 9 billion euros, exceeding for the first time the respective figure of OTE, which shows a slight

reduction (at 6.8 billion euros). Alternative fixed telephony providers show an important increase, given that the estimation of their total assets for 2006 is close to 1 billion euros.

³ Asset is the total of all the funds of a provider, including fixed assets such as buildings, machinery, etc, as well as current assets (such as cash, receivables, stocks, etc.)

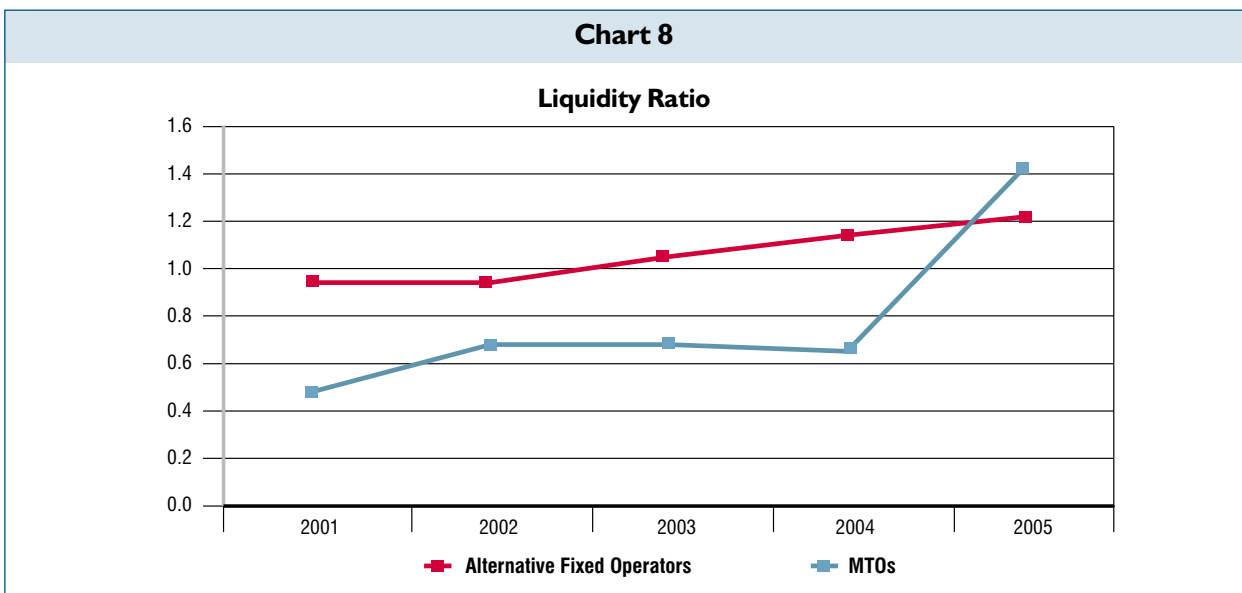


Source: EETT (based on published balance sheets)

Table I (page 11) summarises the aforementioned financial figures.

At the same time, the results of a series of ratios that illustrate the financial course of the companies in a more

specialised way, are presented for the first time. Published balance sheets of fixed and mobile operators were the base for the calculation of these ratios. It is worth noting that the large variations of the ratios prices between 2004 and 2005 are due to the adoption of IFRS.



Source: EETT (based on published balance sheets)

Table I. Evolution of Telecommunications Providers Financial Figures

Turnover (billion euros)	2000	2001	2002	2003	2004	2005	2006*
OTE	3.21	3.45	3.34	3.12	2.85	2.71	2.71
MTOs	1.95	2.95	3.05	3.58	4.08	3.96	4.58
Alternative Fixed Operators (**)	0.04	0.05	0.10	0.29	0.44	0.50	0.54
Other Providers (***)	0.25	0.43	0.57	0.61	0.50	0.50	0.54
Total	5.45	6.28	7.06	7.60	7.87	7.67	8.37
Gross Profits (billion euros)							
OTE	0.78	0.89	0.77	0.55	0.20	-0.82	0.31
MTOs	1.13	1.33	1.67	1.87	2.05	1.67	1.85
Alternative Fixed Operators (**)	0.01	0.01	0.03	0.08	0.14	0.12	0.12
Other Providers (***)	0.07	0.05	0.01	0.15	0.17	0.11	0.12
Total	1.99	2.28	2.48	2.65	2.25	1.07	2.40
Total Assets (billion euros)							
OTE	7.09	7.55	7.78	7.63	6.79	7.16	6.80
MTOs	2.40	3.39	3.64	3.90	4.27	6.13	9.11
Alternative Fixed Operators (**)	0.13	0.18	0.36	0.50	0.58	0.62	0.91
Other Providers (***)	0.32	0.83	0.92	0.80	0.66	0.55	0.77
Total	9.94	11.96	12.70	12.83	12.30	13.43	17.59

* Estimation

** All individual licenced providers of fixed telephony are included

*** All other individually licenced & generally authorised providers are included.

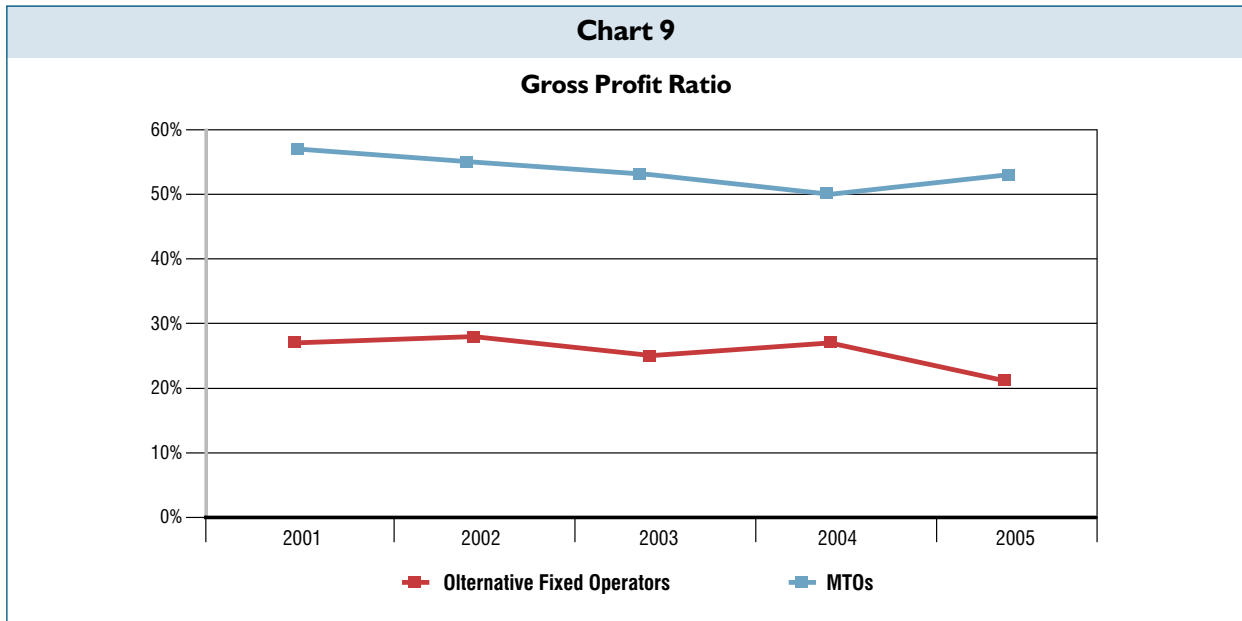
Source: EETT (based on published balance sheets)

Moreover, the financial figures of the company Infoquest are not taken into account because its activities concern mainly the IT sector (analytical financial figures for the segment of fixed and mobile telephony are not available) while in 2005 Q-Telecommunications company published its first balance sheet after the change in its ownership status.

More specifically, Chart 8 (page 10) presents the Liquidity Ratio, which shows the quantitative relation between the readily liquid assets to the short term liabilities of the company. This ratio presents a stricter estimation of the company's ability to meet its current liabilities and is satisfactory when it exceeds one unit. For fixed telephony

operators this ratio is, since 2003, on average over one unit, while for MTOs this is succeeded only in 2005.

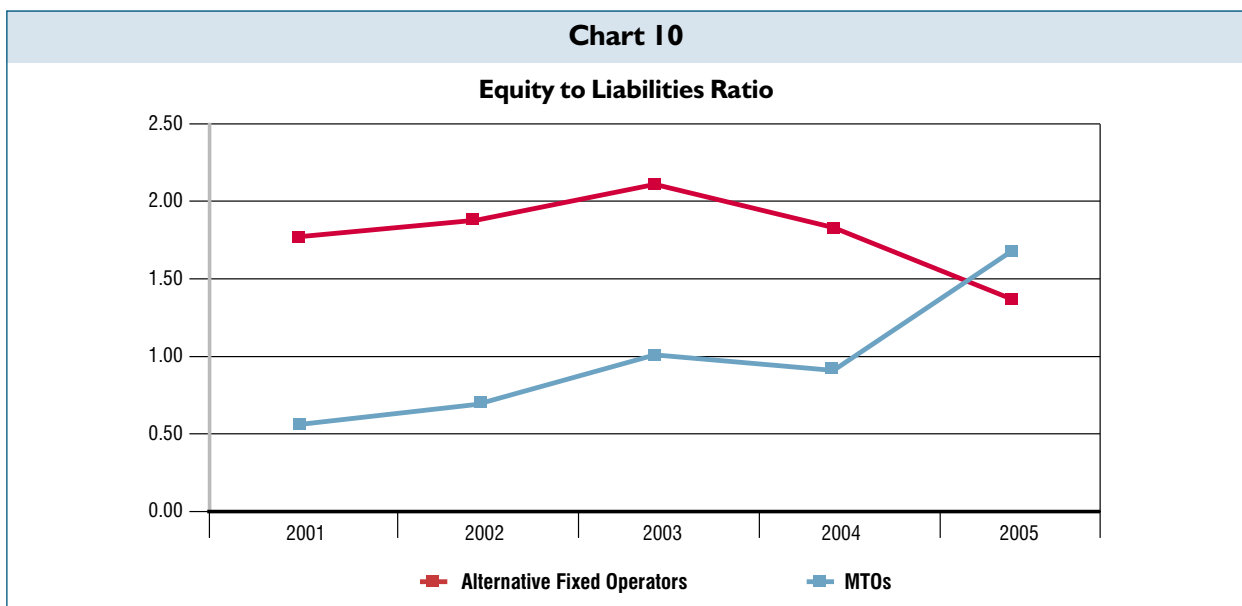
The Gross Profit Ratio (Chart 9, page 12) shows the operating efficiency of a company and at the same time its tariff policy. The higher the Gross Profit Ratio, the better the position of the company as regards profits, given that the company can easily meet an increase in cost of its products. It should be mentioned that a company may operate with a low profit margin but at the same time increase its turnover through a dynamic sales policy, offsetting in this way the low profit margin.



Source: EETT (based on published balance sheets)

The ratio of Cash Burden or otherwise the ratio of Owner's Equity to Liabilities (Chart 10) is used to confirm whether or not a company is over-borrowed, giving an indication of the safety that the company offers to its debtors. Ratios that exceed the unit mean that the

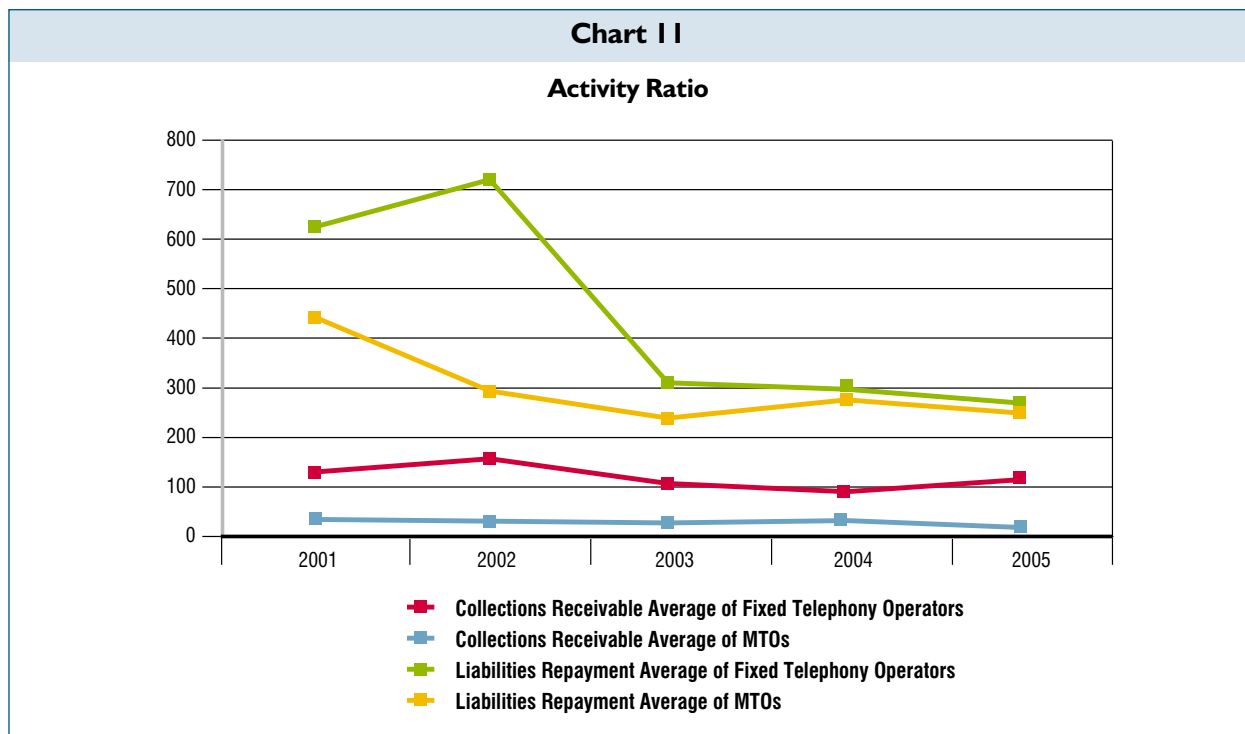
shareholders/owners of the company participate in it with more capital than its debtors, which holds for the fixed operators throughout the period 2001-2005, in contrast to the MTOs, which reached to desirable level for the said ratio just in 2003.



Source: EETT (based on published balance sheets)

Activity ratios (Chart 11) illustrate the efficient use of the assets of the company. More specifically, the collection of receivable average is the time period that the company expects to collect its receivables, while respectively the liabilities repayment average illustrates the number of days that the liabilities of the firm stand

unsettled. If the first ratio is higher than the second, this means that the liabilities are settled with slower pace than the receivables are collected. As a result, the company does not need to keep great amount of cash, which holds for both the Fixed Telephony Operators and for MTOs.



Source: EETT (based on published balance sheets)

1.3. Licensing

Since June 2006, the new Regulation of General Authorisations,⁴ that harmonised completely the authorisation process of Electronic Communications networks or/and services providers in Greece with the existing European framework, has been put into effect. The most important alteration of the new

regulation was the abolishment of Individual Licenses and their incorporation to the General ones. Table 2 (page 14) presents the main activities of the telecommunication market and the number of providers per activity by the end of 2006.

⁴ EETT Decision 390/3/2006 Regulation of General Authorisations, GG 748/B/2006


Table 2. Number of Licensed Providers per Activity

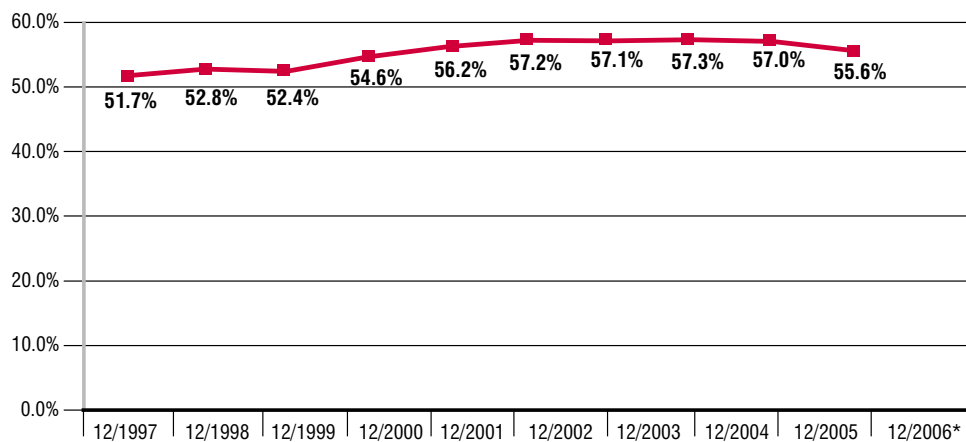
Activity	Number of Providers
Voice Telephony and Development of Fixed Network	103
Voice Telephony	102
Development of Fixed Network	38
Satellite Communications	12
2 nd Generation Mobile Telephony	5
3 rd Generation Mobile Telephony	4
TETRA	1
W-LAN	38

Source: EETT

I.4. Access to the Public Telephone Network

During 2005 but mainly in the first half of 2006, the number of access lines of the Greek population to the Public Switched Telephone Network (measured in channels of 64 Kb/s), declined by 2.5% (Chart 12).

The number of PSTN lines retained its downward trend, while ISDN PRA lines showed a decline compared to the previous year. On the contrary, ISDN BRA lines continue to increase, however, at a falling pace (Table 3, page 15). Annual percentage changes of PSTN and ISDN access lines (since 2000) are shown in Chart 13 (page 15).

Chart 12
Penetration of PSTN Lines and ISDN Channels in the Greek Population


* Estimation

Source: EETT (based on licensed providers' data)

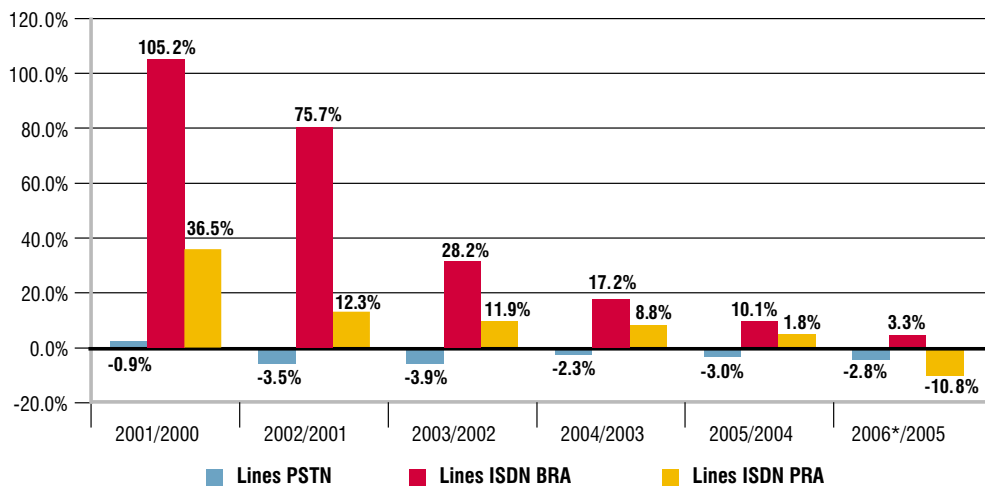


Table 3. Evolution of Telephone Lines

	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	5,620,931	27,542	1,478	52.4%
Dec. 2000	5,659,274	96,972	3,946	54.6%
Dec. 2001	5,607,726	199,033	5,385	56.2%
Dec. 2002	5,412,842	349,751	6,048	57.2%
Dec. 2003	5,200,368	448,542	6,766	57.1%
Dec. 2004	5,080,444	525,499	7,362	57.3%
Dec. 2005	4,928,388	578,560	7,498	57.0%
Dec. 2006	4,789,302	597,563	6,691	55.6%

Chart 13

Annual Change in (Operating) Access Lines (%)



Source: EETT (based on licensed providers' data)

1.5. Fixed Telephony Services

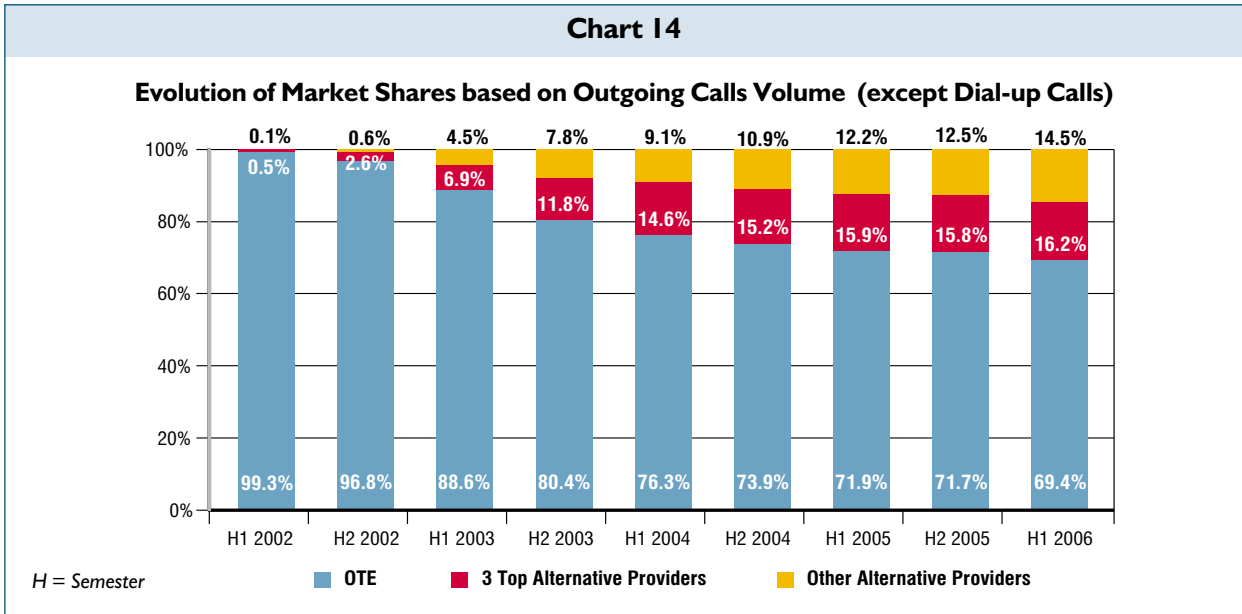
1.5.1. Retail Outgoing Calls Traffic Volume

Competition in fixed telephony market during 2006 has been intensified between OTE and alternative providers.

Alternative providers have been extending their shares in the outgoing traffic volume, recording, however, a downward increase rate shown in Charts 14 and 15 (in total and by call type respectively). More specifically, the share gained by alternative providers from OTE, for the first half of 2006 is estimated at 31% (versus 29% on the first half of 2005).

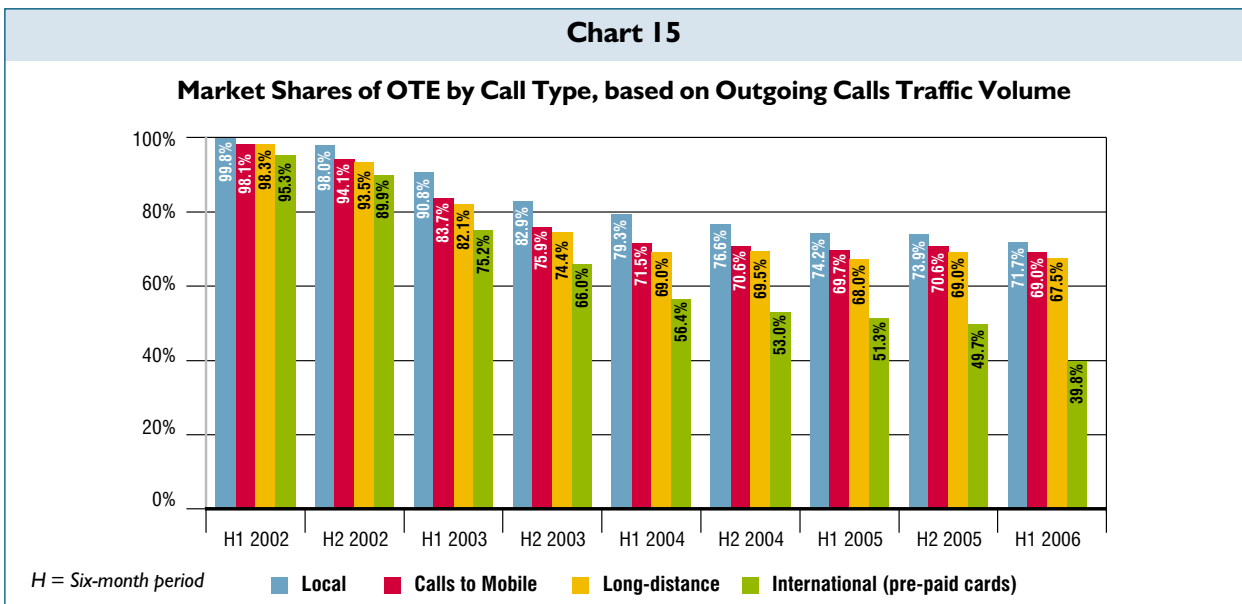


Smaller in size alternative providers' share increased in 2005 and 2006 and reached 14.5% (from 5.5% in the first half of 2004 to 3.7% in the first half of 2005 and to 1.7% in the first half of 2006).
 decreasing the difference from the three top alternative providers



Source: EETT (based on licensed providers' data)
 Note: Calls by means of prepaid cards, are included in the international calls

It is worth noting that the decrease of OTE shares over time for all call types (Chart 15), is more intensified for the international calls (including calls by means of prepaid cards). OTE's share in this specific type

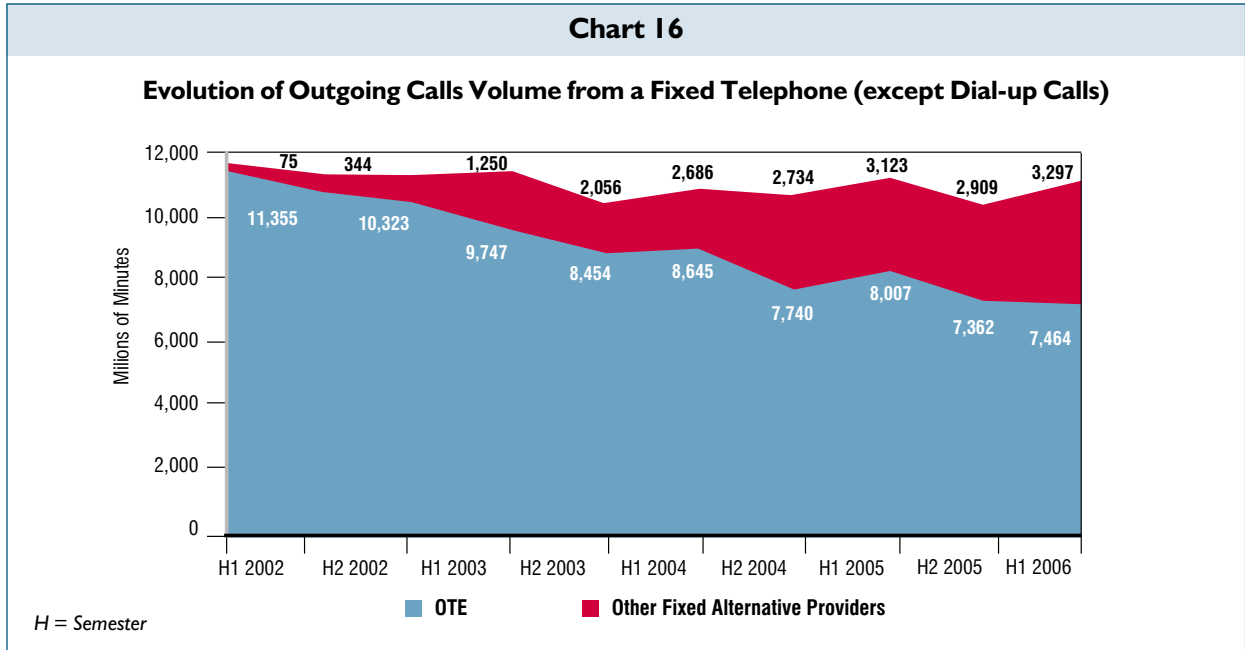


Source: EETT (based on licensed providers' data)

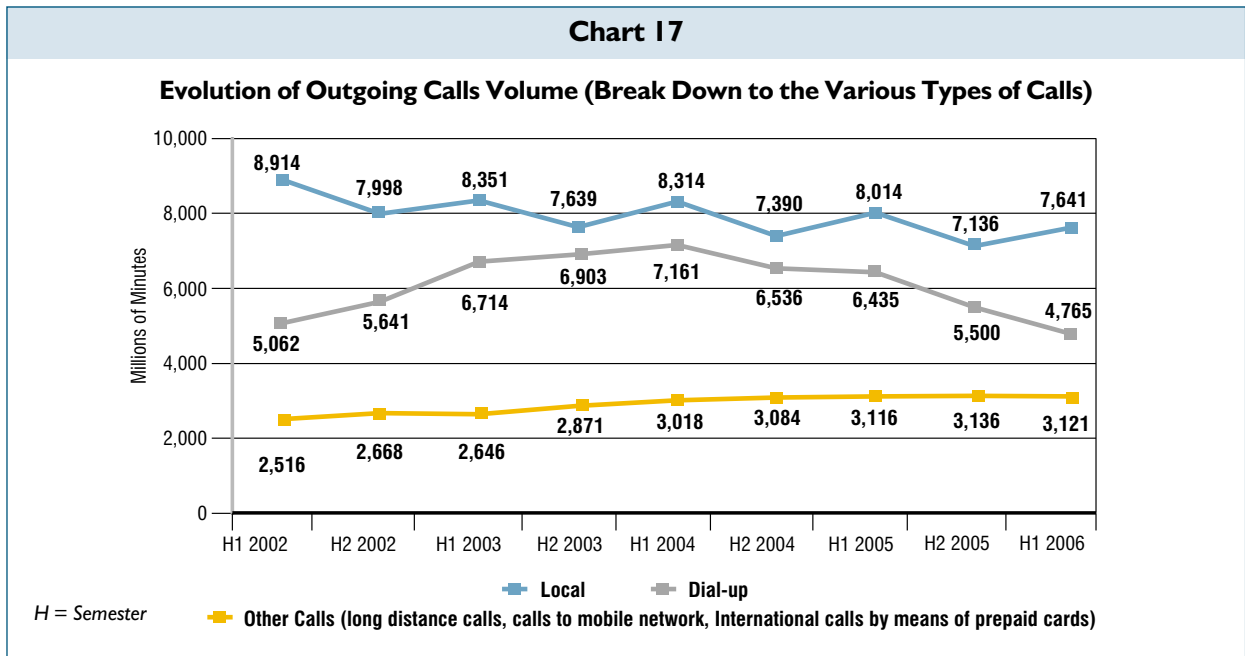


decreases in the second, half of 2005 for the first time under 50% and in the first half of 2006 decreases further under 40%.

The above mentioned conclusions and the evolution of retail outgoing traffic over time, in absolute figures, for OTE and the alternative providers, are shown in Chart 16.



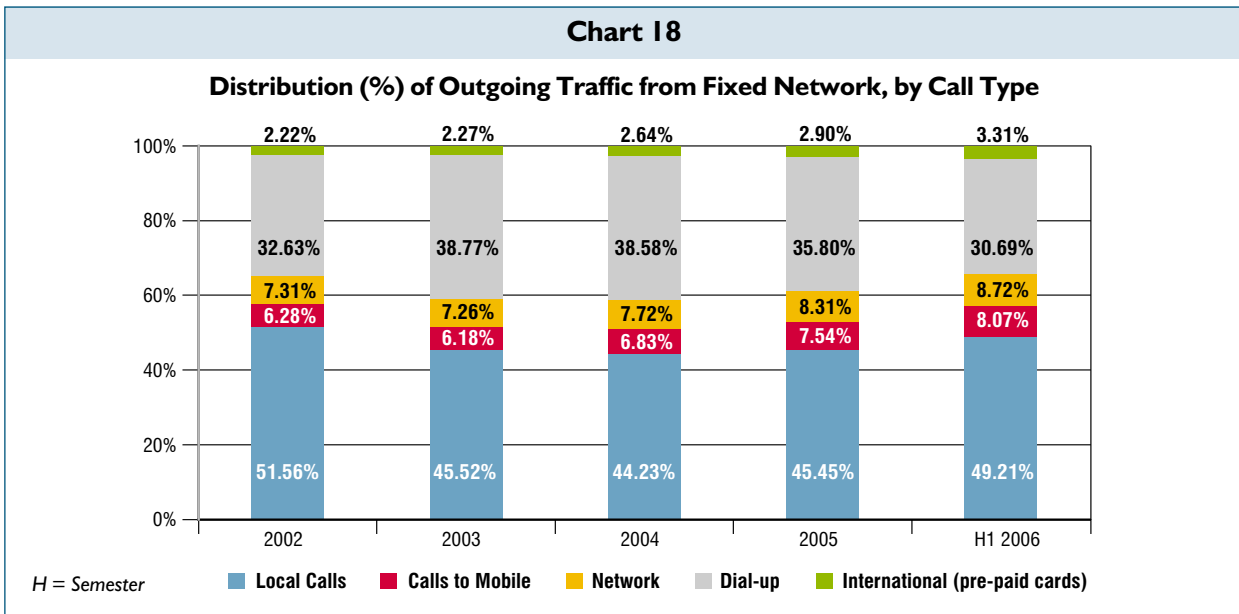
Source: EETT (based on figures of licensed providers)
 Note: Calls by means of prepaid cards, are included in the international calls



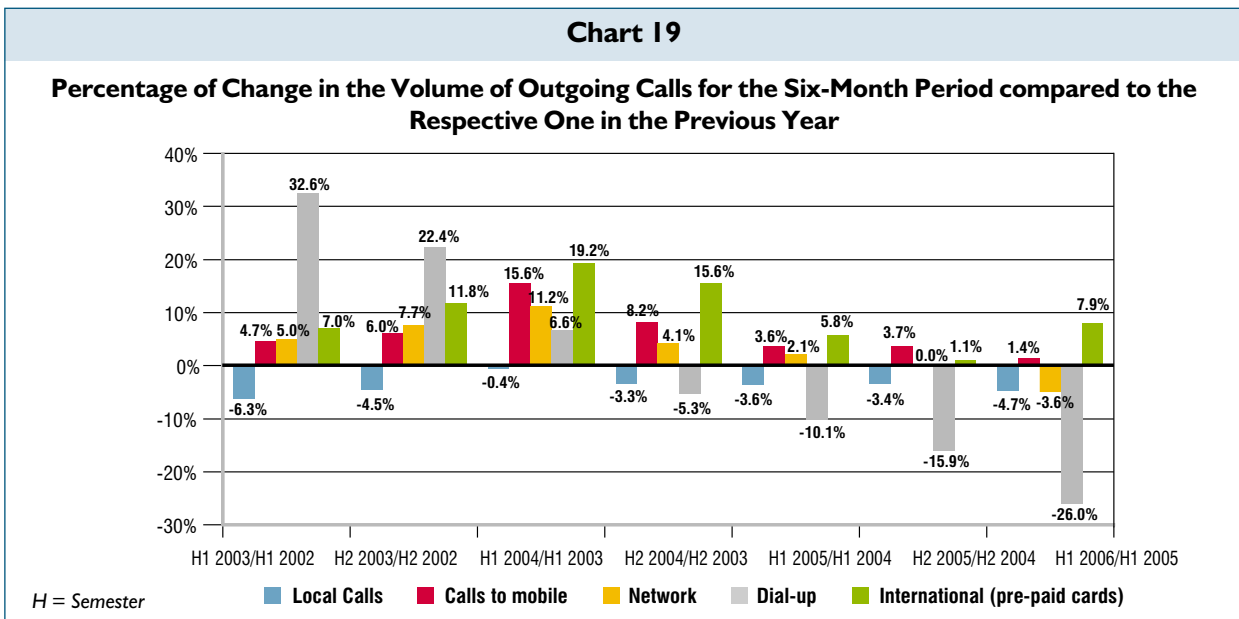
Source: EETT (based on licensed providers' data)

Charts 17 to 19 show the evolution of retail Outgoing Calls Volume in absolute figures, the breakdown to various types of calls, expressed in percentage, as well as the percentage of annual change. In total, all information is shown in Table 4 (page 19). In particular,

there is a reduction in the traffic volume of local calls (over 70% of the total traffic volume, excluding dial-up traffic volume), and for the first time there is a reduction in the long-distance traffic volume in the first semester of 2006. In parallel, the reduction in the dial-



Source: EETT (based on licensed providers' data)



Source: EETT (based on licensed providers' data)

up calls (noticed already in mid 2004) remains important and is attributed to the increasing use of ADSL services. On the contrary, there is an increase in the traffic volume from fixed to mobile network, as

well as in international calls (including prepaid cards).

The total retail outgoing traffic (except Dial-up traffic) is shown in Charts 20 and 21 (page 20).

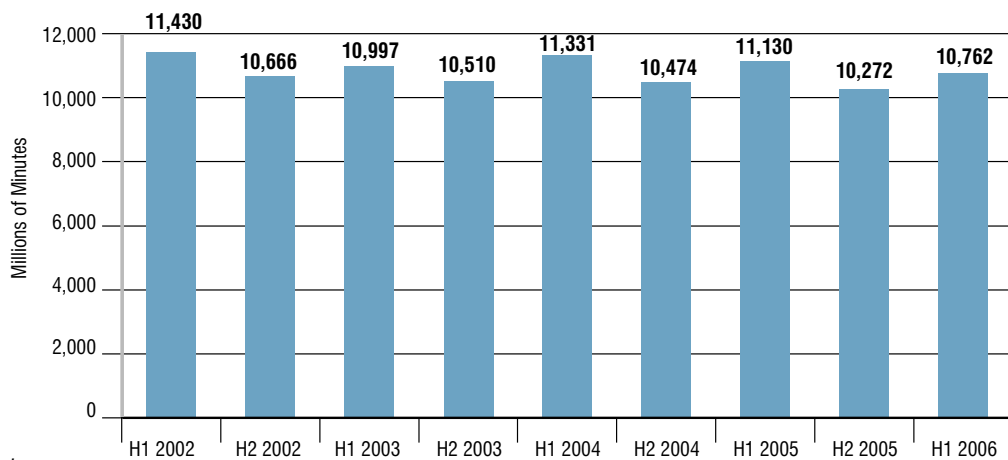
Table 4. Volume of Outgoing Calls from a Fixed Network, by Type of Call (in Millions of Minutes)

	H1 2002	H2 2002	H1 2003	H2 2003	H1 2004	H2 2004	H1 2005	H2 2005	H1 2006
Local Calls	8,914	7,998	8,351	7,639	8,314	7,390	8,014	7,136	7,641
Long-distance Calls	1,178	1,218	1,237	1,312	1,375	1,366	1,404	1,366	1,354
Dial-up Calls	5,062	5,641	6,714	6,903	7,161	6,536	6,435	5,500	4,765
International Calls (prepaid cards)	353	376	378	421	450	486	476	491	514
Calls to mobile network	985	1,074	1,032	1,138	1,193	1,232	1,235	1,278	1,253
Total Calls except Dial-up	11,430	10,666	10,997	10,510	11,331	10,474	11,130	10,272	10,762
Total Calls including Dial-up	16,492	16,307	17,711	17,413	18,492	17,010	17,565	15,772	15,527

H = Semester

Chart 20

Evolution of the Outgoing Calls Volume from a Fixed Network, except Dial-up Calls



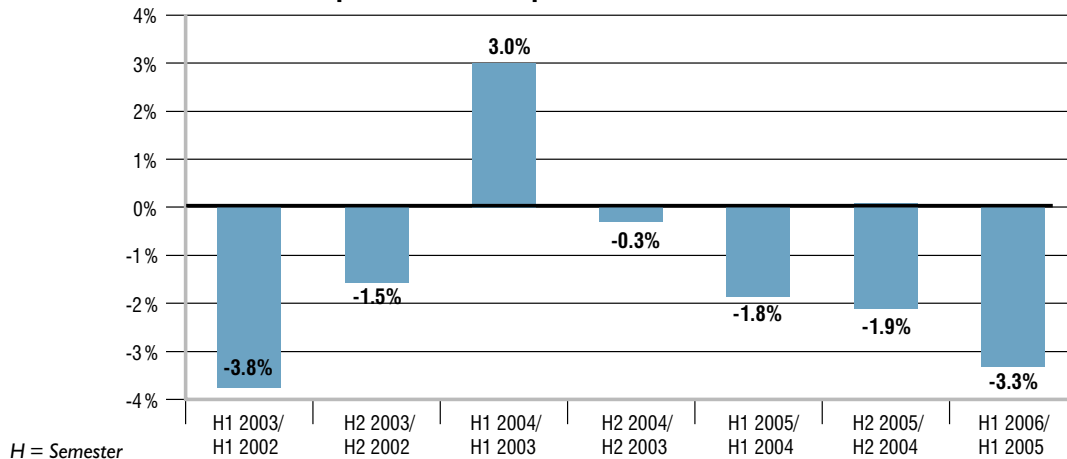
H = Semester

Source: EETT (based on licensed providers' data)

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

Chart 21

Percentage of Change in the Volume of Outgoing Calls for the Six-Month Period, except Dial-up Calls, compared to the Respective One in the Previous Year



Source: EETT (based on licensed providers' data)

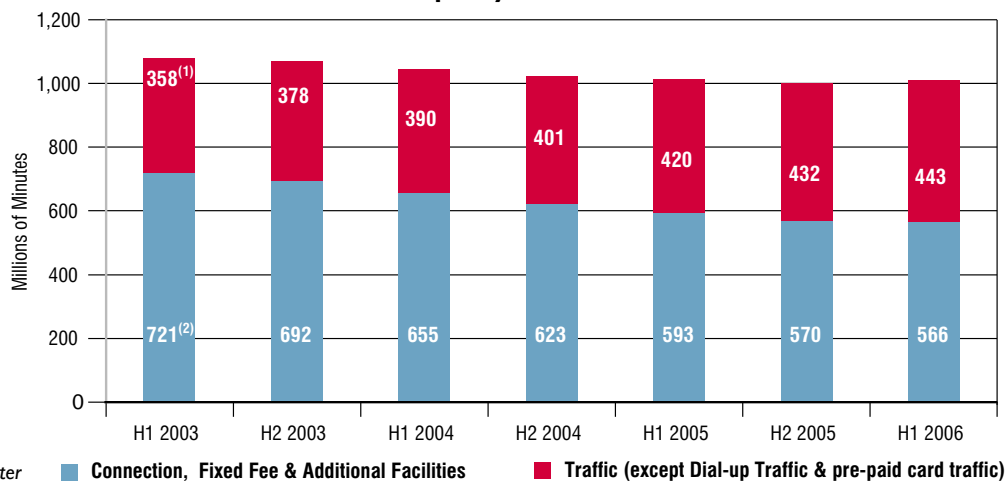
Note: Calls by means of prepaid cards, are included in the international calls

I.5.2. Fixed Telephony Retail Revenues

Fixed telephony retail revenues are estimated to be a little more over 1 billion euro⁵ at the end of the first half of 2006, showing marginal increase compared to the respective one in the previous year.

Chart 22

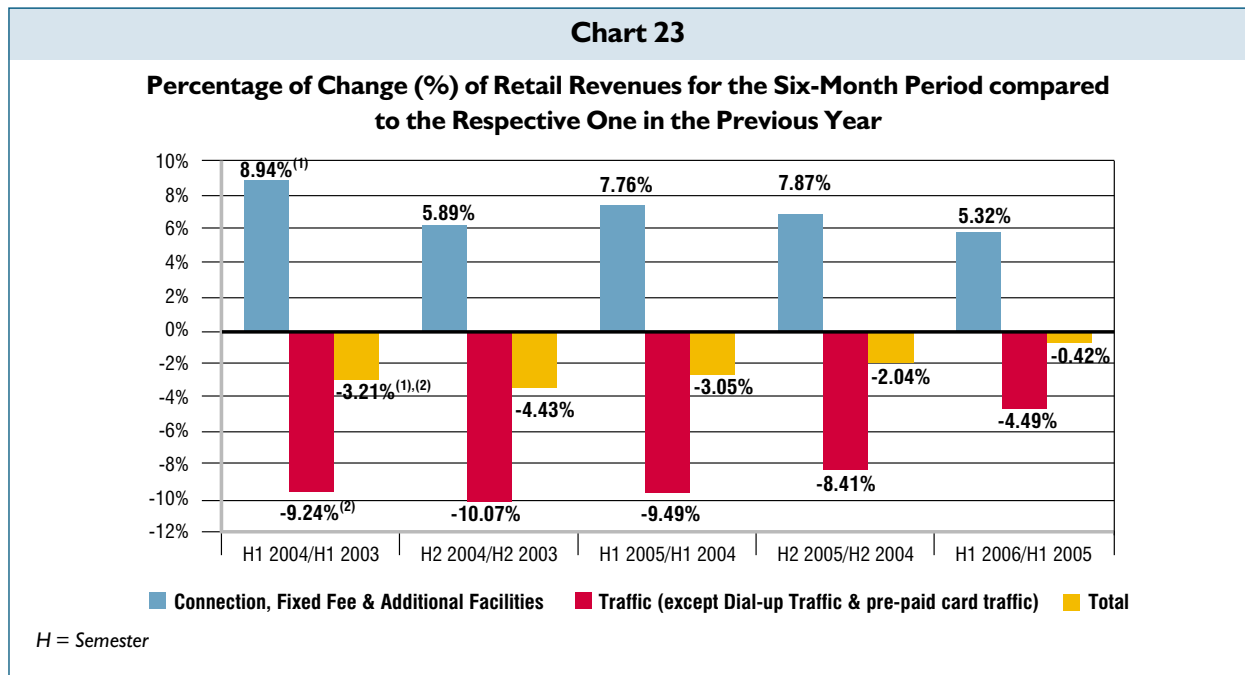
Fixed Telephony Retail Revenues



Source: EETT (based on licensed providers' data)

(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.

⁵ It is noted that the total retail revenues from fixed telephony include revenues from fixed network access service provision (connection, fixed fee & additional facilities) and revenues from fixed traffic calls (local calls, long-distance calls, international calls and from fixed to mobile calls) Revenues from dial-up calls and calls by means of pre-paid cards are not included.



Source: EETT (based on licensed providers' data)

(1) H1 2003 does not include revenues from additional facilities. (2) H1 2003, includes the revenues from calls to short code services.

Table 5. Retail Revenues from Fixed Telephony (in Million Euros)

	H1 2003	H2 2003	H1 2004	H2 2004	H1 2005	H2 2005	H1 2006
Connection, Fixed Fee & Additional Facilities	358 ⁽¹⁾	378	390	401	420	432	443
Traffic (except Dial-up Traffic & pre-paid card traffic)	721 ⁽²⁾	692	655	623	593	570	566
Total	1,079 ^{(1),(2)}	1,071	1,045	1,023	1,013	1,002	1,009

Source: EETT

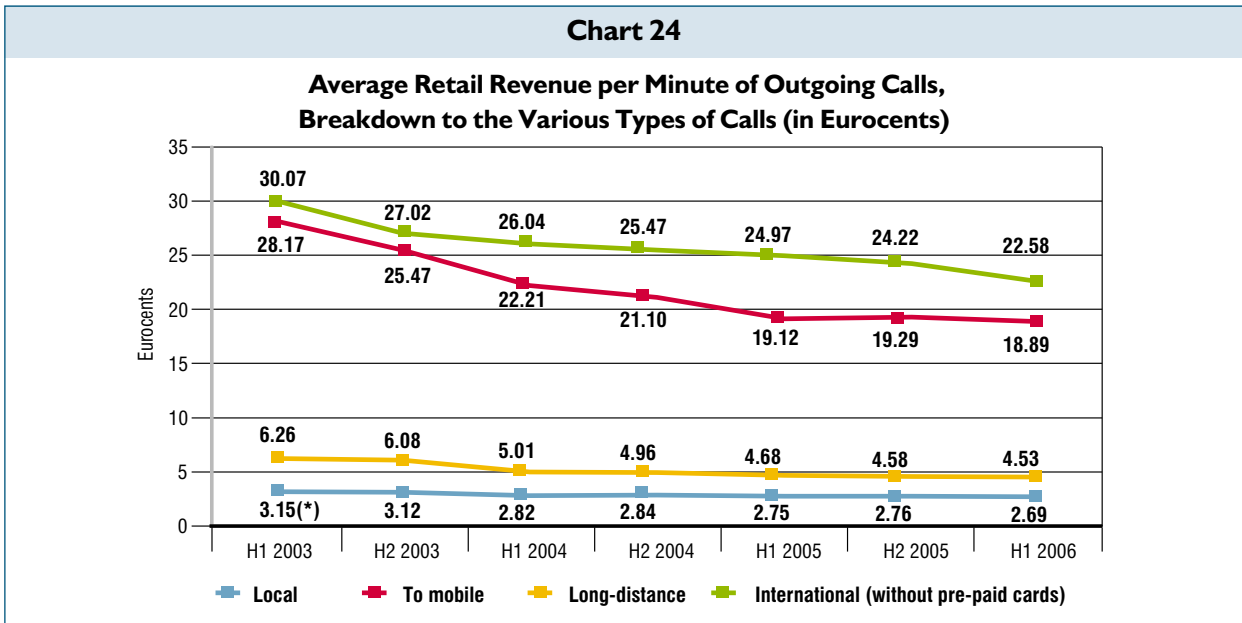
(1) H1 2003 does not include revenues from additional facilities.

(2) H1 2003, includes the revenues from calls to short code services.

In details, Chart 22 (page 20) shows the evolution of fixed telephony retail revenues over time, originated from "fixed" sources (fixed fee, connection fees, etc.) as well as from the traffic. In addition, the percentage of change is reflected in Chart 23 and total figures in Table 5.

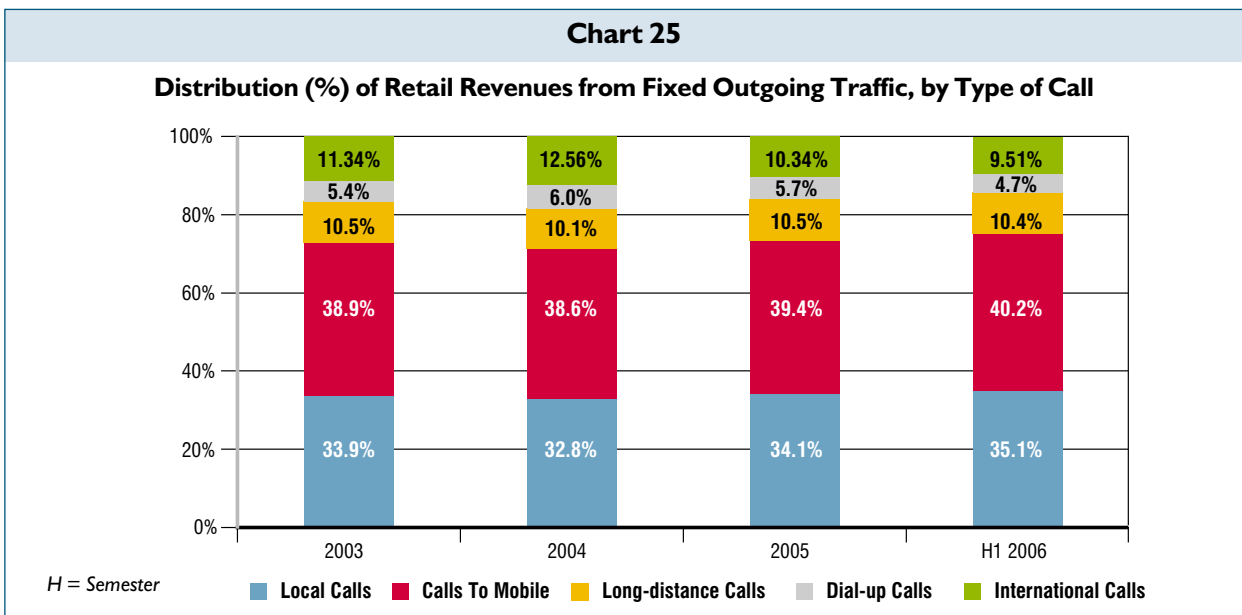
Revenues increase from access service provision to

the Public Telecommunications Network is attributed mainly to the revenues increase from PSTN and ISDN BRA connection fees. The intensity of competition in the provision of classic telephony services is reflected in the reduction of retail revenues, which is proven by the downward trend presented in the average retail revenue per minute of traffic (Chart 24, page 22).



Source: EETT (based on licensed providers' data)

(*) During H1 2003, as regards local calls, the average retail revenue relates to the total of local calls and also calls to short code services.



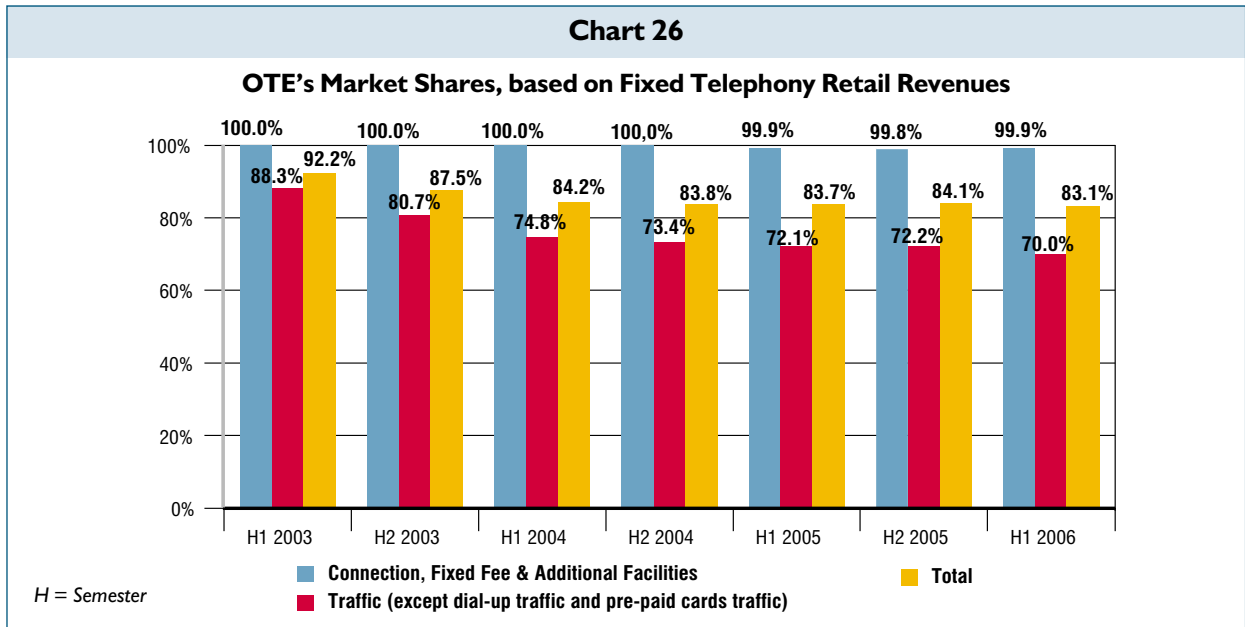
Source: EETT (based on licensed providers' data)

Chart 25 shows the distribution in percentage of retail revenues related to classic telephony services, including revenues from dial-up calls. The biggest

percentage of the revenues is attributed to calls from fixed to mobile, a 5% is attributed to revenues from dial-up calls.

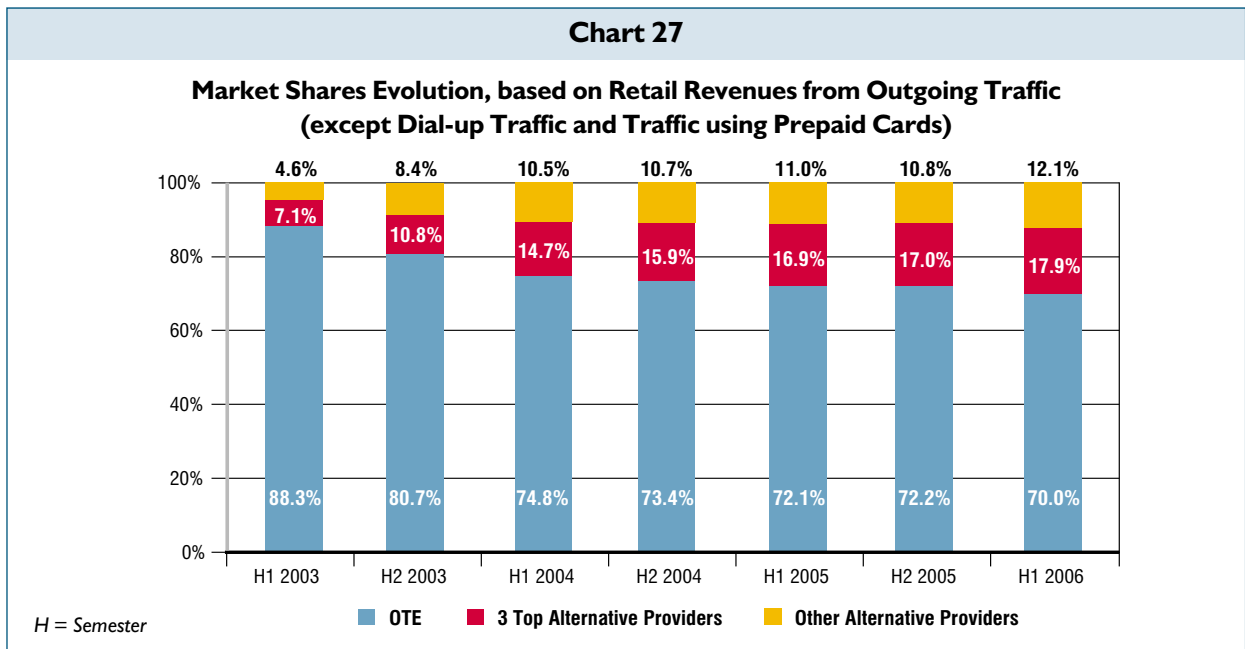


Total revenues from fixed telephony showed a relevant stability during the previous 2 years. During the first six-month period of 2006, OTE's shares (Chart 26) show a small reduction.



Source: EETT (based on licensed providers' data)

(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 licensed providers' data)

(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.

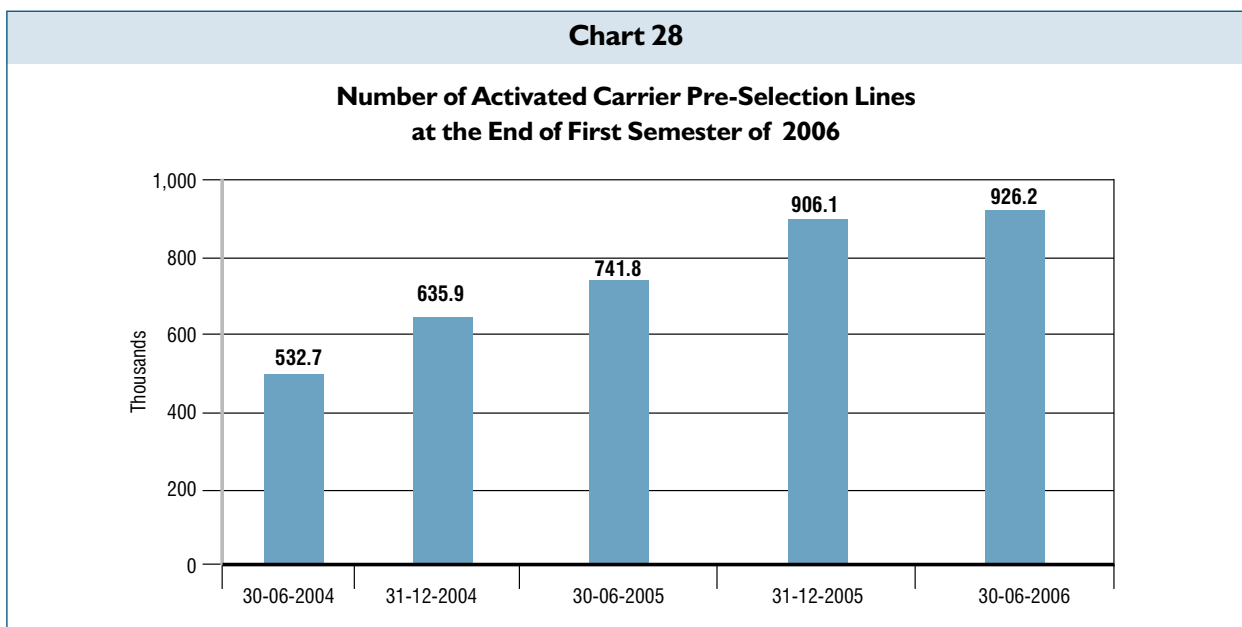
OTE's shares (based on revenues) remain almost intact at 100%, in the fixed network access market, while in the traffic market its share (based on revenues, revenues from dial-up traffic and traffic using prepaid cards are excluded) is estimated to be at 70% during the first six-month period of 2006.

The afore mentioned conclusion is reflected in Chart 27 (page 23), showing the evolution of OTE's market shares over time, of the 3 top alternative providers'⁶ and of the

other alternative providers', based on retail revenues from fixed network outgoing calls (except dial-up traffic and pre-paid cards traffic).

1.5.3. Carrier Pre-Selection

Activated lines for Carrier Pre-selection, according to the figures of OTE, reached in mid 2006 920,000 (Chart 28), showing an increase of 25% compared to the to the respective one in the previous year (2005).



Source: EETT (based on licensed providers' data)

1.6. Telephony Tariffs

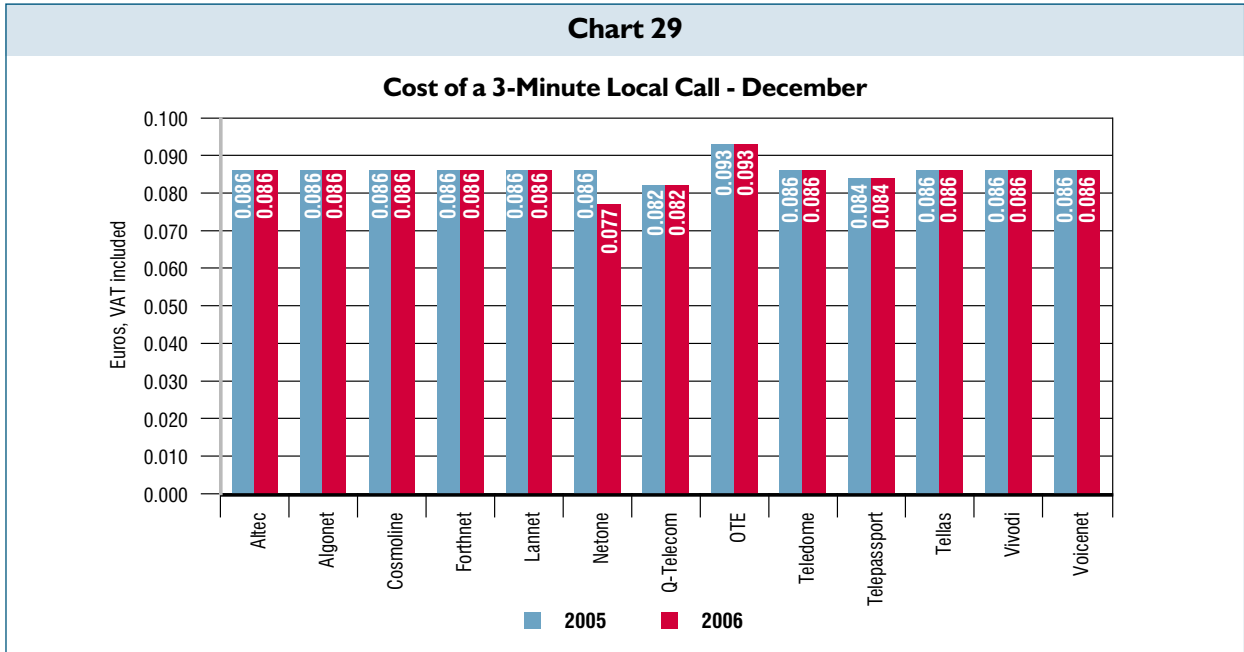
1.6.1. Fixed Telephony

During 2006 there were no significant changes in the tariffs of fixed and mobile telephony, with the exception of some small reductions in the calls from fixed to mobile networks, as well as international calls. Here-below follow some comparative figures of tariff policy of the fixed telephony providers for December 2006 and 2005, as regards the cost of different types of calls (national, long-

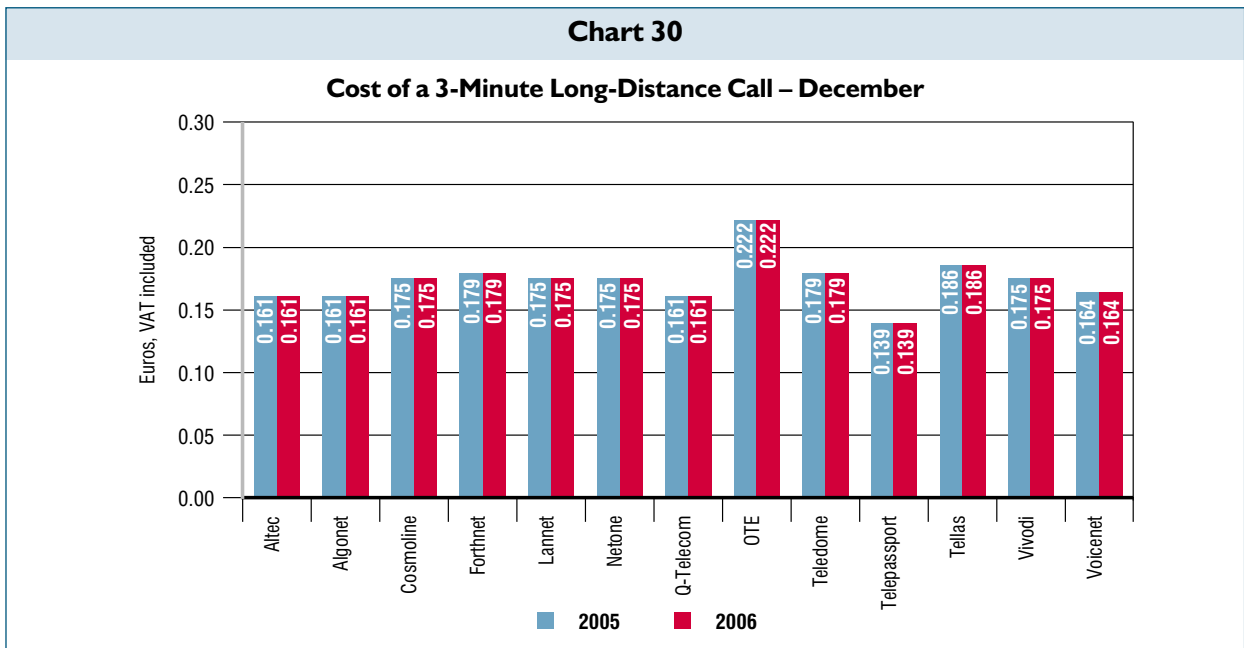
distance, international calls and calls to mobile networks) during peak hours. The presented data refer to the basic programs of each provider and do not take into account special discount programs, fixed fee or bonus time.

Chart 29 (page 25) shows the actual cost of a 3-minute local call during peak hours, VAT included. Most providers charge per minute for the first two minutes of a call and per second after that period. It is also worth noting that, a number of providers use minute-based charge.

⁶ It is noted that the 3 top alternative providers have been considered separately for each semester based on the equivalent revenues



Source: EETT



Source: EETT

Respectively, the cost of a 3-minute, long-distance call during peak hours, are charged by all providers per second. It is noted that calls performed

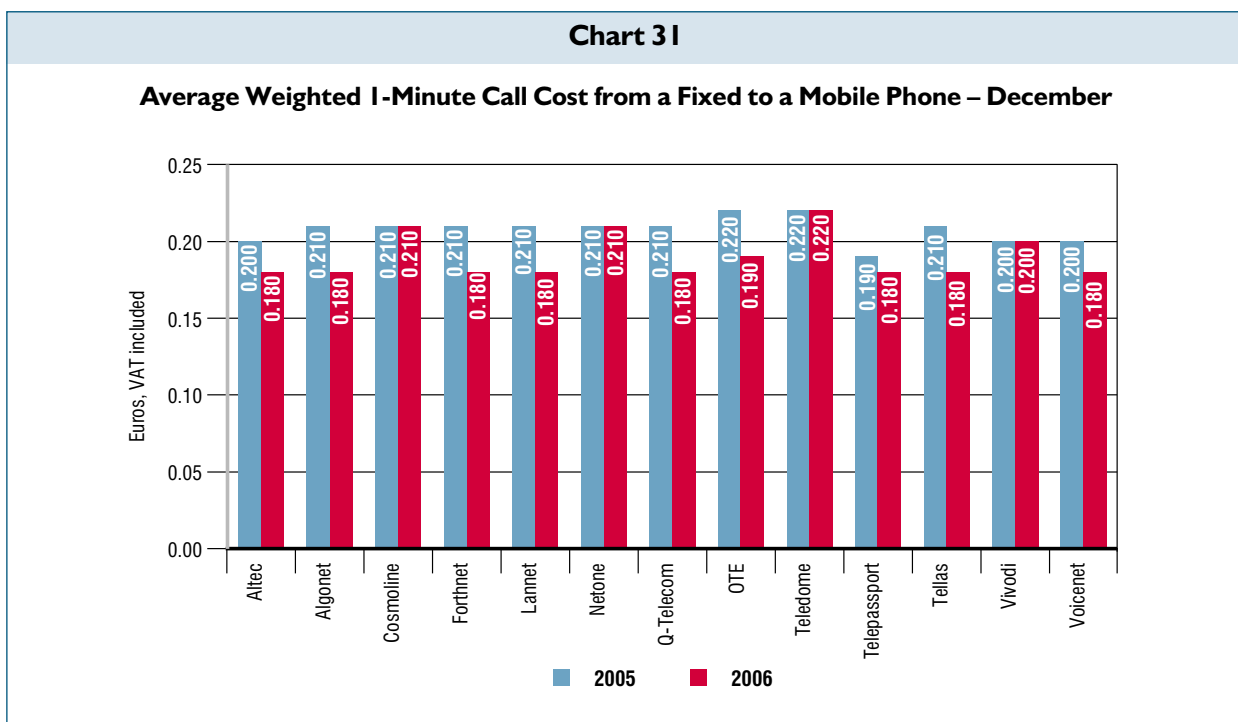
Chart 31 shows the average weighted cost of a 1-minute call from a fixed to mobile network for the December of years 2006 and 2005. The average weighted cost has been calculated on the basis of the actual cost of a 1-minute call to all four Mobile Telecommunications Operators (MTOs). The weighing coefficient was the market share of each MTO in the incoming calls from fixed telephony providers for the aforementioned time periods. It is noted that the cost of a call to mobile network includes a minimum charge, which is in general 30 seconds, while the charging step beyond that threshold is usually per one second.

The resulting average weighted cost for each fixed telephony provider implies marginal changes between the years 2005 and 2004, ranging for 2006 from 1% to 16%, while the respective changes range for the year 2005 was 1% to 6%.

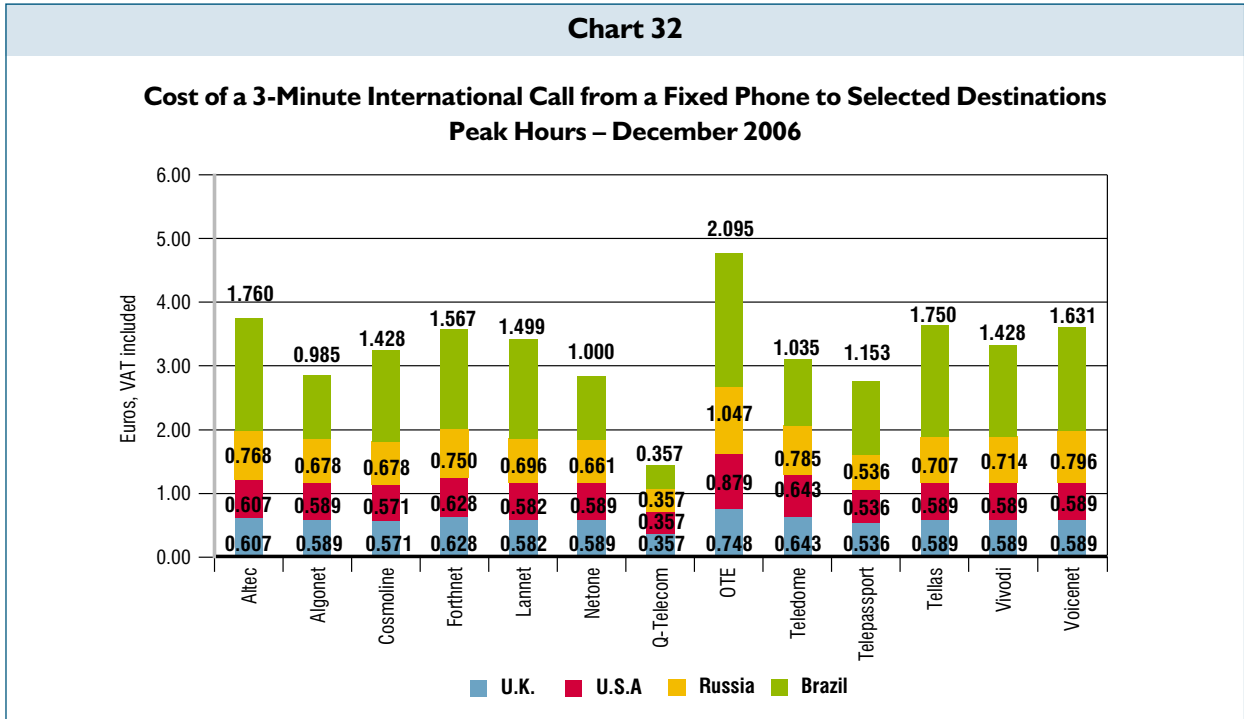
Regarding international calls, each provider uses different charge zones. However, there are not significant differences in the selection of countries that compose these zones. Indicatively, Chart 32 (page 27) presents the cost of a 3-minute international call to a fixed phone terminating in the UK and USA (as a rule, they belong in the same charge zone), Russia and Brazil.

Charts 33 (page 27) and 34 (page 28) present the cost of a 3-minute local and long-distance call from the incumbents of the 25 member states, made during peak hours, in September 2005. It should be mentioned that the cost includes any existing call set-up charges or minimum charge fees, as well as other reductions, depending on the duration of the call.

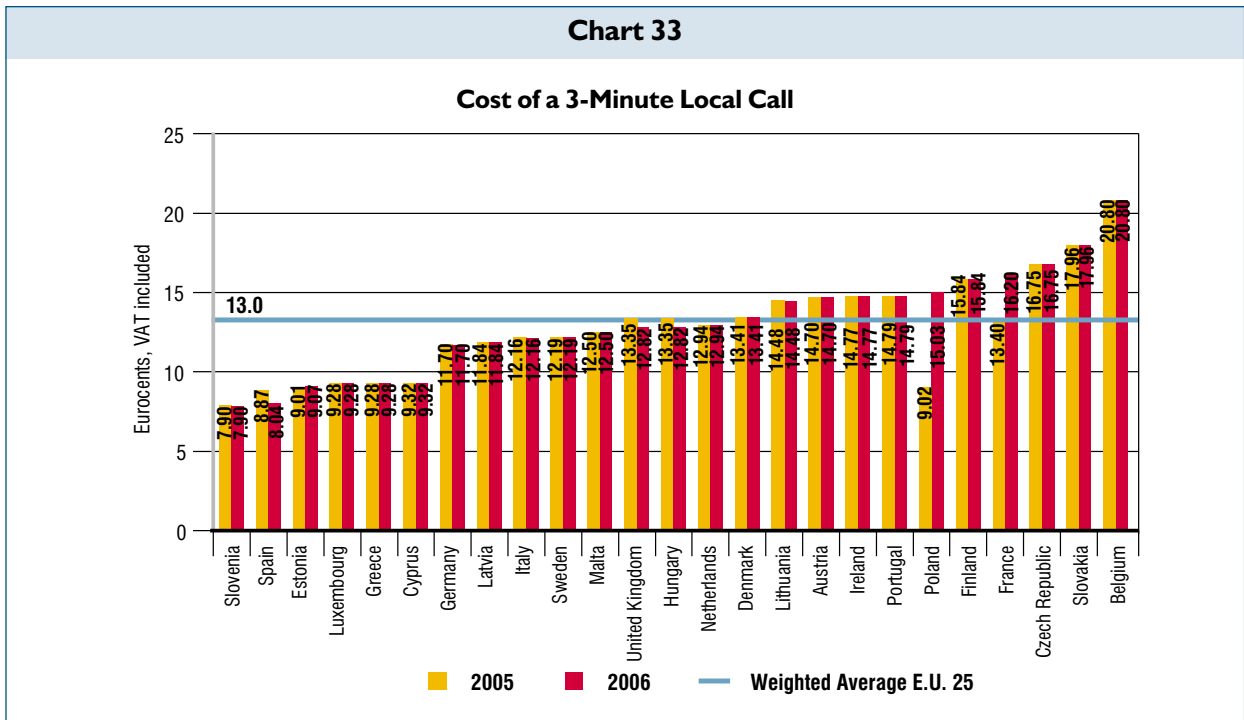
Greece is below the European average, in terms of local calls cost (5th place) as well as long-distance calls (12th place).



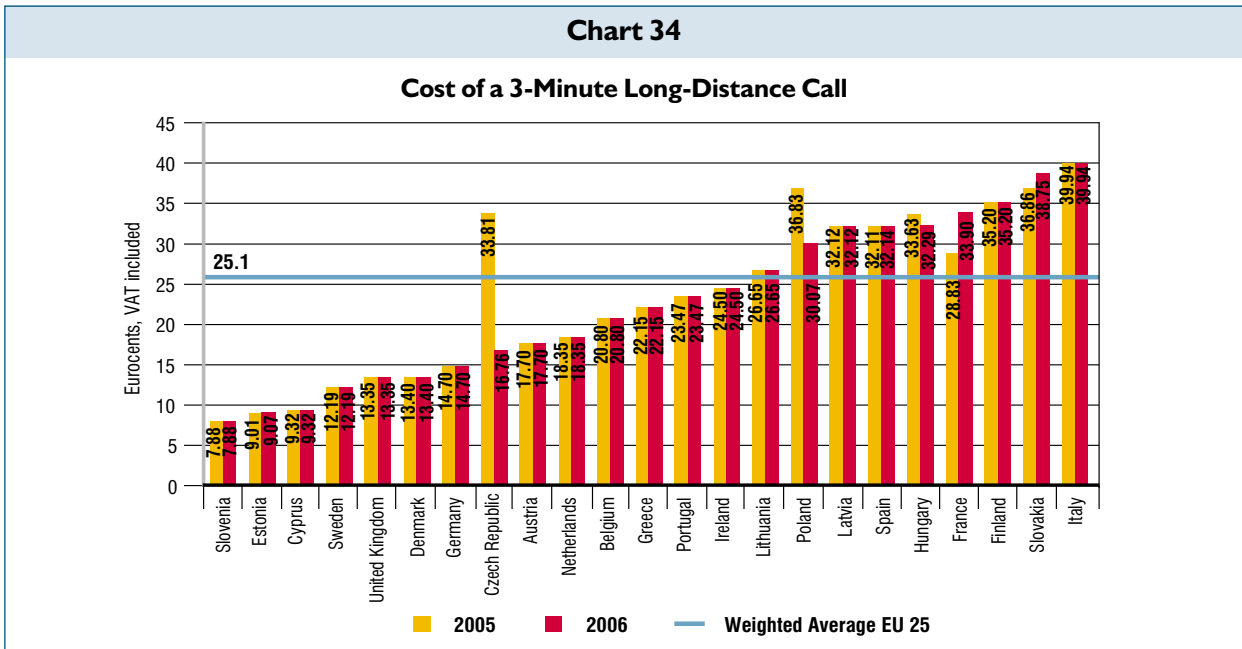
Source: EETT



Source: EETT

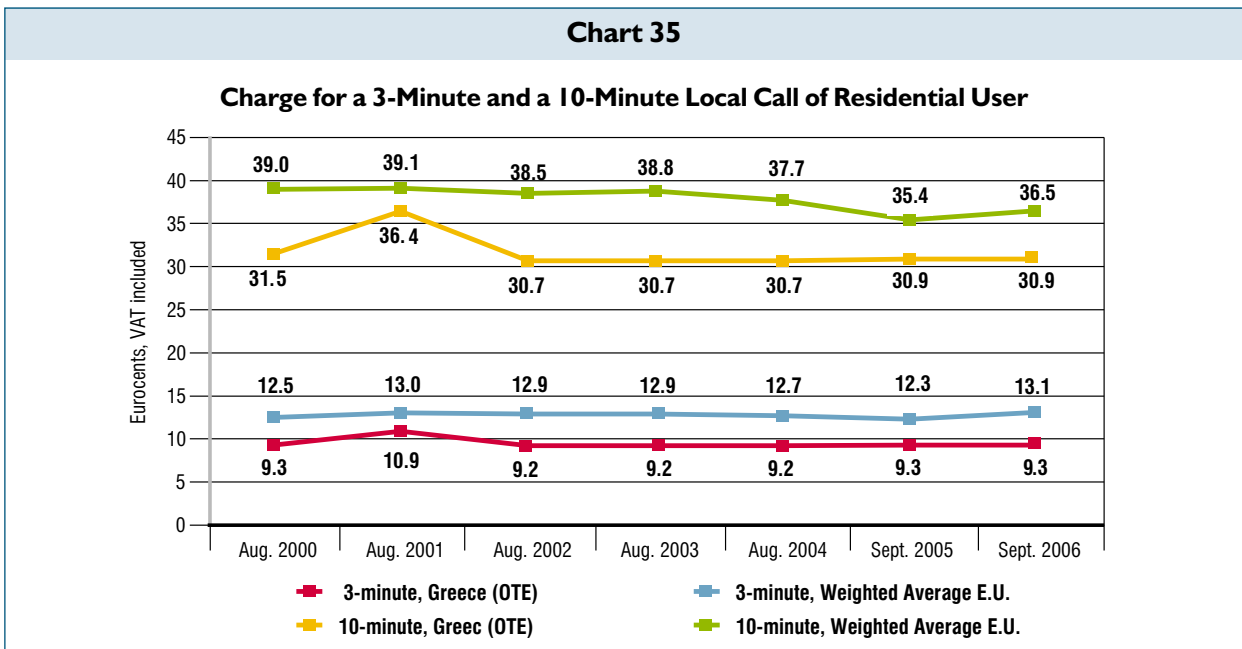


Source: 12th European Commission Implementation Report



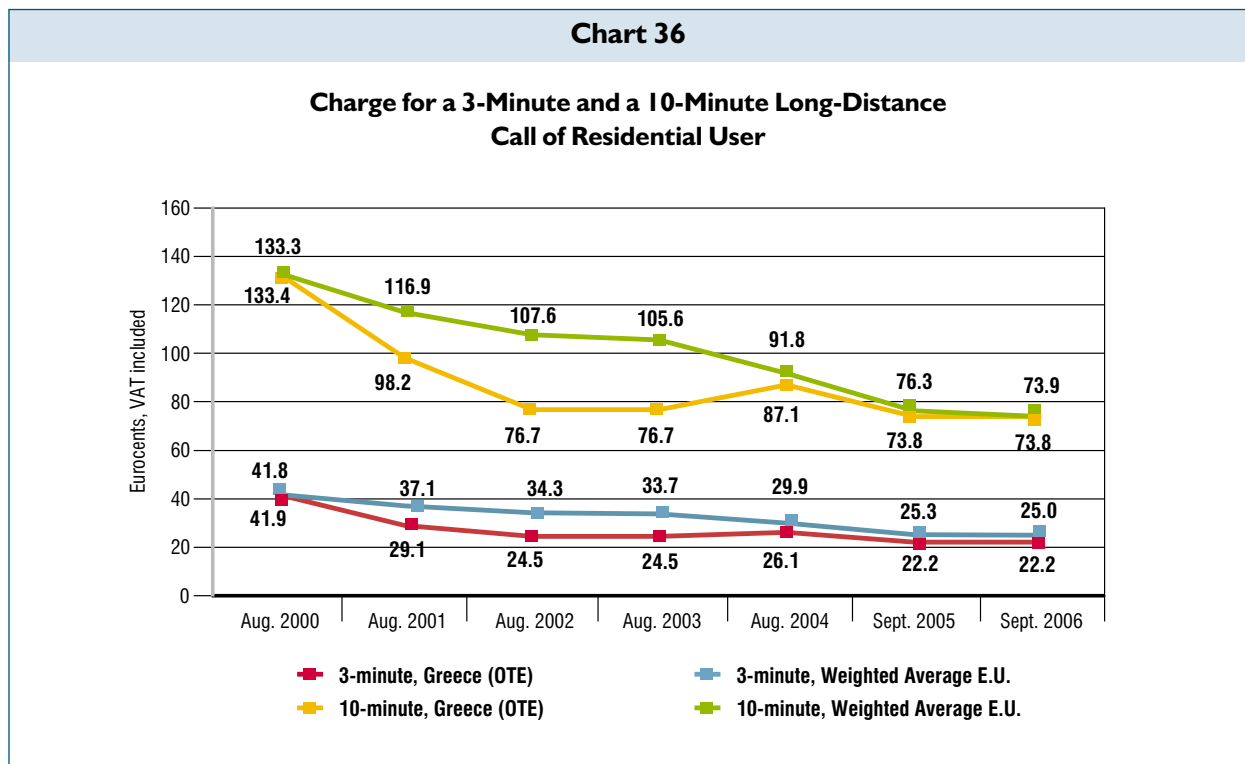
Charts 35 and 36 (page 29) present a comparative evolution of the charge for the residential user in Greece (OTE) and E.U. (weighted average of the former state monopolies of the E.U. members states) as regards a 3-minute and a 10-minute local and long-distance call.

former state monopolies of the E.U. members states) as regards a 3-minute and a 10-minute local and long-distance call.



In Greece, local calls are charged substantially lower than the weighted average of the E.U. members states. The same applies to long-distance calls, having a

significantly lower charge and almost no charge for 10-minute calls.



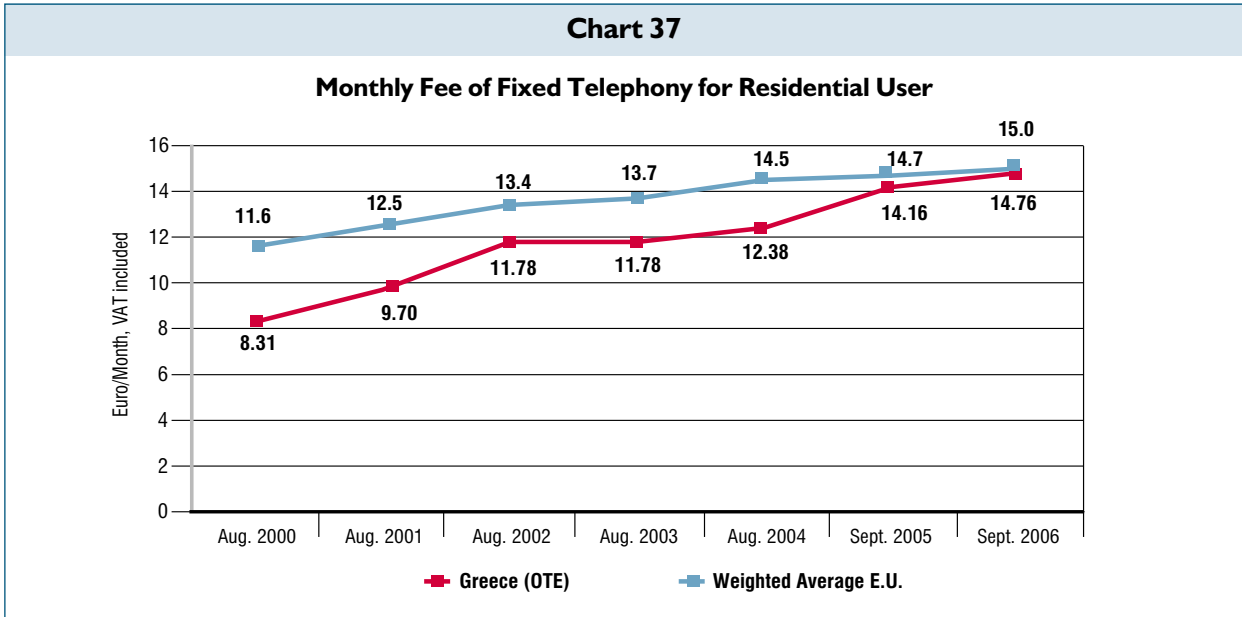
Source: 12th European Commission Implementation Report

On the contrary, the monthly fixed fee for the residential user is continuously increasing, as shown in Chart 37 (page 30), remaining marginally below the weighted average of the E.U. 25 member states.

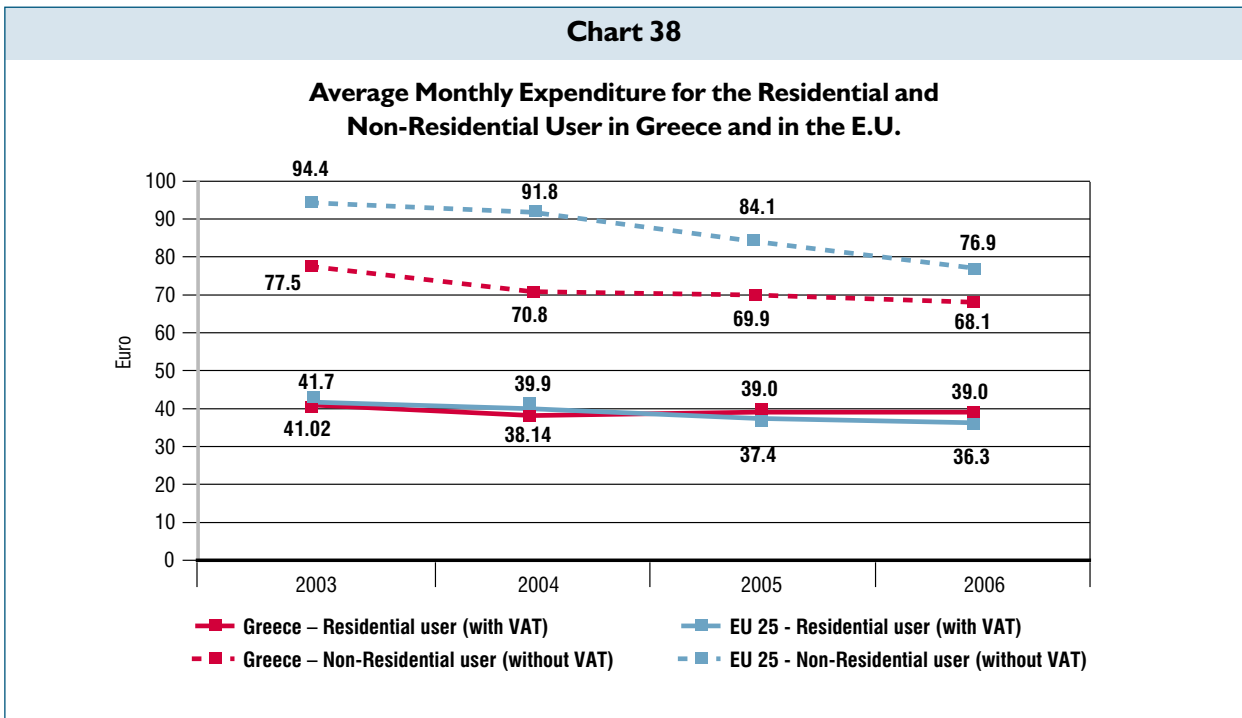
The average monthly expenditure of the Greek residential user continues to exceed the respective expenditure of the European, as shown in Chart 38 (page 30). On the contrary, the average monthly expenditure for the Greek non-residential user remains lower compared to the respective

expenditure of the European counterpart, but decreasing gradually.

Chart 38 is a result of the application of a methodology used both by the E.U. and the Organization for Economic Cooperation and Development (OECD) for international tariff comparisons. According to the methodology, the average monthly expenditure is identified based on a specific "basket" of calls, defined by OECD, which is applied on the standard tariffs charged by the incumbent of every member-state.



Source: 12th European Commission Implementation Report



Source: 12th European Commission Implementation Report (based on OECD methodology)

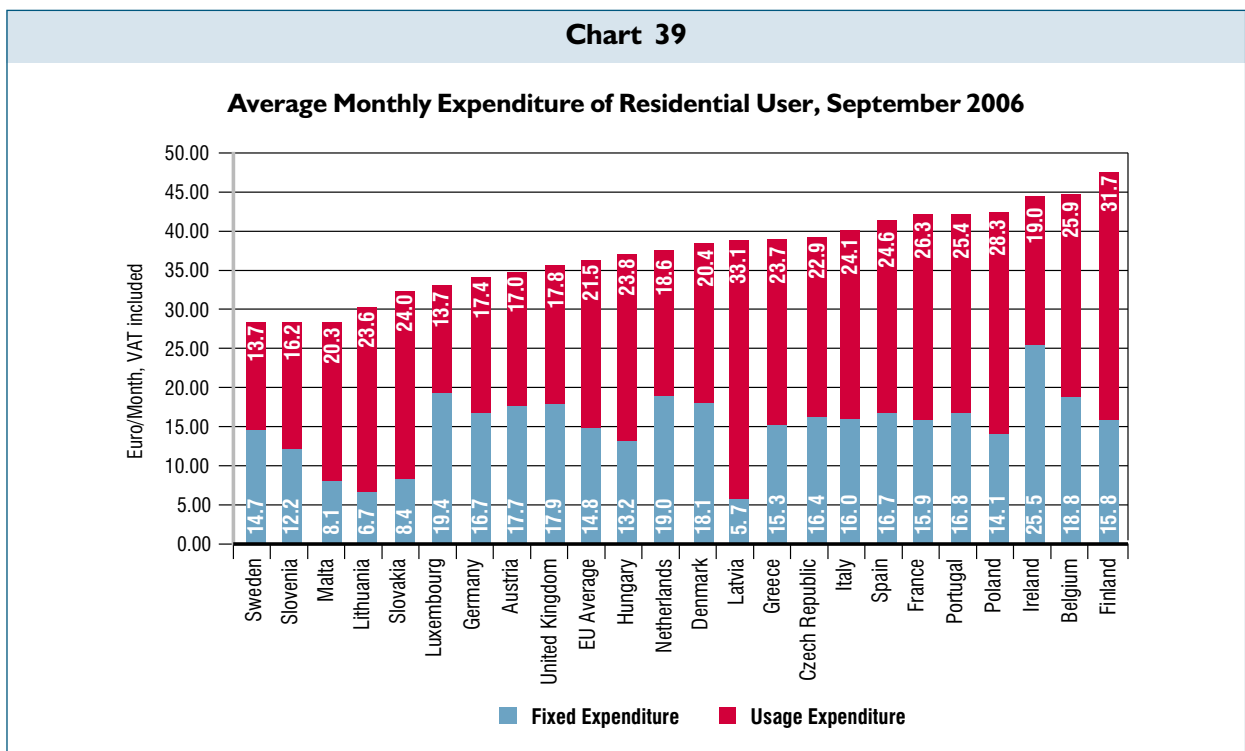


Based on the specific methodology, the annual residential user expenditure includes: a) The fixed charges that contains any fixed fee and installation charges for a new connection (depreciated over 5 years) VAT included and b) usage charges, i.e. variable charges, which refer to 1,200 national calls to fixed lines, plus 120 calls to mobile networks (representing 10% of the number of calls to fixed lines) and 72 international calls (representing 6% of the number of calls to fixed lines).

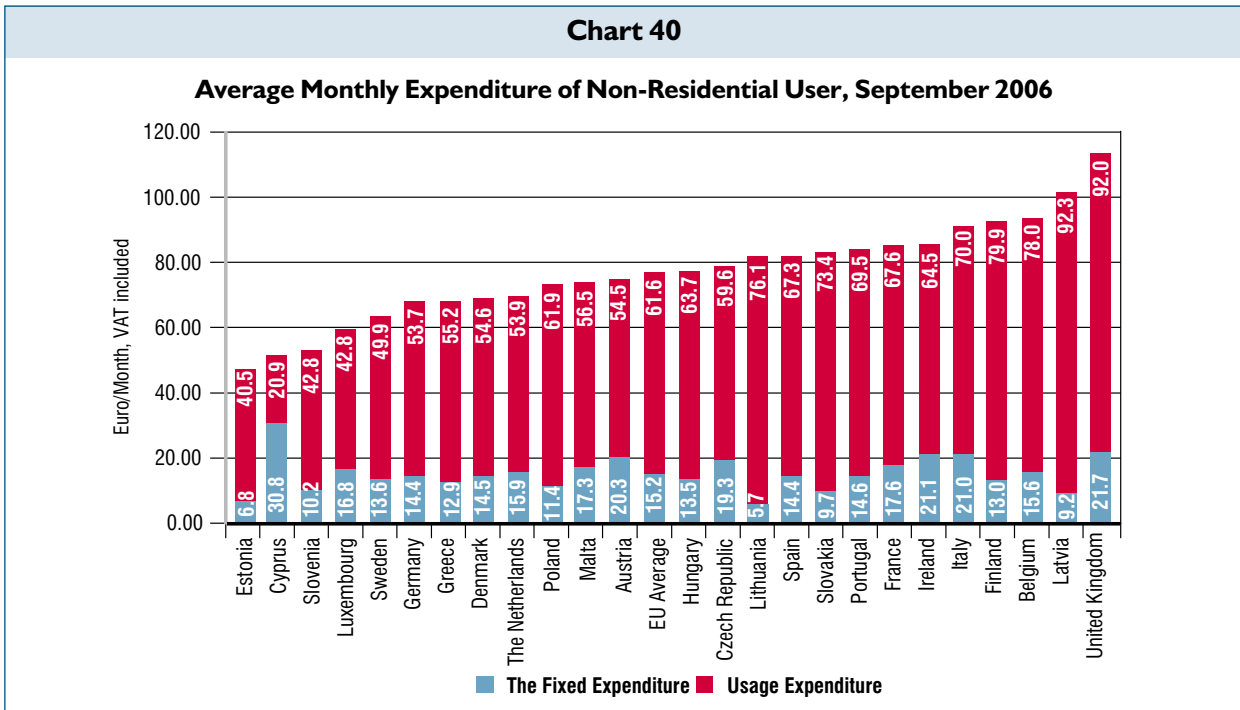
Regarding the non-residential user, the annual expenditure includes: a) The fixed charges, that contain any fixed and installation charges for a new connection (depreciated over 5 years), VAT excluded, and b) the usage charges, which refer to 3,600 national calls to fixed lines, plus 360 calls to mobile networks and 216 international calls.

Charts 39 and 40 (page 32) provide a comparative presentation among the 25 E.U. member states of the average monthly expenditure for a residential and non-residential user of fixed telephony, respectively. Greece exceeds the European average, in terms of monthly expenditure of residential user, given that it holds its position (14th position compared to the 18th position in 2005).

On the contrary, the situation differentiates as far as average monthly expenditure for the non-residential users is concerned, as Greece constitutes the 7th least expensive member state (8th position in 2005).



Source: 12th European Commission Implementation Report



Source: 12th European Commission Implementation Report

I.6.2. Mobile Telephony

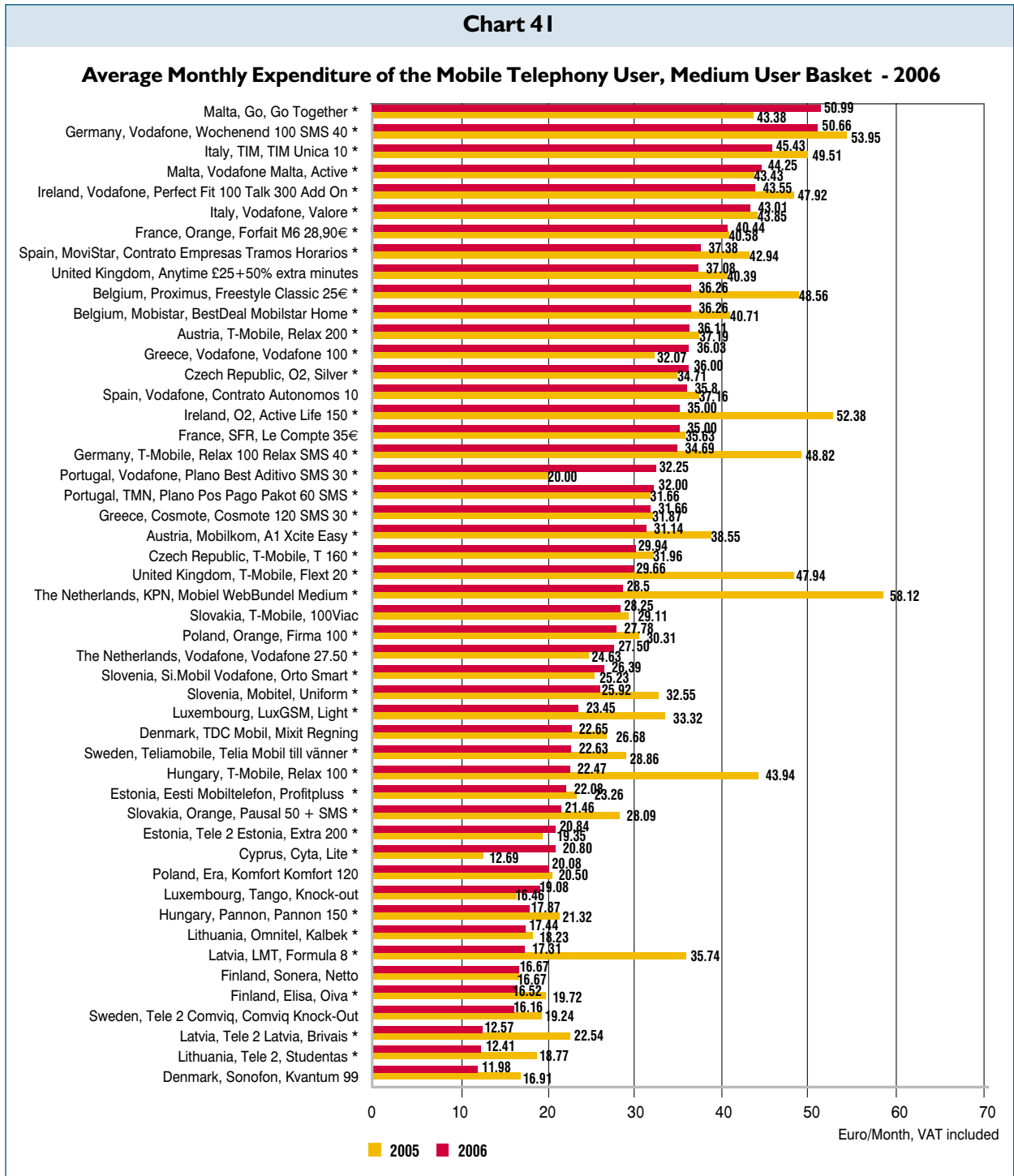
The average monthly expenditure for mobile telephony user is identified in a similar to that, of the fixed telephony, way. The analysis is based on the methodology used both by the E.U. and the OECD for international tariffs comparison. According to the methodology, the average expenditure is identified based on a specific “basket” of calls, defined by OECD, which is applied in the respective contract packages of the two most important MTOs of every member state. It should be noted that the companies were chosen based on subscription data compiled by the European Commission.

More specifically, there are three different “baskets”, depending on the level of usage (low, medium and high user). Chart 41 (page 33) presents the comparative evolution of the average monthly expenditure for the medium user “basket”. On an annual basis, the expenditure of the mobile telephony user includes the following charges:

- Fixed charges, which are identified as the monthly fixed fees and any other registration/installation charges (depreciated over 3 years) including the VAT.
- Usage charges, which is the variable monthly expenditure, referring to 75 outgoing calls (24% in local calls, 12% in long-distance calls, 43% in calls to mobile networks of the same company and 21% in calls to subscribers of other companies) and 35 outgoing short text messages (SMS). Moreover, there is a specific time allocation of the calls, with 47% of the calls being made during peak hours, 30% during non-peak hours and 23% during the weekends. Finally, all relevant packages of the operators are taken into account, however, only the least expensive are presented for each usage “basket”.

It should be noted that during 2006 usage “basket” has been revised mainly concerning the usage expenditure. In particular, the medium user “basket” is referring to 65 outgoing calls (21% to local calls, 72% calls to mobile and 7% calls to answering machine) and 50 outgoing short text messages (SMS).

Chart 4I is based in older baskets, mainly for comparison reasons between 2006 and 2005.



Source: 12th European Commission Implementation Report

The entries with * state that the company's program has been changed either in name or in structure in comparison to 2005.

Greece is found above the middle of the ranking with the average monthly expenditure exceeding 29 euros, where the European average is estimated to be amounted.

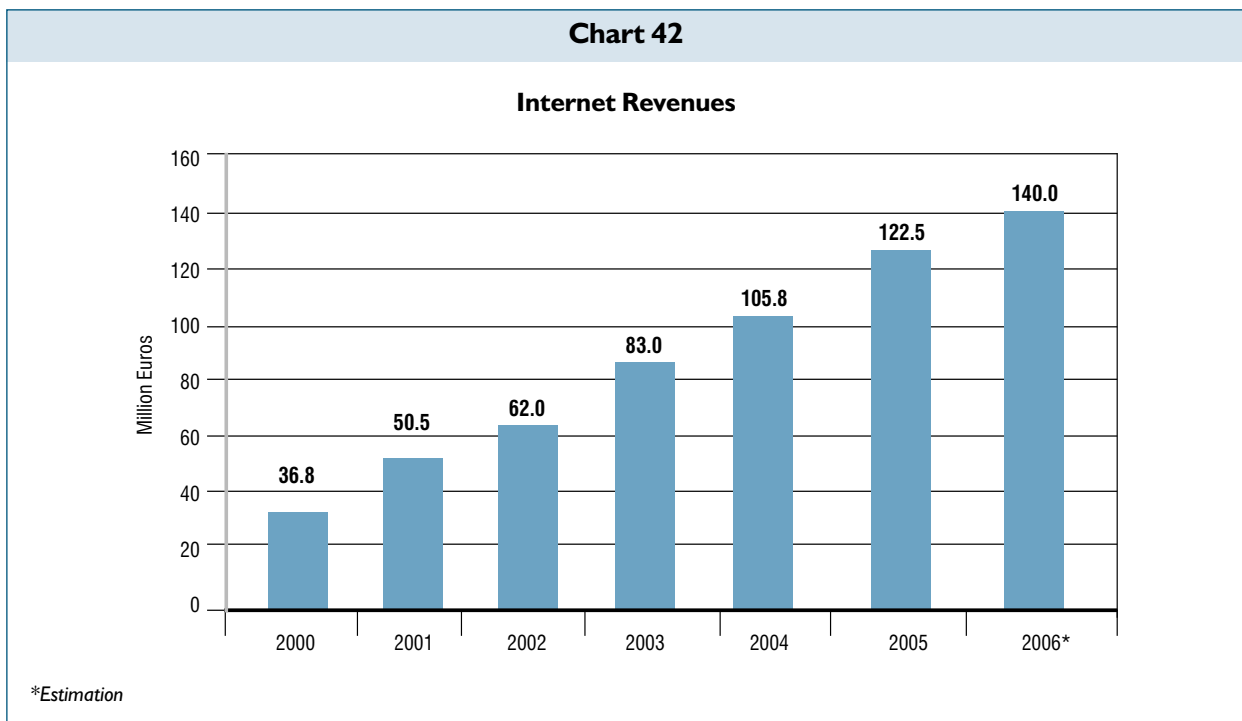
I.7. Internet

I.7.1. Internet Market

Internet market in Greece continues developing both in terms of total revenues and number of connections.

More specifically, the total revenues of licensed providers from Internet services for 2006 amount approximately to 140 million euros, marking a 14% increase compared to 2005 (Chart 42).

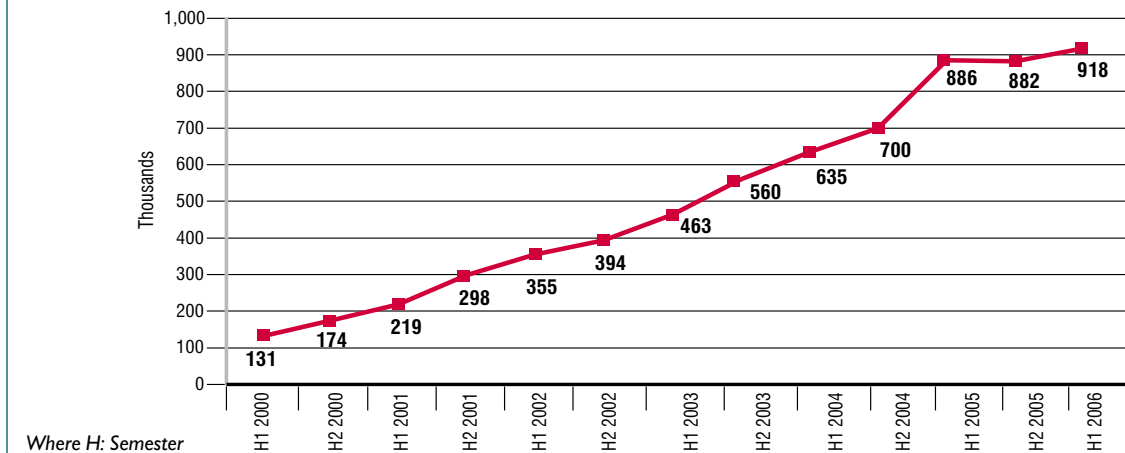
On the contrary, the number of subscribers presented a small increase (4%), thus amounting to 918,000 (Chart 43, page 35). The disproportionate increase of the income, compared to the number of subscribers, is due to the rapid increase of the broadband services subscribers that produce a higher income per subscriber to the internet access service Providers.



Source: EETT (based on licensed providers' data)

Chart 43

Internet Subscribers



Source: EETT (based on licensed providers' data)

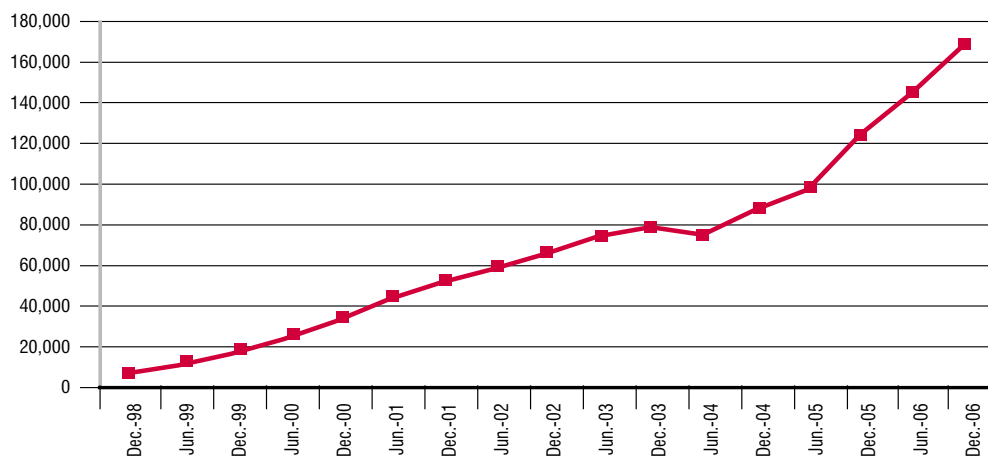
1.7.2 Domain Names with [.gr] Suffix

In 2006, the important increase in the number of applications as well as in the total [.gr] Domain Names assignments continued. The total number of Domain Names, including sub-domains (com.gr, net.gr, org.gr,

edu.gr, gov.gr), has approached at the end of the year the 180,000. Chart 44 presents the evolution of the total number of Domain Names for the period 1998-2006.

Chart 44

Evolution of Domain Names, 1998-2006

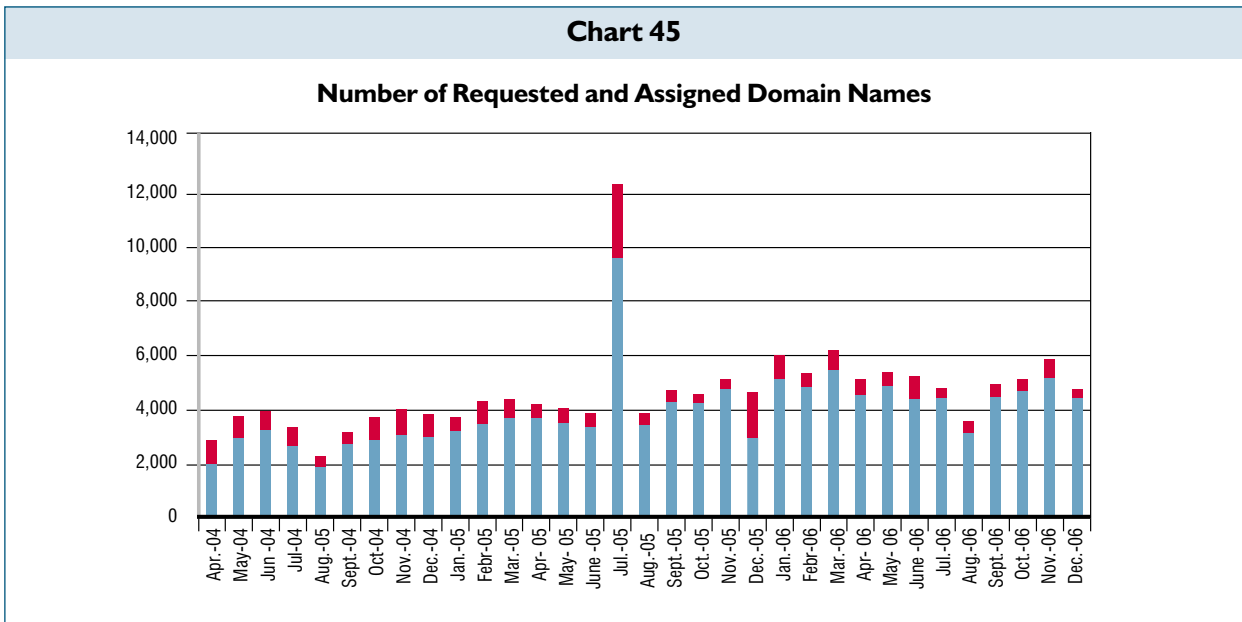


Source: EETT

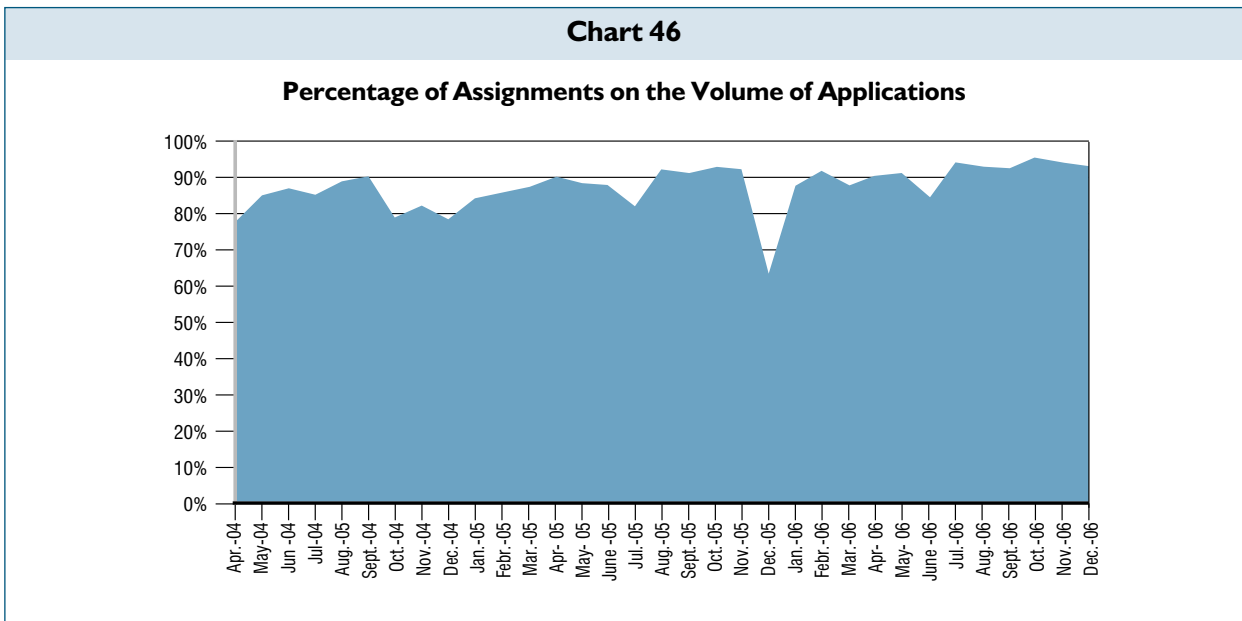


Chart 45 presents the evolution of the requested and assigned domain names. Respectively, Chart 46 illustrates the evolution of the assignment percentage over the applications that have been submitted.

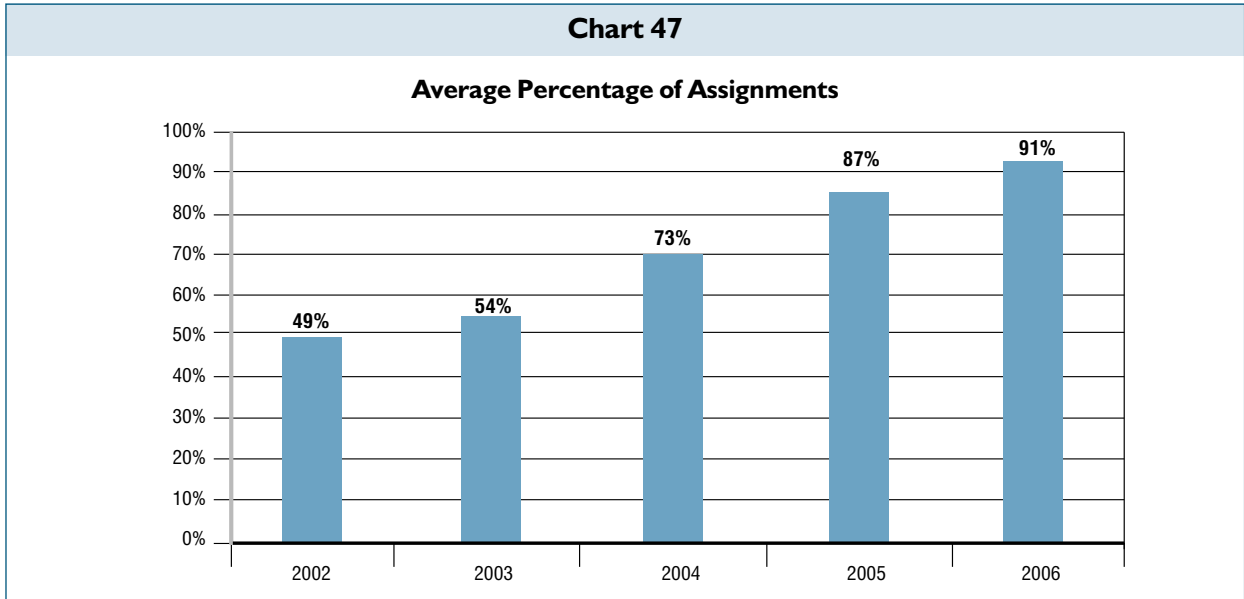
Chart 47 (page 37) shows the annual evolution of the average percentage of assignments on the application volume for the period 2002-2006, which presents new increase, reaching 91%.



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



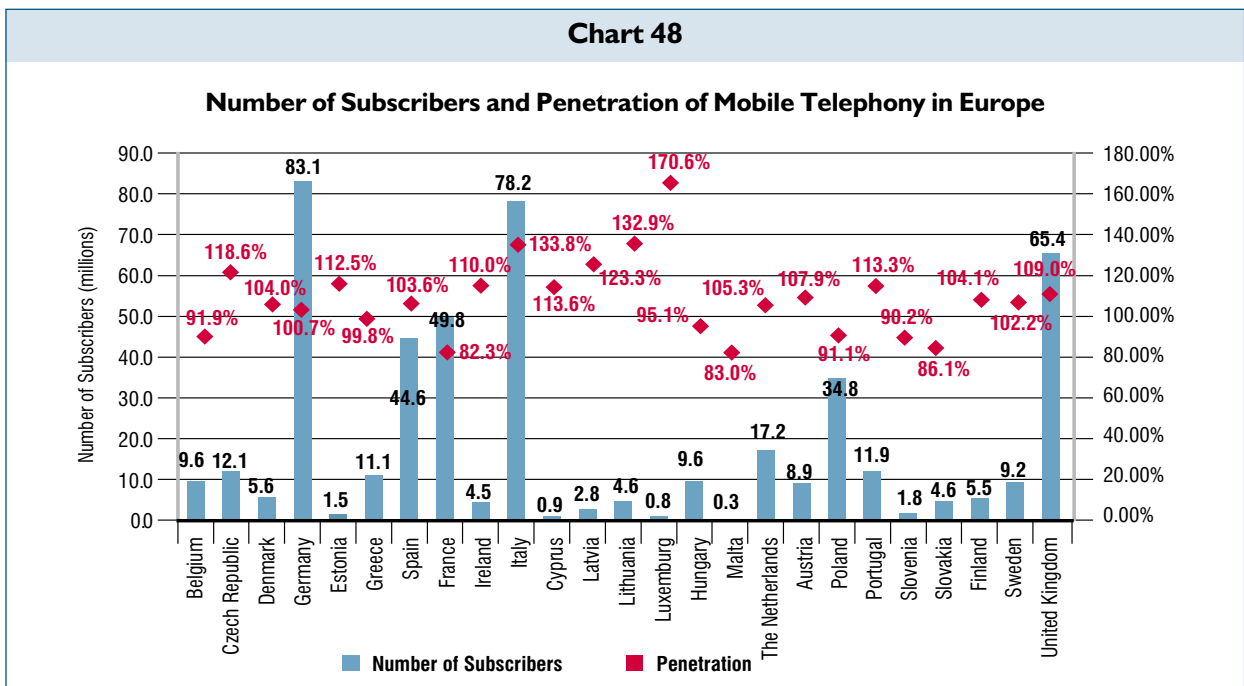
Source: Institute of Computer Science of the Foundation for Research and Technology – Hellas (ICS-FORTH)



Source: EETT

1.8. Mobile Telephony

The penetration of mobile telephony continued to fluctuate at high levels during 2006. Chart 48 presents the number of subscribers and the penetration of mobile telephony in the 25 E.U. member states, based on data



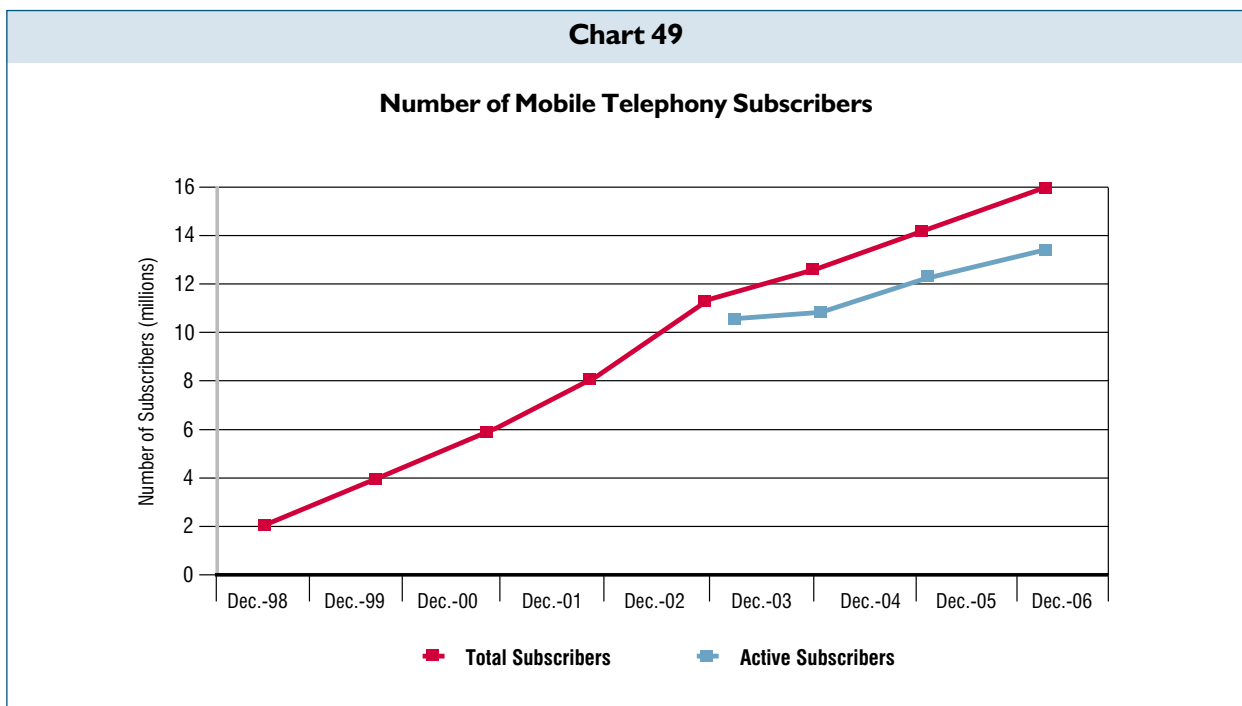
Source: 12th European Commission Report

acquired in October 2006. In Greece, the penetration amounted to 99.81%, marking an increase of 10.5% compared to October 2005, where it amounted to 89.3%.

More analytically, as it is shown in Chart 49, the total number of mobile telephony subscribers at the end of 2006 amounted to 13,875,000, presenting an increase of 10.25% compared to the end of 2005. In parallel, the number of mobile telephony active subscribers⁷ reached at the end of 2006 11,098,000, presenting a 7.6% increase compared to the end of 2005. This number of mobile telephony active subscribers corresponds to a

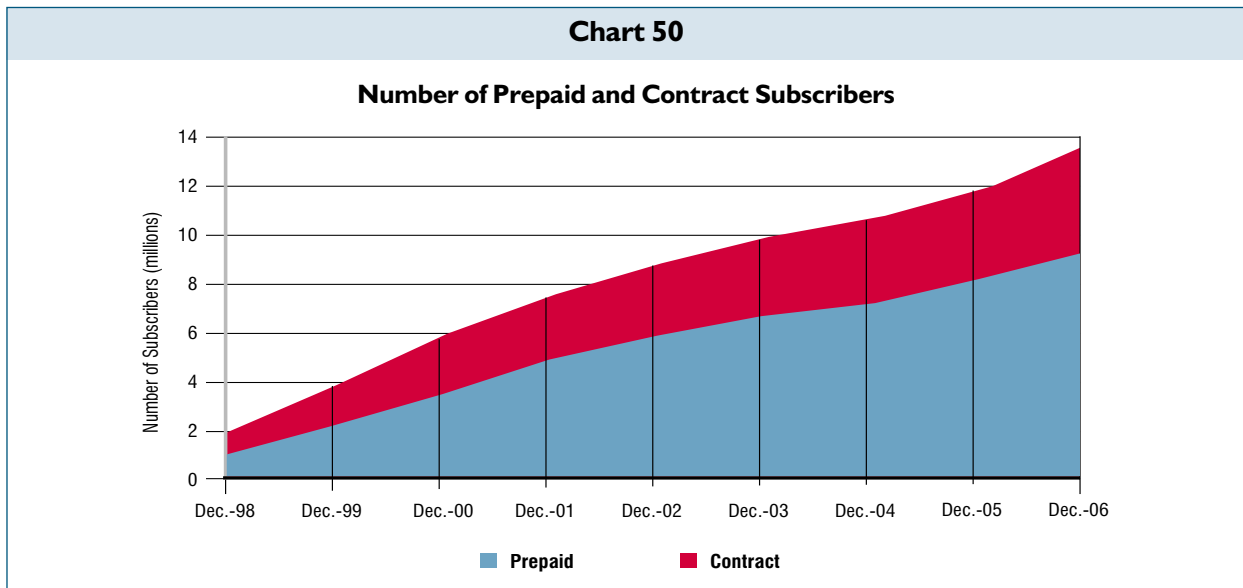
penetration percentage of 99.77% in the population for 2006 (compared to 92.2% for 2005).

As it results from Chart 50 (page 39), the percentage of mobile telephony subscribers that prefer pre-paid telephony amounted at the end of 2006 to 69%, marking an increase of 3% compared to the previous year. At the same time, the percentage of the prepaid mobile telephony active subscribers amounted to 61.5% at the end of 2006, compared to 60% at the end of 2005. Chart 51 (page 39) presents the distribution of the total number of subscribers per mobile telephony company.

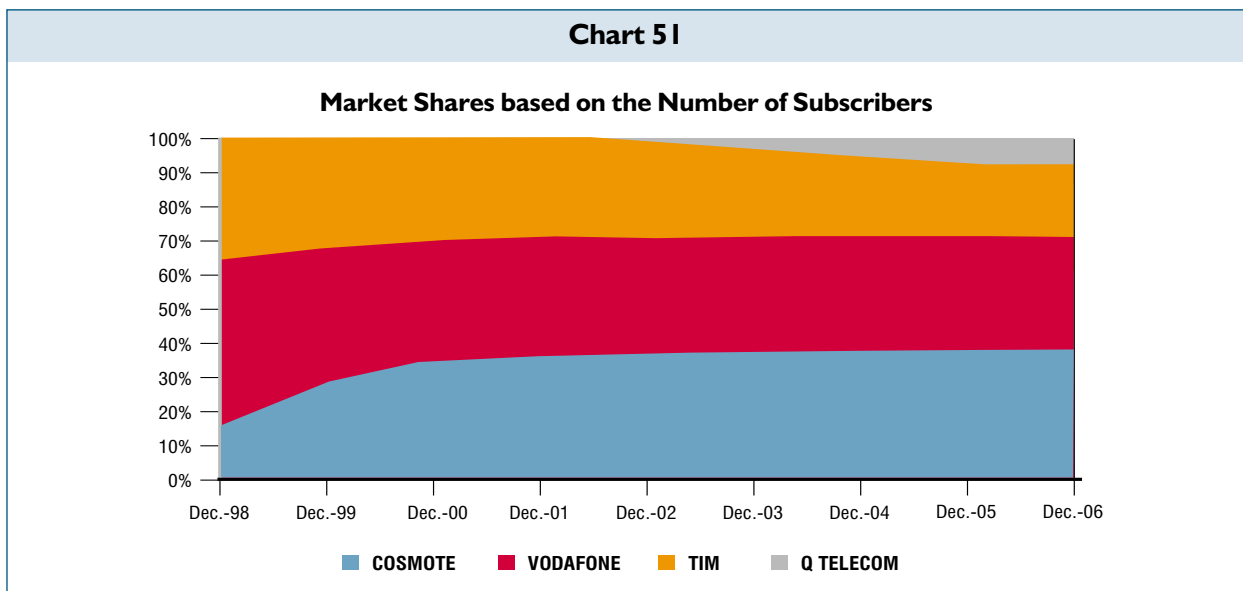


Source: EETT (based on licensed providers' data)

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



Πηγή: EETT (βάσει στοιχείων των αδειοδοτημένων παρόχων)



Source: EETT (based on licensed providers' data)

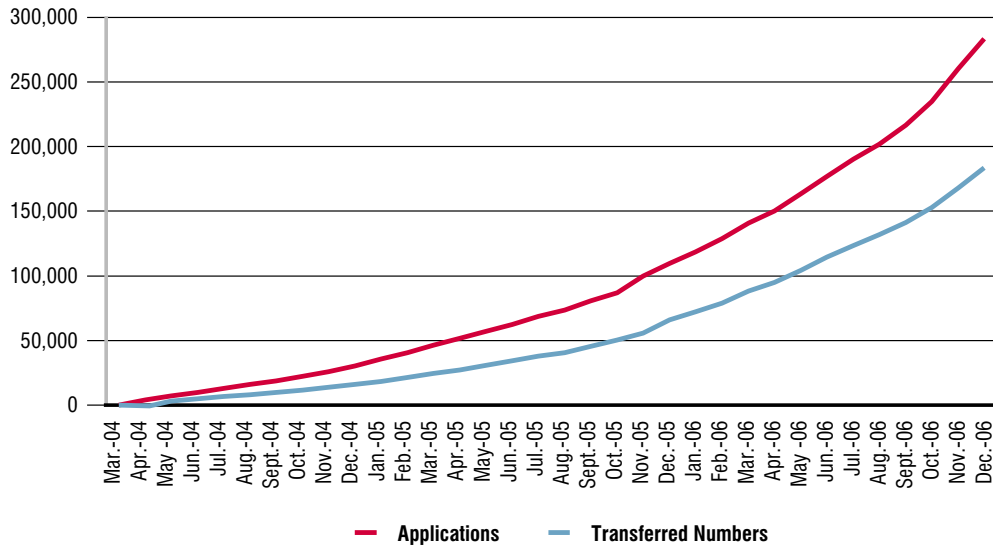
1.9. Number Portability

Number Portability, (which is a facility that enables consumers to change their service provider whilst keeping their existing telephone number) has continued

marking a significant increase in 2006. The evolution of the volume of applications and numbers transferred for mobile and fixed telephony are presented in Charts 52 and 53 (page 40). Chart 54 (page 41) presents the volume of transferred numbers per month.

Chart 52

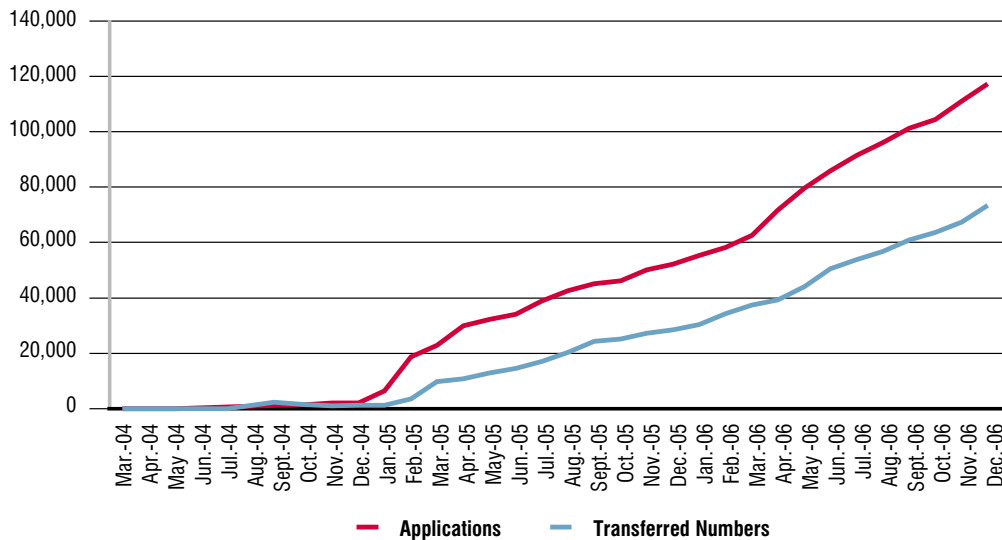
Number Portability: Application and Transferred Numbers – Mobile Telephony



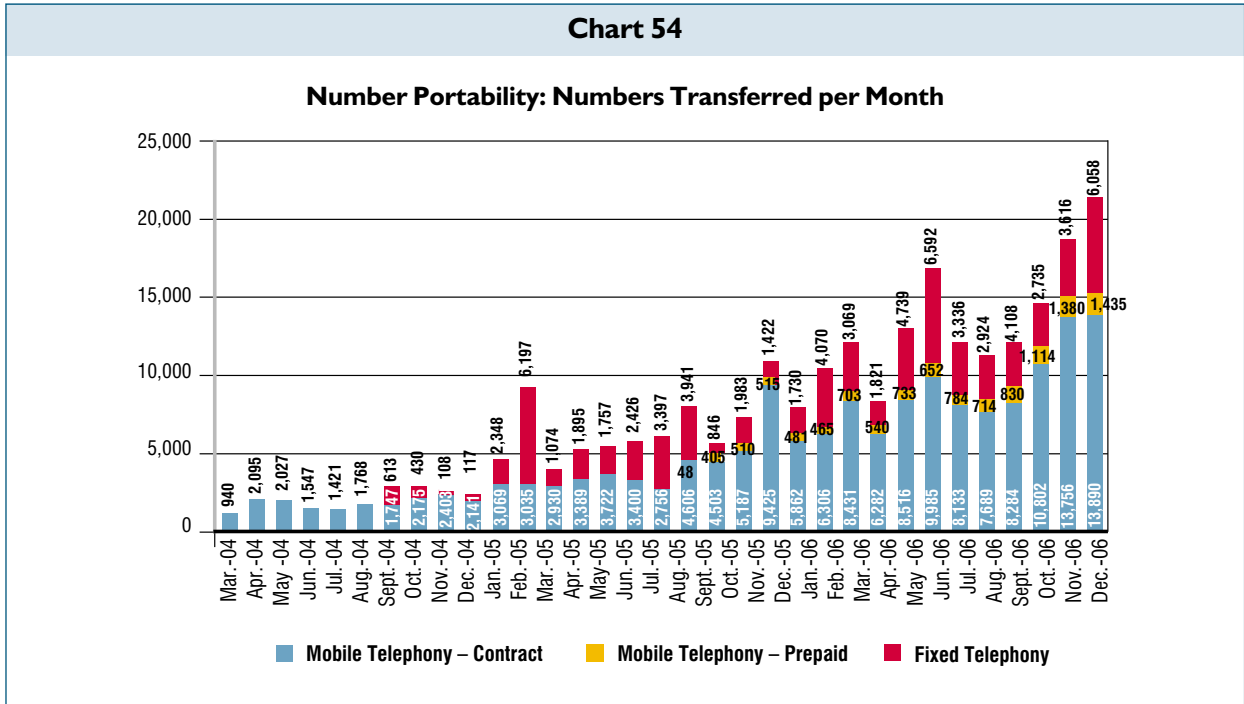
Source: EETT

Chart 53

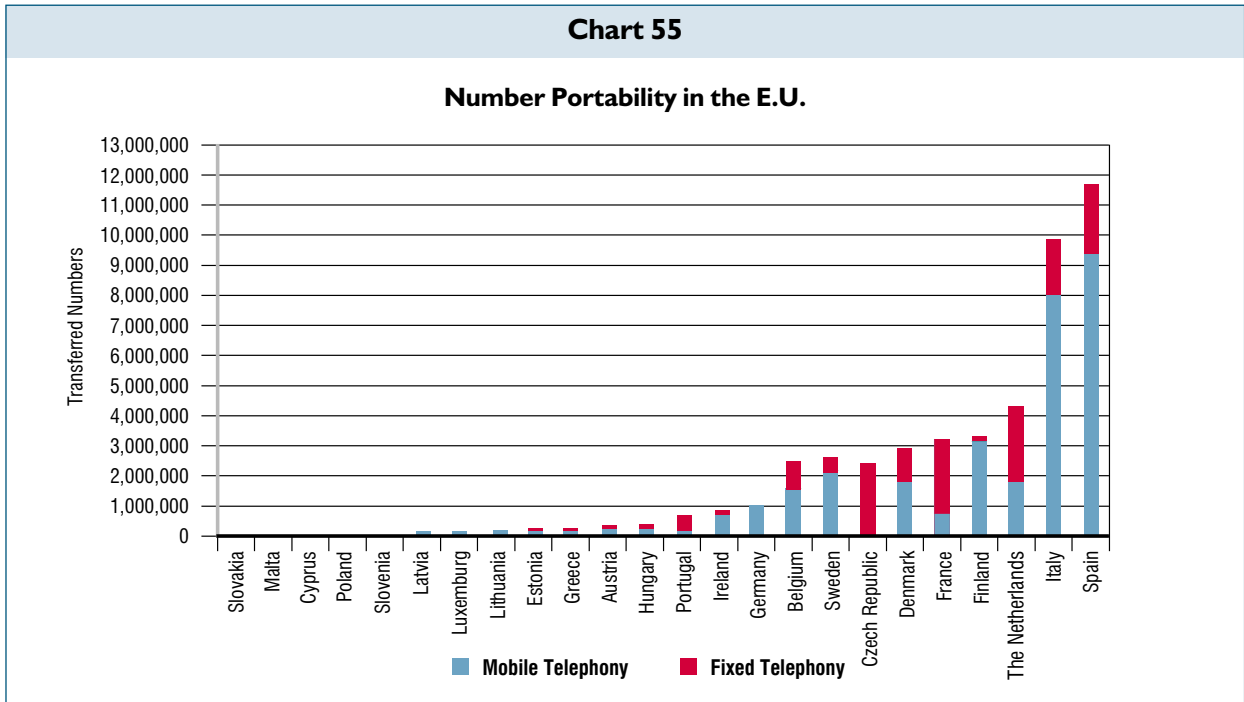
Number Portability: Application and Transferred Numbers – Fixed Telephony



Source: EETT



Source EETT



Source: 12th European Commission Implementation Report



During 2006, 173,786 applications were filled in mobile telephony (120% increase compared to 79,077 applications in 2005) and 117,767 numbers were transferred (137% increase). In the case of fixed telephony, 64,993 applications were filled and 44,798 numbers were transferred. Chart 55 (page 41) presents number portability on fixed and mobile telephony on October 2006 in the EU member states, where it is shown that Greece is placed in the lower positions, with a total of 202,102 transferred numbers (141,154 in mobile telephony and 60,948 in fixed telephony).

I.10. Interconnection

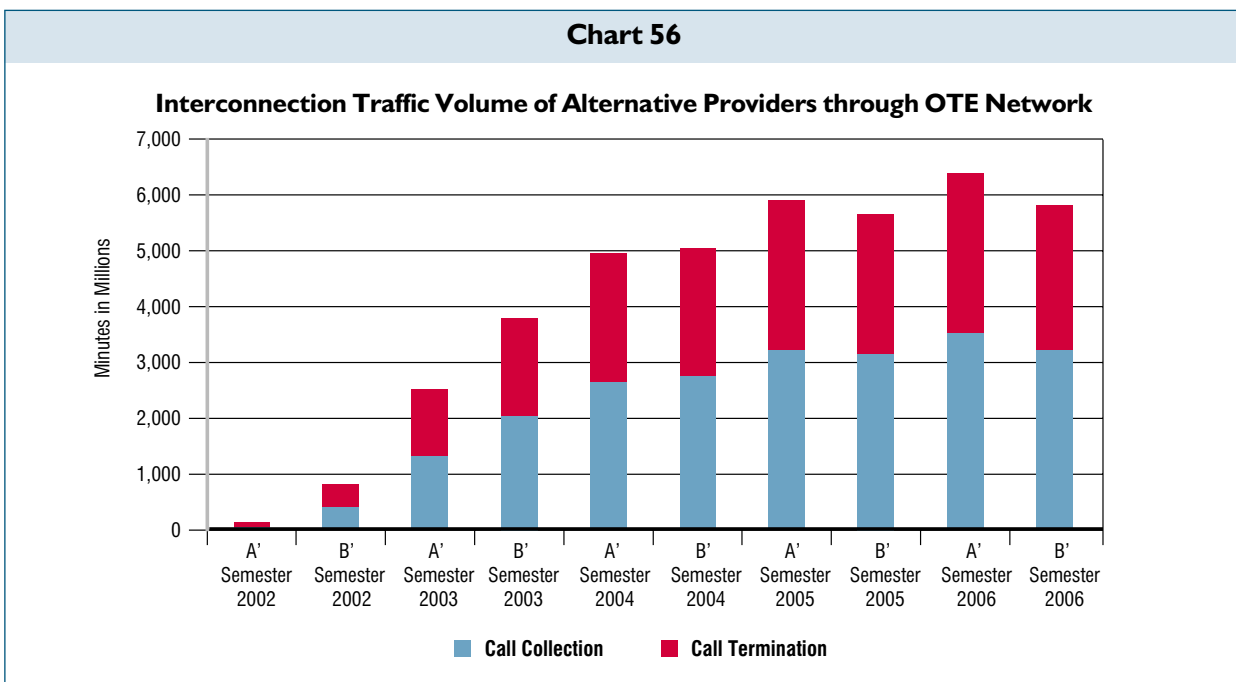
I.10.1. Fixed Telephony

Chart 56 presents the evolution over time of Interconnection traffic volume, which includes calls collection from OTE's network and calls termination to

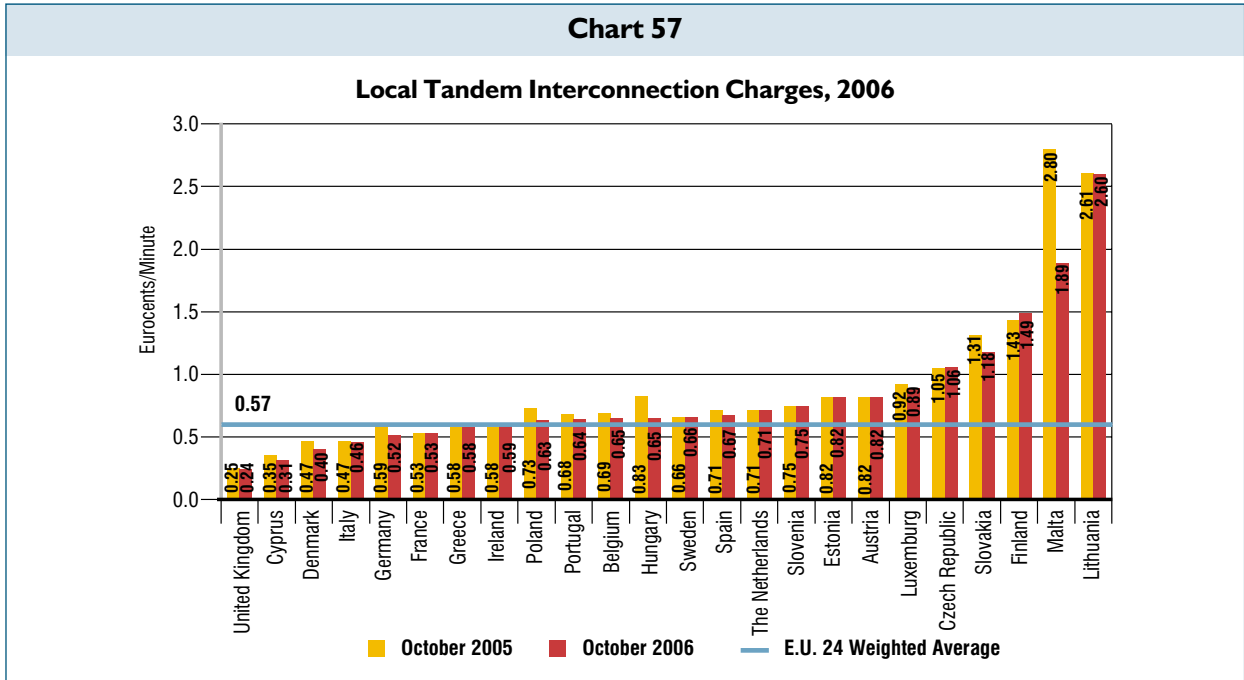
OTE's network, on behalf of fixed telephony alternative providers.

During 2006, both calls collection and termination showed an increase, however in slower rate compared to 2005. More specifically, call collection reached 6.8 billion minutes (5.7 increase compared to 2005) and call termination presented a 5.5% increase compared to 2005 (5.4 billion minutes compared to 5.2 billion minutes respectively).

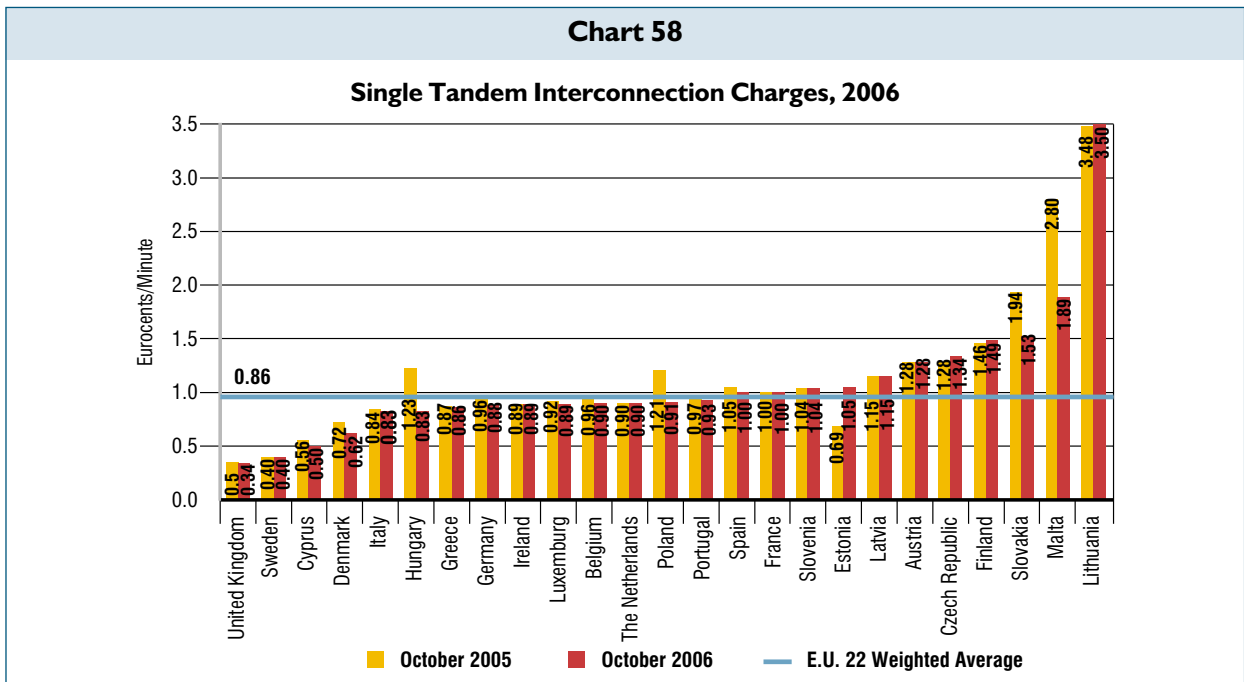
According to the 12th Report of the European Commission, Interconnection charges in Greece, in October 2006, were lower than the average of the E.U. Charts 57-59 (pages 43-44) present the Interconnection charges for call termination on the incumbent's network for every member state of the E.U., depending on the type of Interconnection (Local, Single, Double tandem). Greece constitutes one of the least expensive member states, holding the 7th position in terms of Local and Simple Interconnection, while in terms of Double Interconnection, Greece holds the 6th position.



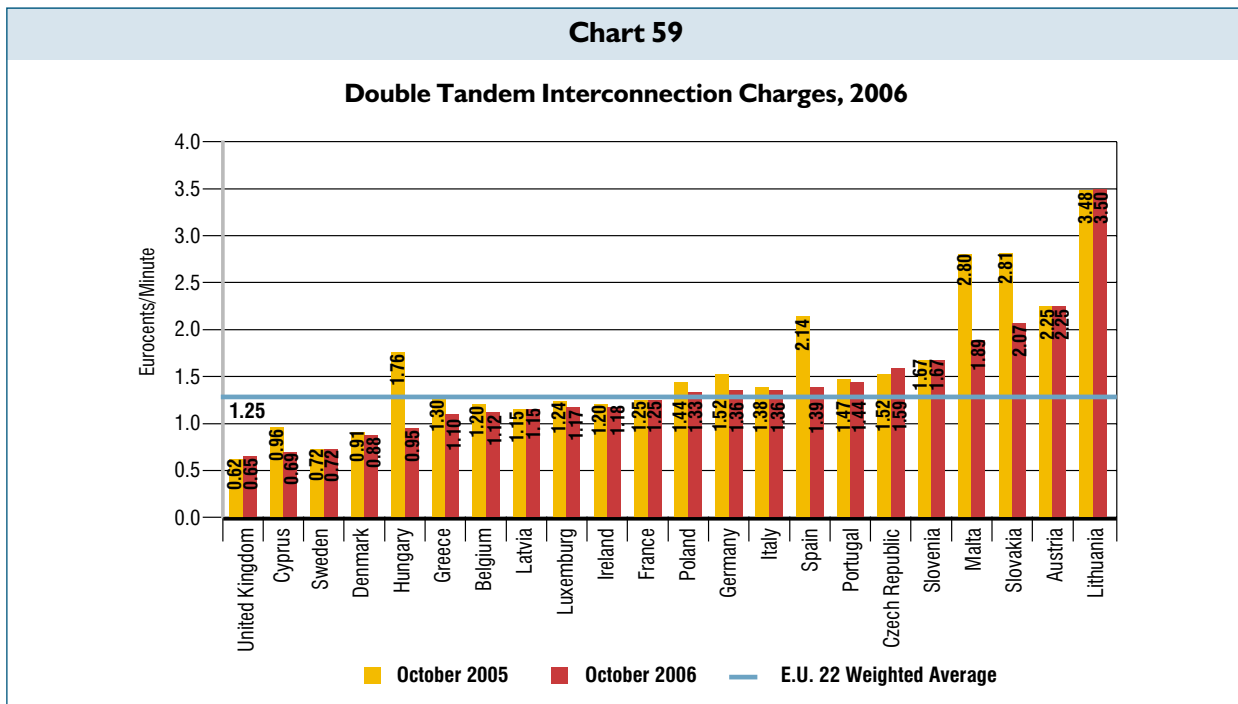
Source: EETT (based on licensed providers' data)



Source: 12th European Commission Implementation Report



Source: 12th European Commission Implementation Report



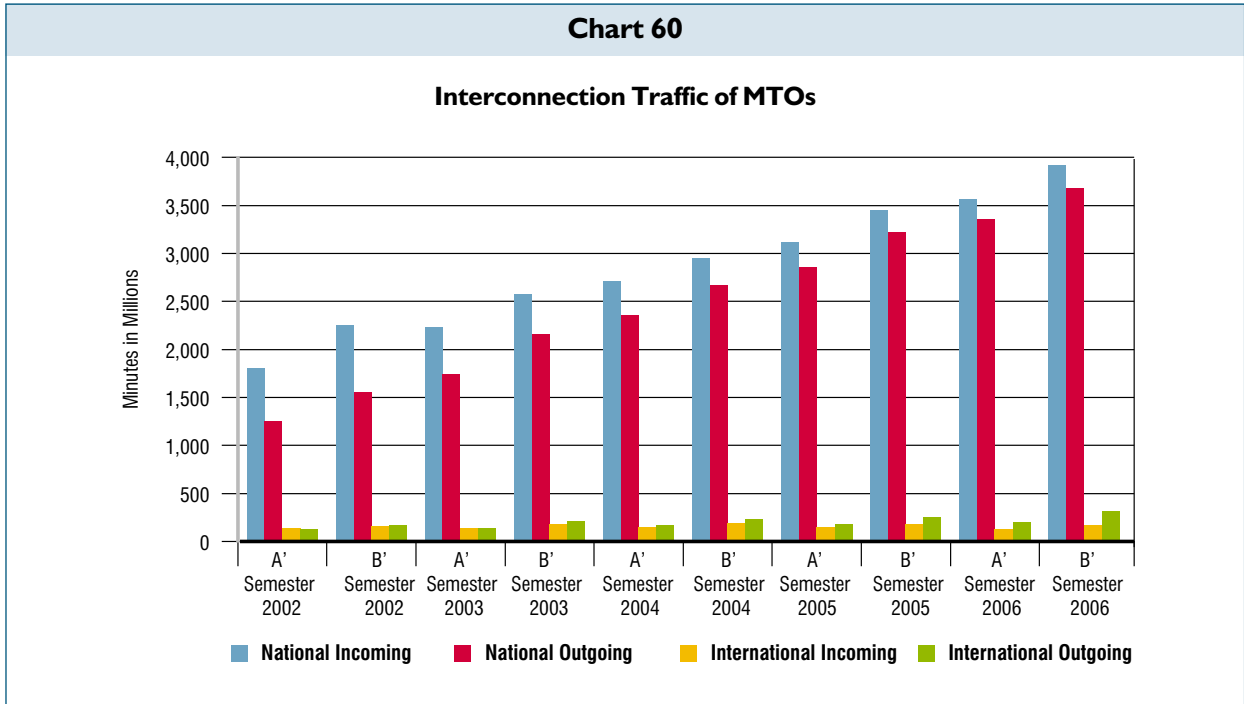
Source: 12th European Commission Implementation Report

1.10.2. Mobile Telephony

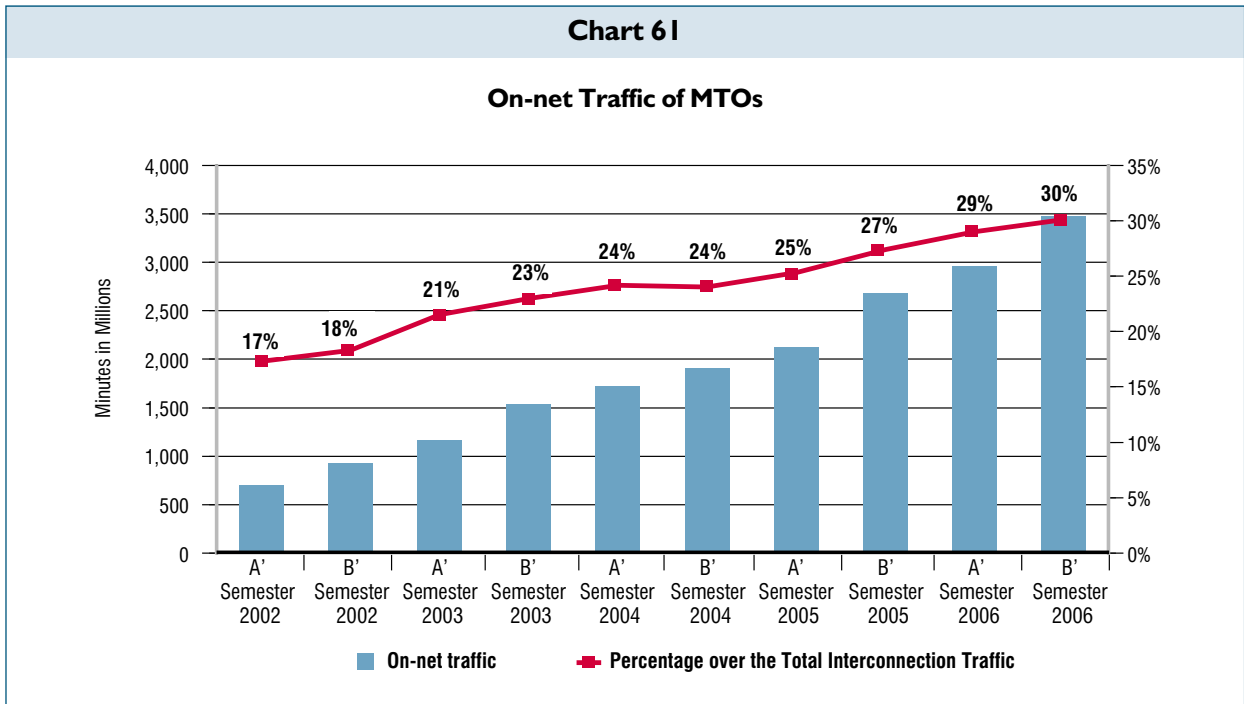
In 2006, Mobile Telephony Operators' (MTOs) Interconnection traffic has presented a significant increase, as it is shown in Chart 60 (page 45), that presents the national and international Interconnection traffic volume (incoming and outgoing) for all four MTOs. National incoming traffic is the total traffic terminating to the network of each MTO, originating from the networks of other domestic MTOs and fixed telephony providers (OTE and alternative providers). Respectively, the national outgoing traffic is the total traffic originating from the network of every MTO and terminates to the other domestic MTOs and fixed telephony providers (OTE and alternative providers). International incoming and outgoing traffic refers to the total traffic, which originates from or terminates to international providers.

National outgoing traffic has shown the most important increase compared to 2005 (20%), followed by the national outgoing and incoming traffic, which were increased by 16% and 14% respectively. On the opposite, the international incoming traffic has shown a 10% decrease.

Chart 61 (page 45) illustrates the on-net traffic for the four MTOs. The on-net traffic is defined as the traffic between the subscribers of the same mobile network and constitutes a significant part of every MTO's traffic volume. At the same time, it constitutes a substantial revenues source not affected by Interconnection agreements with other companies. In 2006, the on-net traffic reached 6.4 billion minutes, marking a 34% increase compared to 2005 (4.8 billion minutes). Consequently, the on-net traffic has constituted 30% of the total Interconnection traffic (which additionally includes the incoming and outgoing traffic).



Source: EETT (based on MTOs' data)



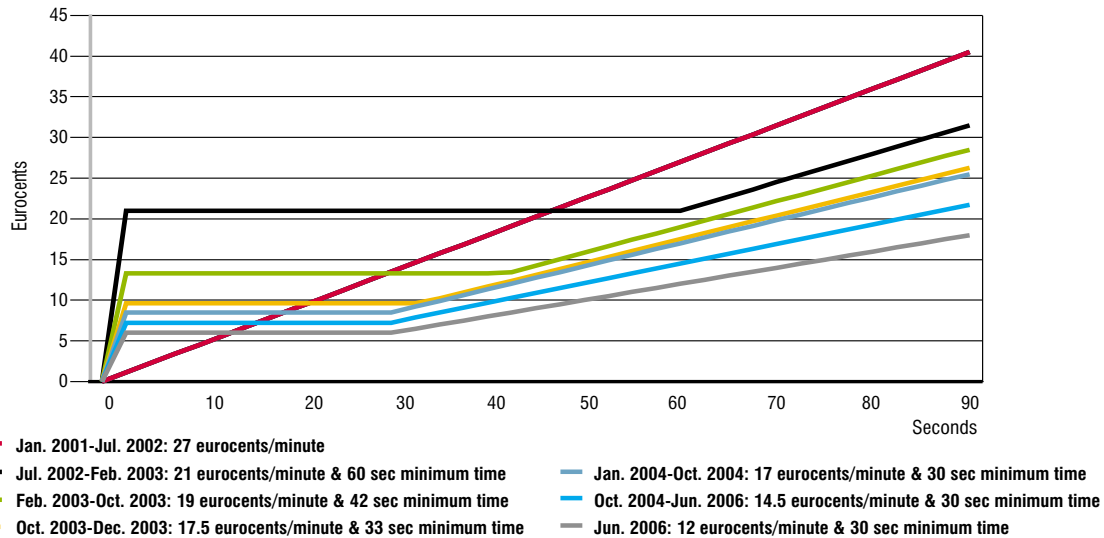
Source: EETT (based on MTOs' data)

As it is mentioned in detail in chapter 2.2.4, in relation to the definition and analysis of the relevant Electronic Communications markets, on August 2006, EETT

decided⁸ upon the gradual decrease of the termination fees on mobile telephony networks, aiming at leveling the aforementioned fees with the call termination

Chart 62

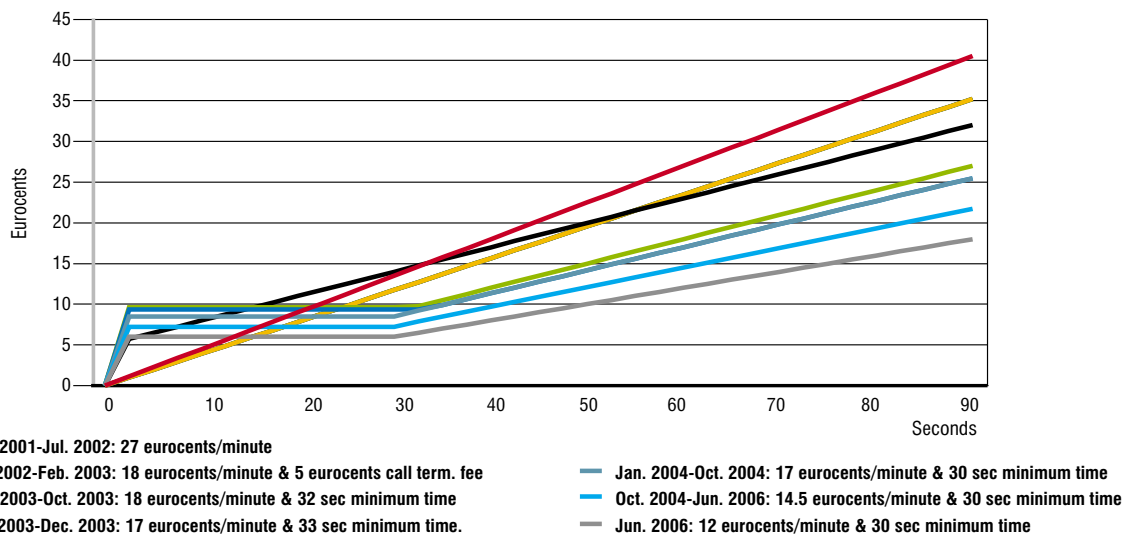
Termination Fee on VODAFONE Subscribers



Source: EETT

Chart 63

Termination Fee on COSMOTE Subscribers



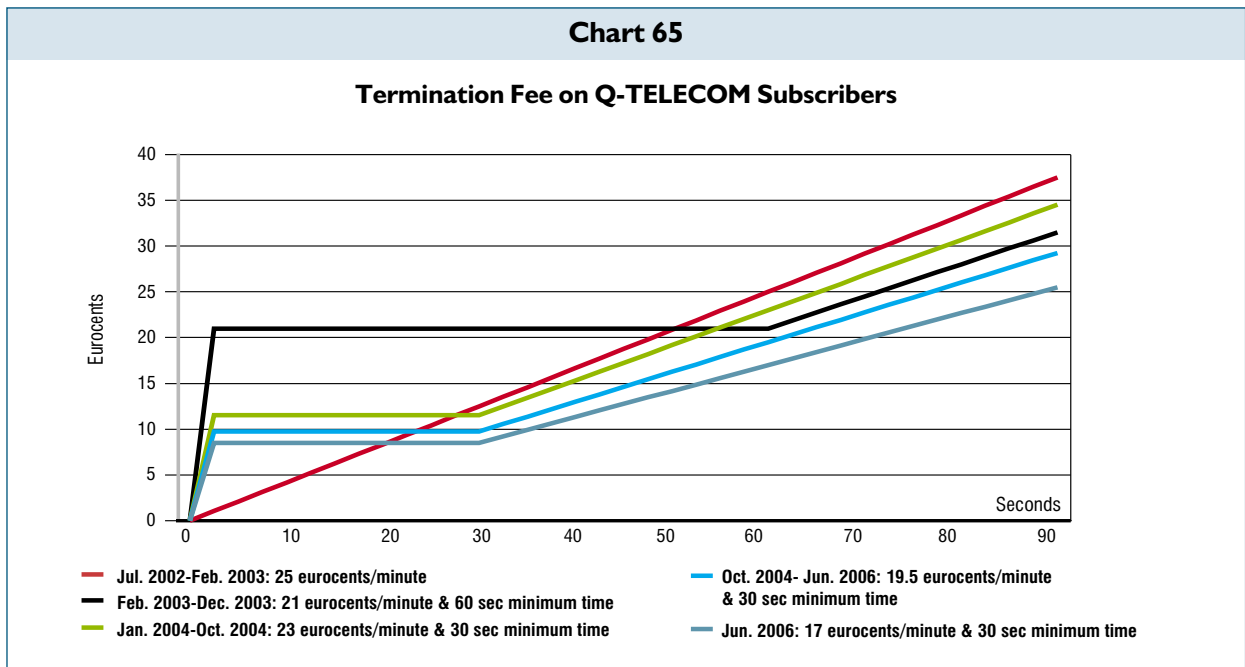
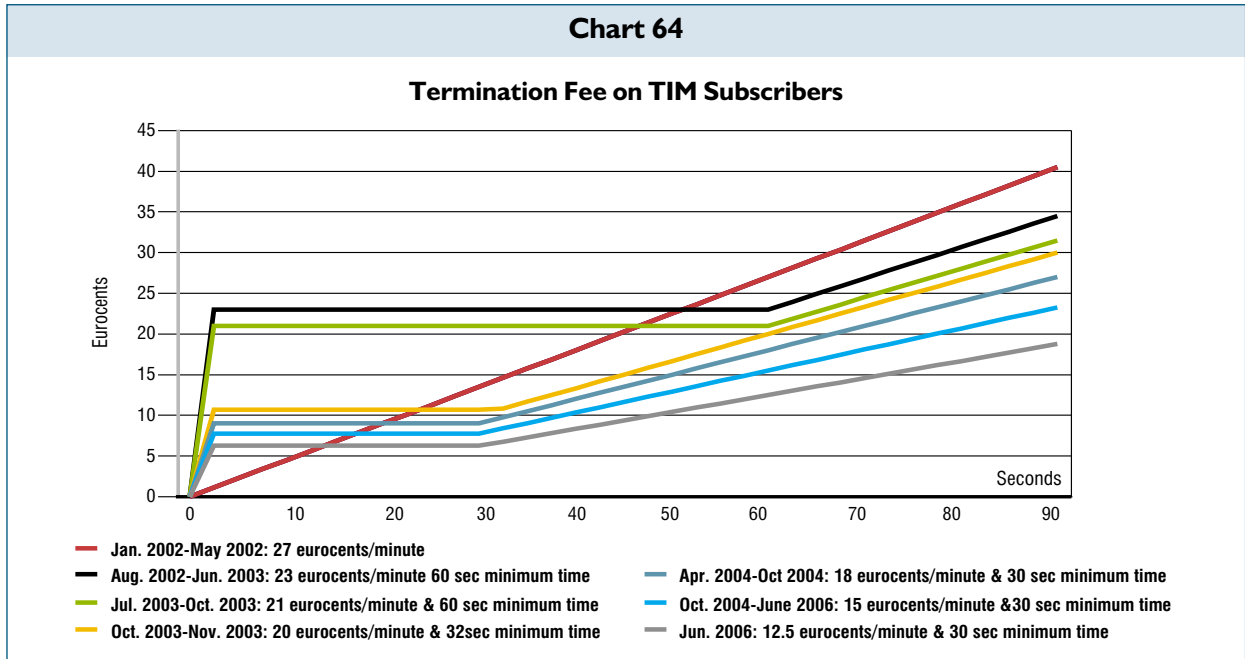
Source: EETT

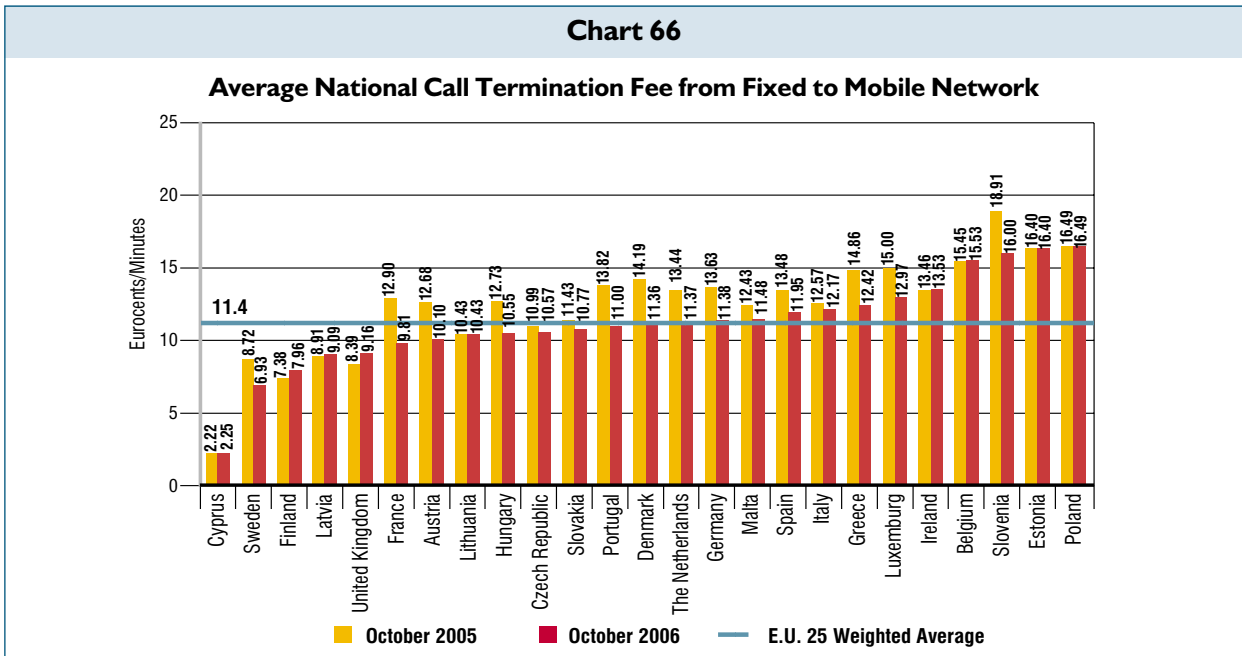
⁸ EETT Decision 410/37/15-11-2006



charges on every network. This procedure shall be completed by the end of June 2007. The evolution of the termination fees for each MTO network from the

year 2001 until the end of 2006, are presented analytically in Charts 62, 63 (page 46), 64 and 65.

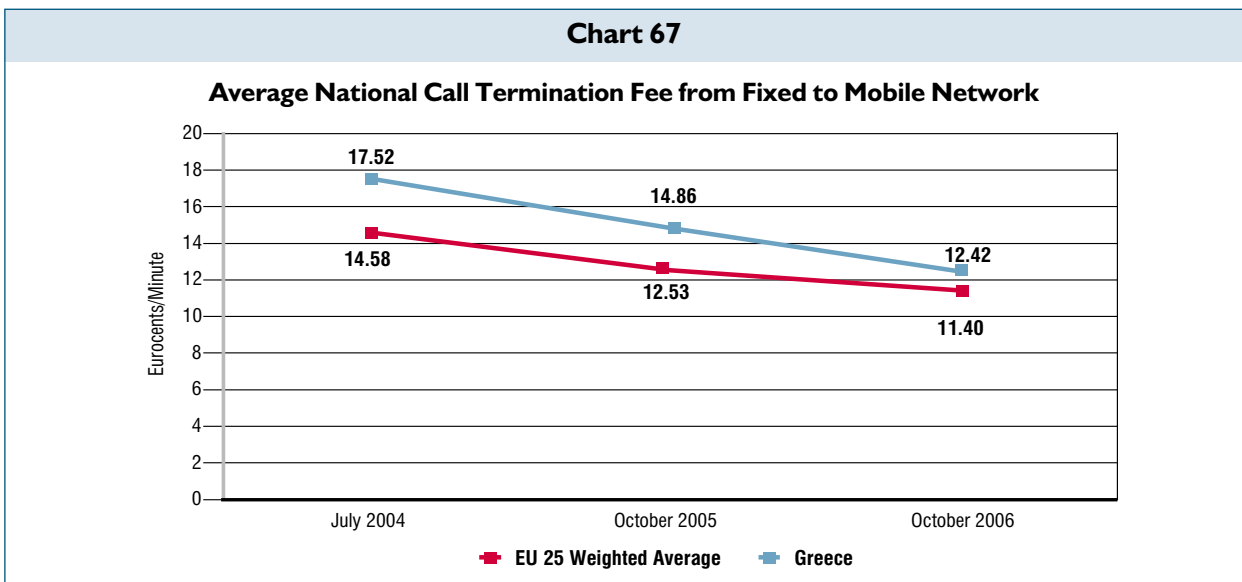




Source: 12th Report of the European Commission

Chart 66 shows the average national termination fee in a mobile telephony network, for the 25 E.U. member states, based on the 12th Report of the European Commission (figures of October 2006). Greece is the 6th most expensive country, with an average call termination fee of 12.42 eurocents/minute, compared to 11.4 of the E.U. average.

These figures indicate a clear improvement of the position of Greece, as the difference with the European average was much bigger in 2005, as it also results from Chart 67. More specifically, in 2006 Greece was by 9% more expensive compared to the European average, in relation to 20% in 2005.



Source: 12th Report of the European Commission

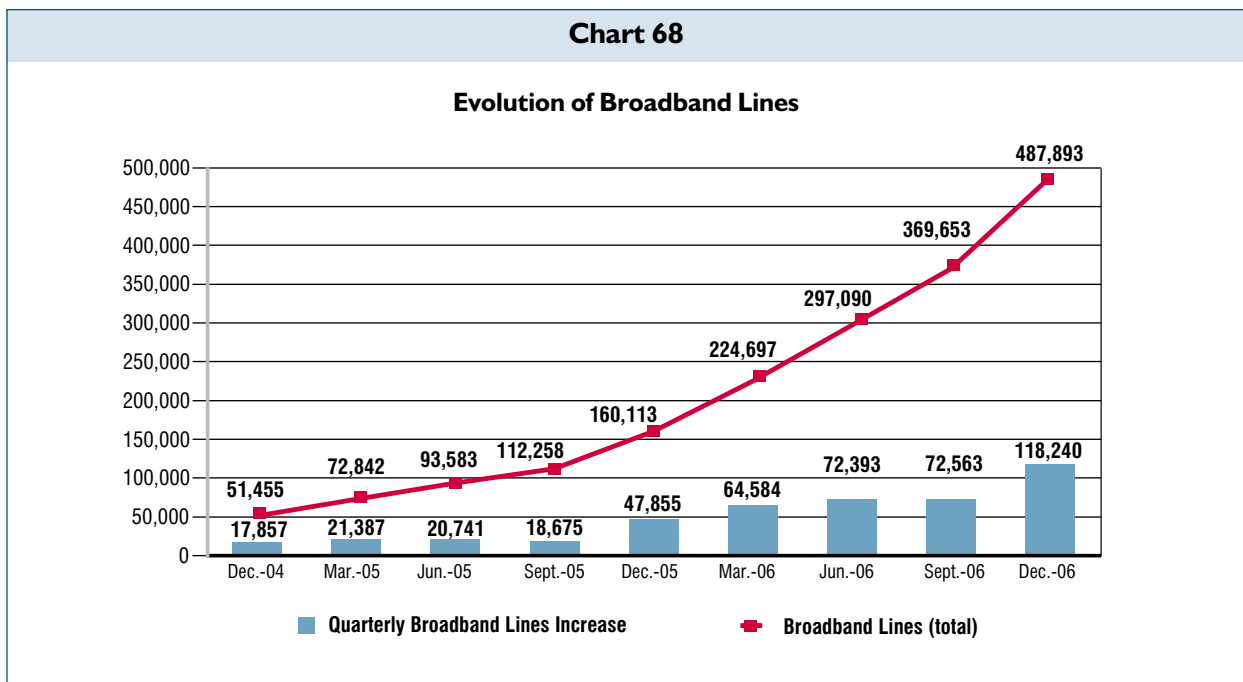
1.1.1. Broadband

1.1.1.1. Evolution of Broadband Lines

Broadband access in Greece demonstrated a significant increase, as shown in Chart 68, reaching at the end of 2006 approximately 500,000 lines, compared to 160,000 lines at the end of 2005. According to the British survey company Point Topic, Greece presented in 2006 the higher percentage increase (225%) in broadband lines worldwide.

penetration in the E.U. It is worth noting that at the end of the year, broadband penetration in Greece reached 4.4%. This development in combination with the radical increase of broadband lines, reduce significantly the distance of Greece from the rest E.U. member states.

Regardless of this important development accomplished in 2006, broadband penetration in Greece remains exceptionally low compared to the rest of E.U. member states, as demonstrated in Chart 69 (data of September 2006, page 50). More specifically, broadband penetration in Greece reached 3.3%, compared to 15.7% average

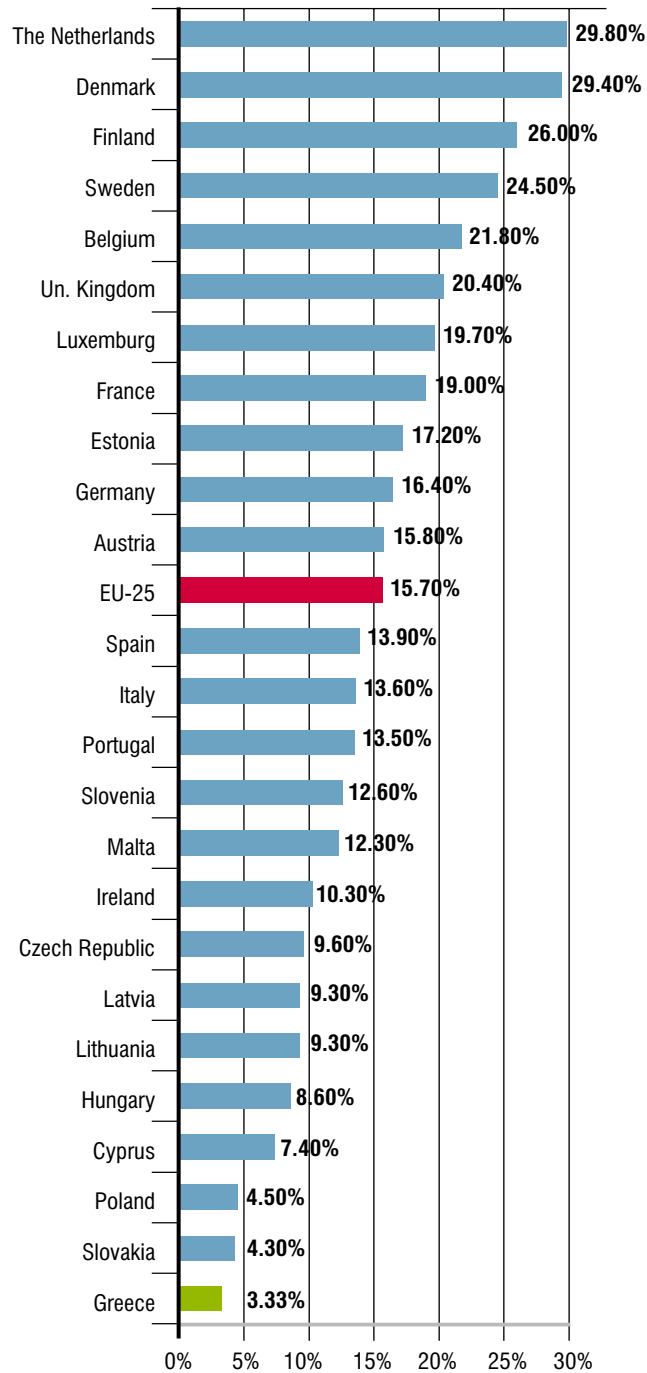


Source: EETT (based on licensed providers' data).



Chart 69

Broadband Penetration in the E.U. at 1/10/2006



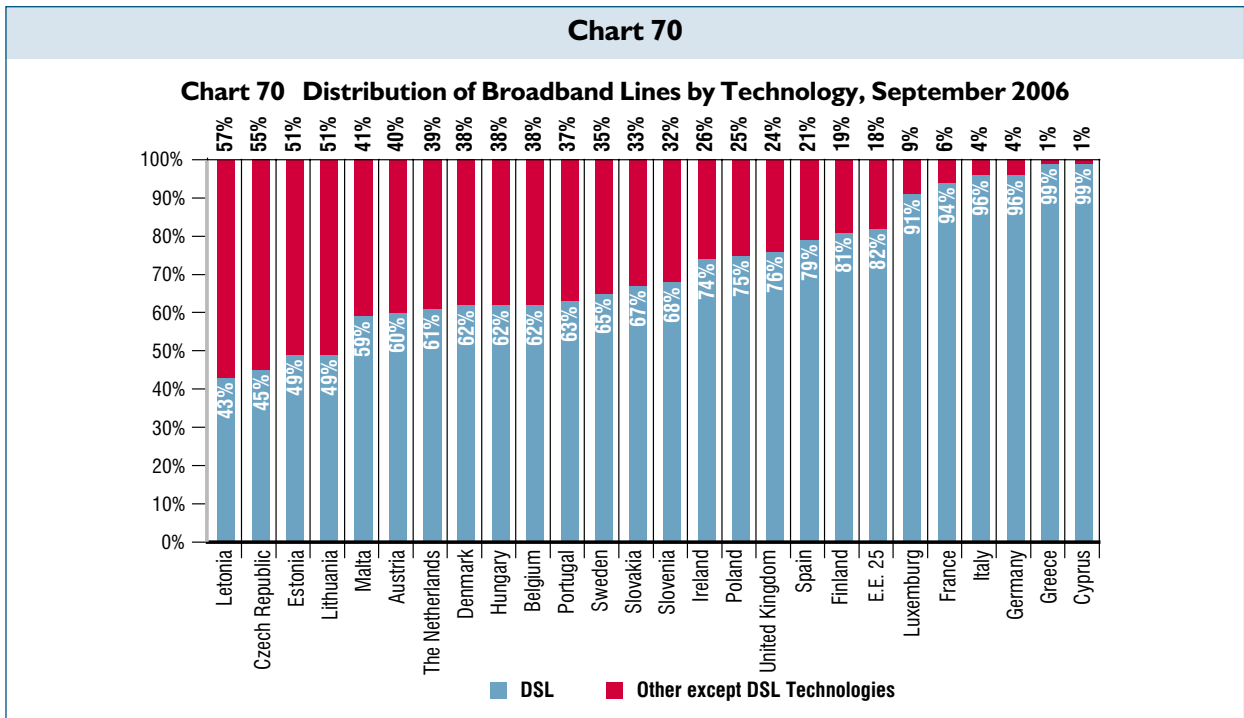
Source: 12th European Commission Implementation Report

1.1.1.2. Broadband Lines by Technology

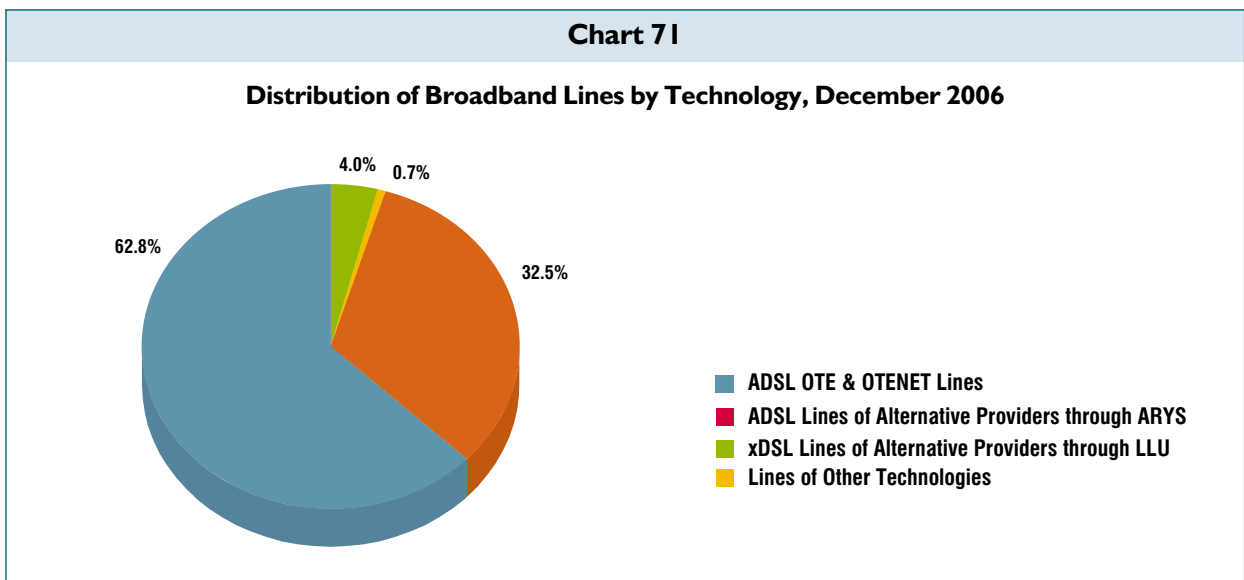
one of the highest in the E.U.

As it is illustrated in Chart 70, DSL access still remains the main way of providing broadband access in the Greek market, with a percentage that exceeds 99%,

More specifically, as it is illustrated in Chart 71, more than 95% of broadband lines is of ADSL technology provided either by OTE or by alternative operators



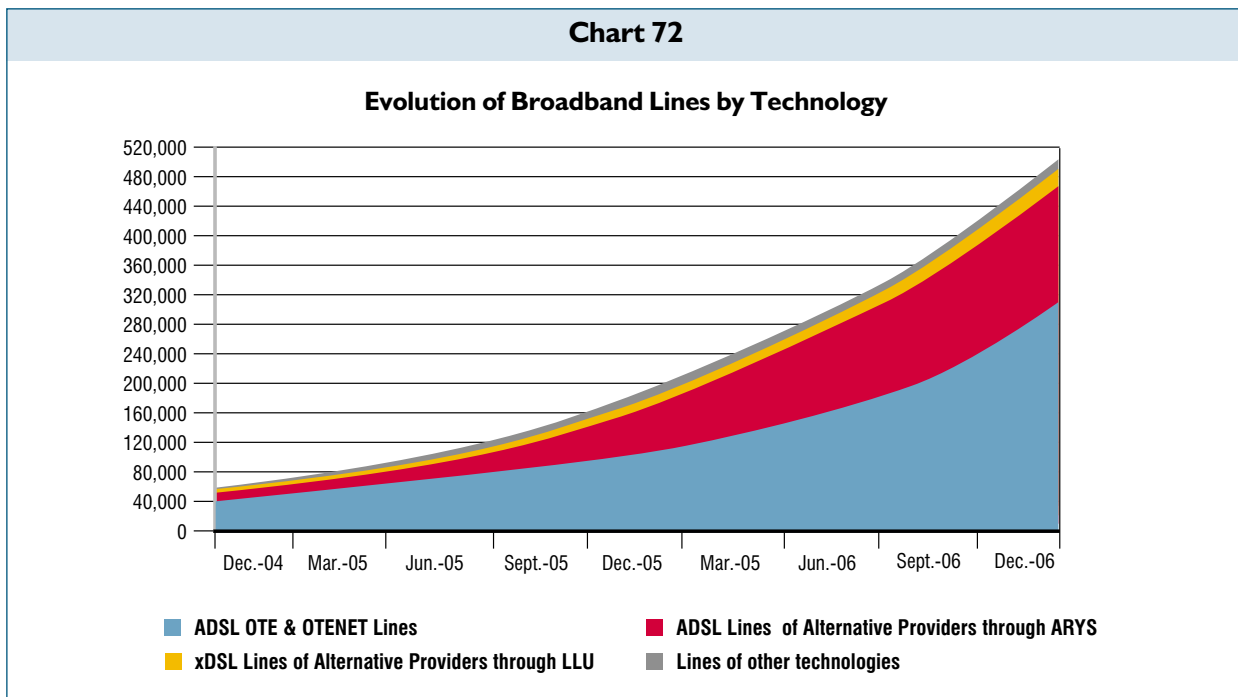
Source: 12th European Commission Implementation Report



Source: EETT (based on licensed providers' data).

through ARYS lines, while only 4% is of DSL technology through LLU lines. The access through other technologies is limited to a percentage less than 1%. The evolution of broadband lines per technology is illustrated in Chart 72.

The dominance of broadband lines through ARYS shows that competition regarding infrastructures, which has been the main factor of broadband penetration in all broadband developed markets, still remains at a very low level in our country.

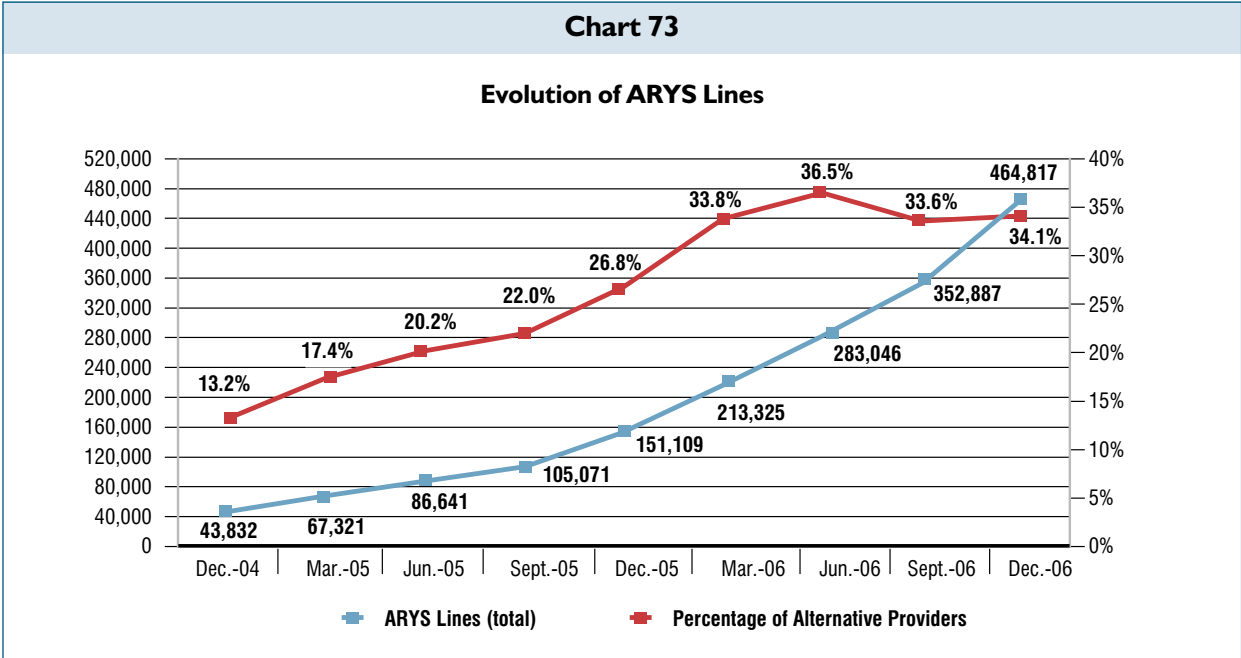


1.11.3. ADSL Lines

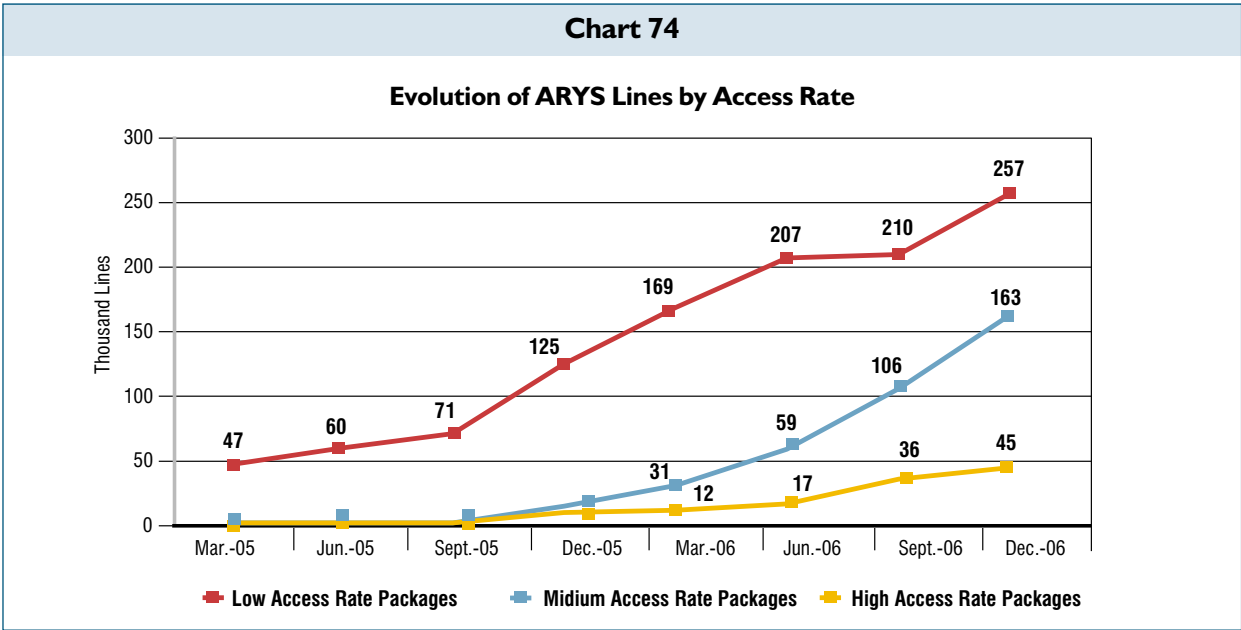
At the end of 2006, ADSL lines reached 465,000, i.e. over three times the lines of 2005, as it is also illustrated in Chart 73 (page 53).

OTE (in collaboration with OTENET) retains the larger share of Retail ARYS, standing at 65.9% compared to 73.2% at the end of 2005. This fact indicates that alternative providers' share (Wholesale ARYS) has increased.

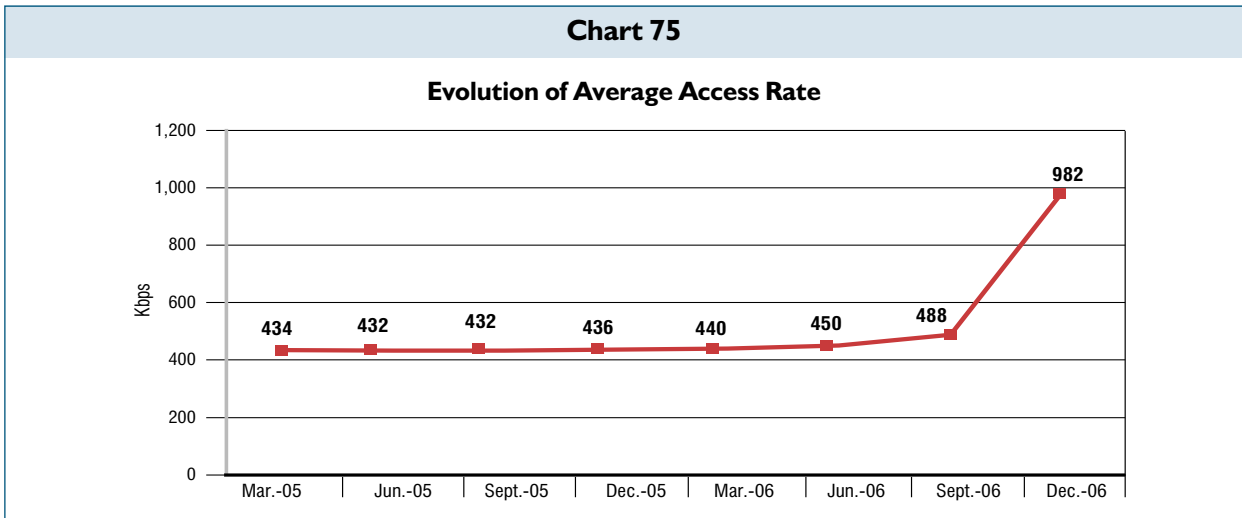
The process of doubling the access rate was completed in the fourth quarter of 2006, contributing to the improvement of the services provided. According to Chart 74 (page 53), the majority (55%) of these lines belongs to the lowest access rate (now 768 Kbps – download), while a satisfactory percentage of lines (10%) corresponds to the higher access rate 2048 Kbps (download). This development led to a significant increase in the average access rate, as it is illustrated in Chart 75 (page 54).



Source: EETT (based on licensed providers' data)



Source: EETT (based on licensed providers' data).

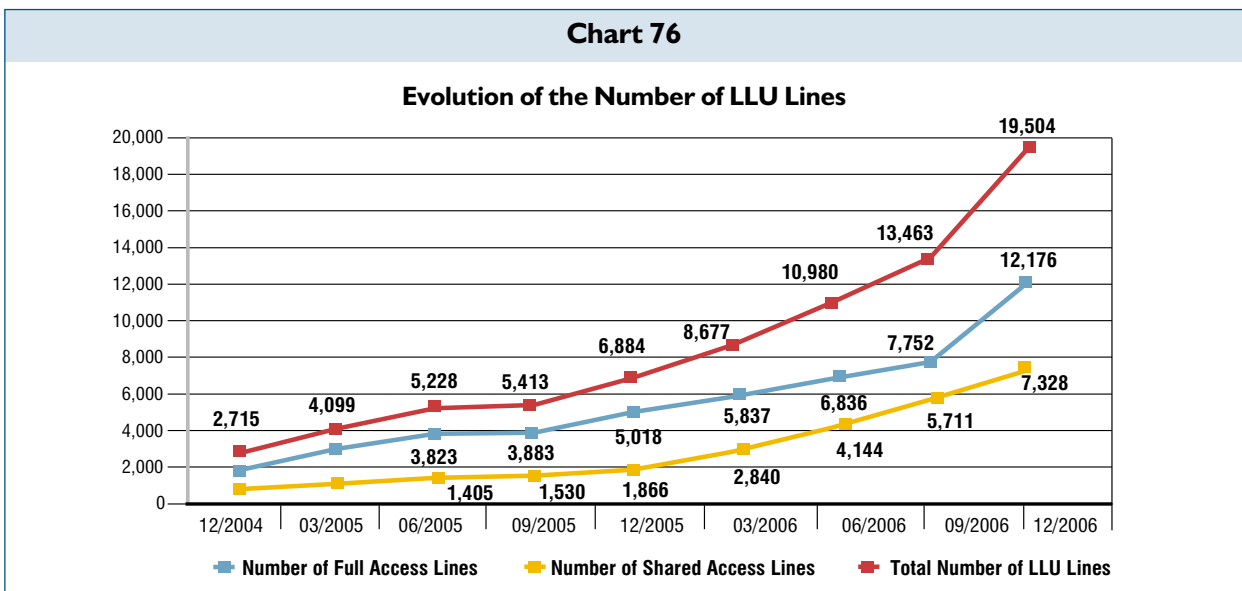


Source: EETT (based on licensed providers' data).

1.11.4. Local Loop Unbundling

LLU lines showed a significant growth, reaching approximately 19,500 lines at the end of 2006 compared to approximately 7,000 at the end of 2005 (Chart 76). The development of physical collocation during the second semester of 2006 had an important contribution to this increase (see section 1.11.6).

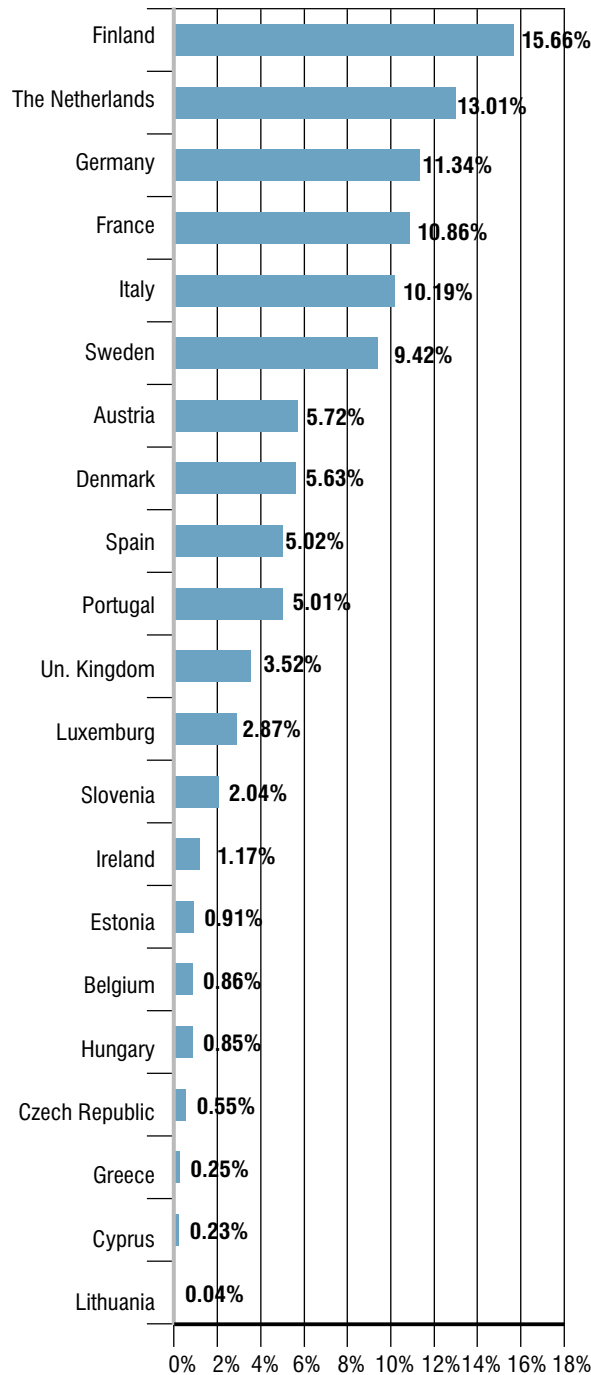
As shown in Chart 77 (page 55), the number of LLU lines corresponds to 0.25% penetration over the main telephone lines, according to October 2006 data. Greece stands at particularly low levels in the ranking among the E.U. member states, even lower than 2005, given that Hungary and Slovenia have overpassed it.



Source: EETT (based on licensed providers' data).

Chart 77

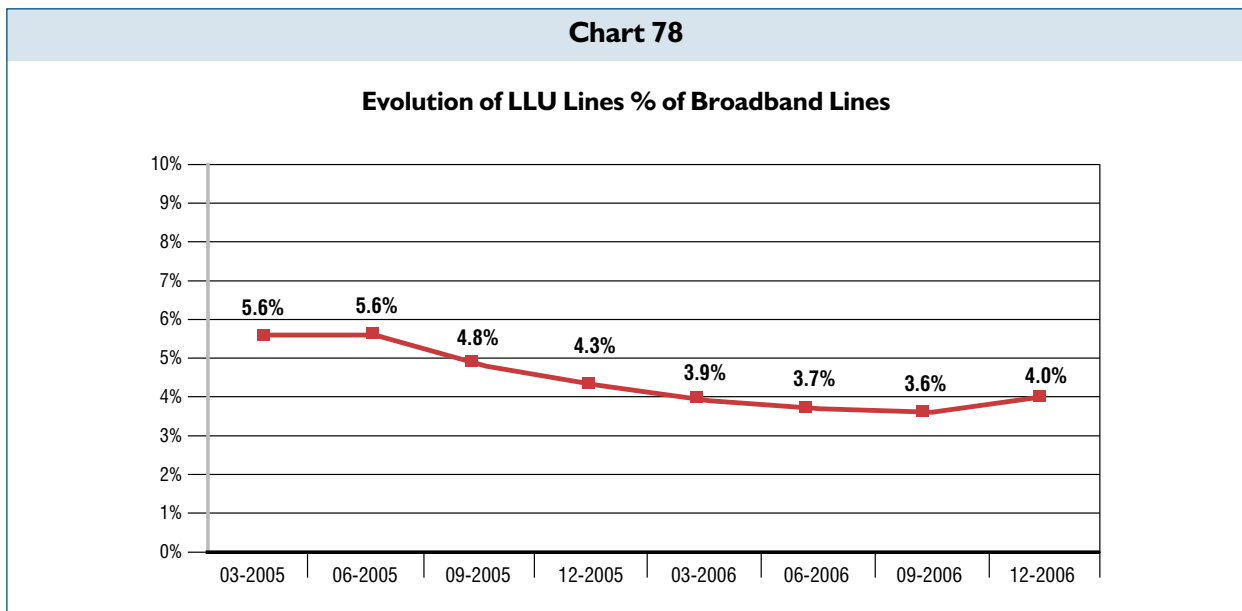
Penetration (%) of LLU Lines over Telephone Lines in Member States of the E.U.



Source: 12th European Commission Implementation Report

The percentage of LLU lines over the broadband lines presents particular interest (Chart 78). This percentage has been declining gradually in 2005 and 2006, from 5.6% in March 2005 to 3.6% in September 2006. On the contrary, during the fourth quarter of 2006 this situation

started to change, resulting to the increase of this percentage at 4% in December 2006, while it is expected to increase further in 2007.

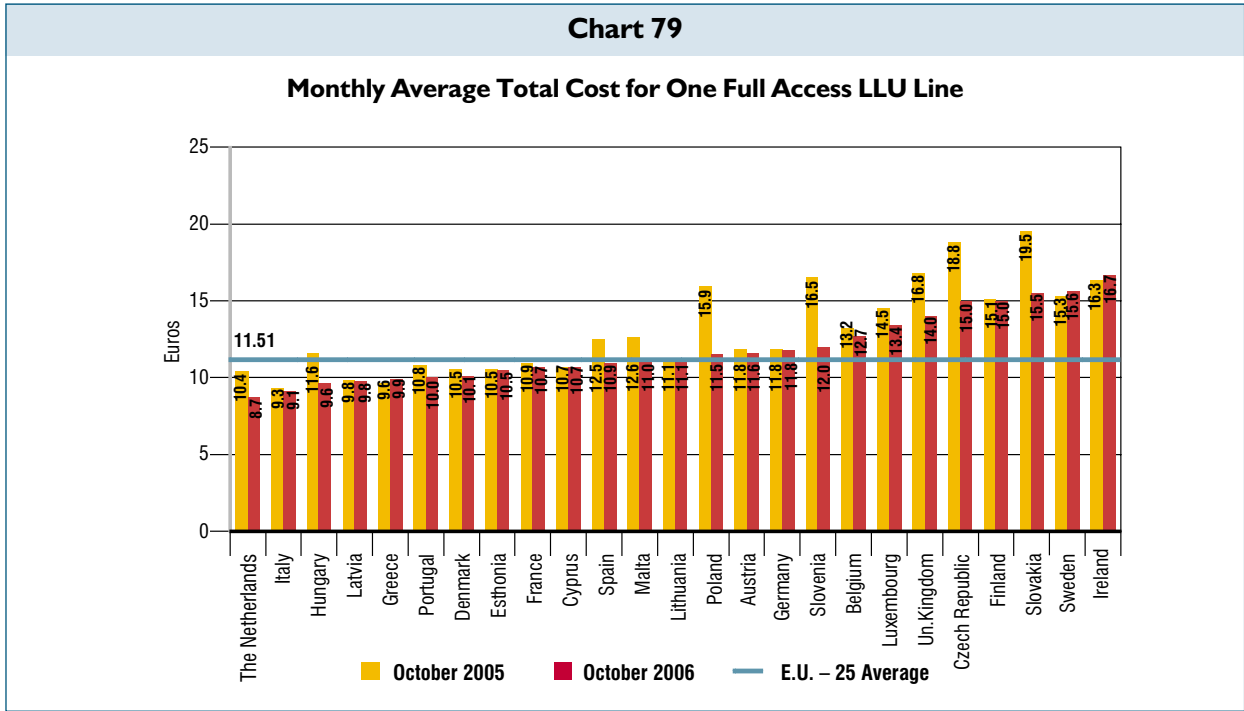


Source: EETT (based on licensed providers' data).

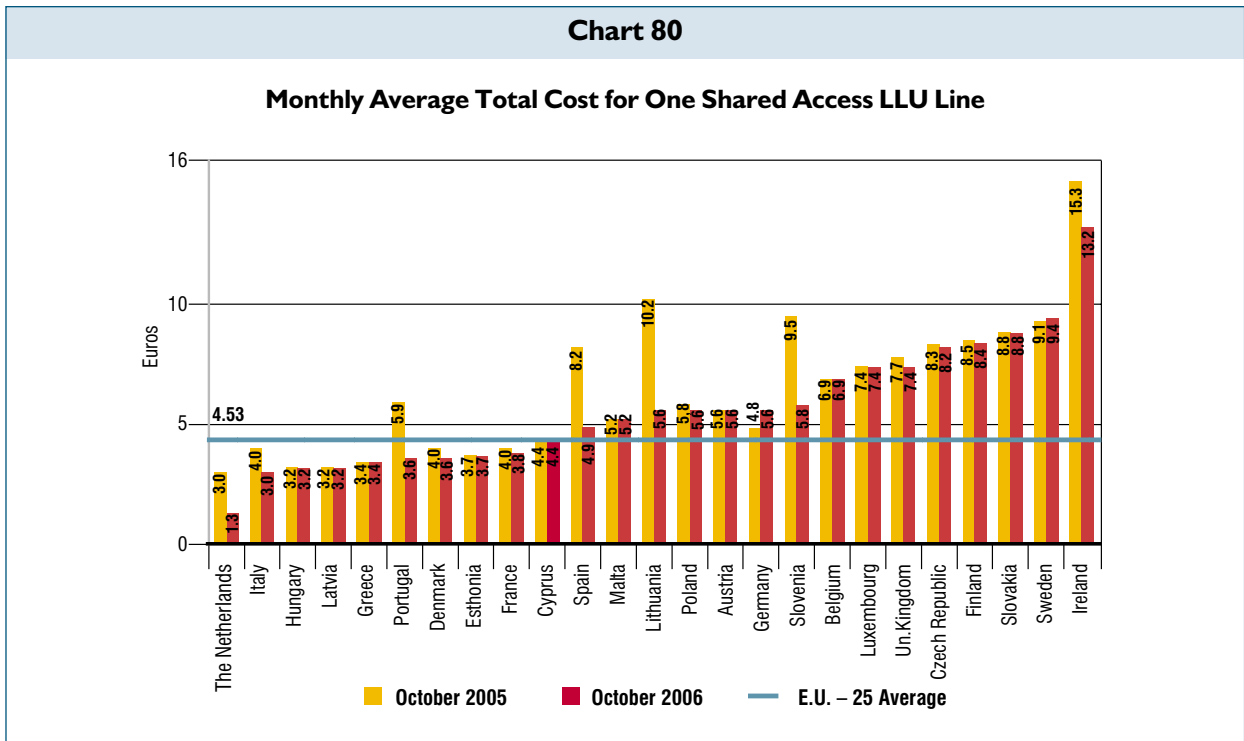
1.11.5. Costs of Local Loop Unbundling

The cost of LLU lines, in terms of fully unbundled access lines, remained almost stable in 2006, presenting a slight increase compared to 2005. Greece is ranked among the five cheaper E.U. member states, as regards the average monthly rental of full LLU (Chart 79, page 57), and is by approximately 14% cheaper compared to the respective European average (data of October 2006).

On the contrary, there was a significant decrease in the monthly rental of shared unbundled lines, resulting to the decline by 40% of the average cost of these lines, that came up to 3.6 euros per month in October 2006 (compared to 5.9 euros per month in October 2005). As it is shown in Chart 80 (page 57), Greece is the sixth cheaper member state in the E.U., with the cost of monthly rental of shared unbundled lines being by 20% lower than the corresponding European average.



Source: 12th European Commission Implementation Report



Source: 12th European Commission Implementation Report



1.11.6. Collocation

During 2006 and particularly in the second quarter, the number of local exchanges (L/Es) of OTE, in which physical collocation is provided, showed a significant increase, reaching 38 (L/Es) in December 2006

compared to 1 available in December of 2005 and five in June of 2006 (Table 6). The current planning provides that the number the L/Es of OTE with physical collocation will reach 154 by the end of 2007.

Table 6. Collocation Exchanges of OTE and Alternative Providers

	Physical Collocation	Distant Collocation
December 2005	1	
March 2006	4	73
June 2006	5	74
September 2006	20	75
December 2006	38	83

Source: EETT (based on licensed providers' data)

2. Postal Services Market

In 2006, in the context of market monitoring and aiming at ensuring the sound regulation of market, the protection of users' rights and the competition level, EETT conducted the respective market survey sending the relative questionnaires to all market participants (registered postal undertakings).

As far as the demand for Postal Services is concerned, the main topics under investigation were:

- The growth rate of the domestic Postal Services market.
- The definition of most important business clients of postal sector.
- The definition of demand factors of courier services.
- The definition of factors that influence the pricing of courier services.

As far as the supply for Postal Services is concerned, the main topics under investigation were:

- The number and size of postal undertakings.
- The type of provided services of courier sector.
- The level and the structure of employment.
- The growth rate for the infrastructure of Courier Market.

Additional topics of the questionnaire relate to the definition of the cost factors of courier services as well as the recording of the sector's investment activity progress.

Finally, a basic part of the questionnaire concerns the competition issues of the Courier Sector. More specifically:

- Market shares of major market operators.
- The negotiation force of market's customers and suppliers.
- The growth perspectives and the barriers to entry in the postal market.

Totally, 301 questionnaires were dispatched and 195 answers were received (correspondence rate 65%), that reflect the 97% of Courier Market in terms of postal items volume. The presented data relate to the total size of the

aforementioned market, following its reduction to the 100% of the market size.

2.1. The Greek Postal Market

The annual turnover of postal undertakings in Greece corresponds to the 0.35% of Gross National Product (GNP) for 2005. The Postal Services are provided by the Universal Service Provider (USP) and by the private postal undertakings, which constitute the Courier Market. Universal Service (US) in Greece is provided by Hellenic Post (ELTA). Moreover, a small number of private undertakings with an Individual Licence provide postal services.

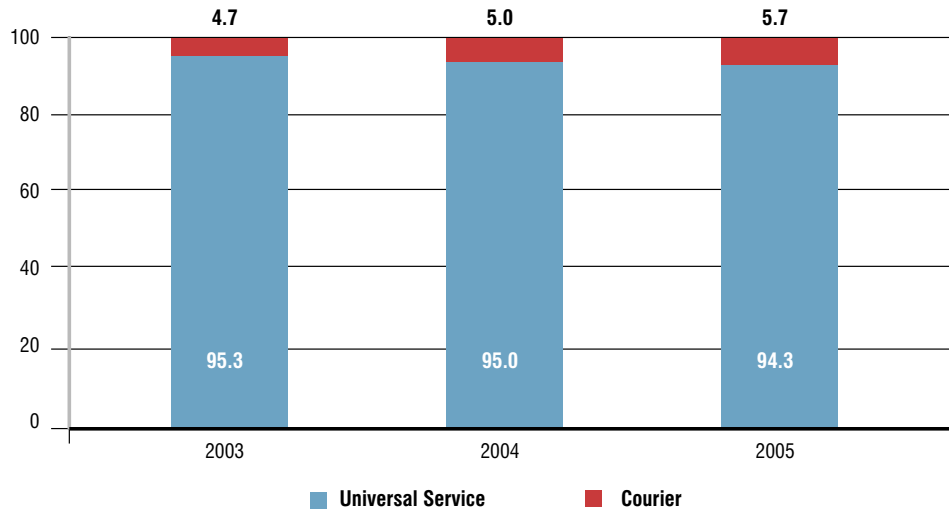
During 2005, 689 millions postal items were distributed in the Greek Postal Market, while the 94.3% of those represent the US market (Chart 81, page 60). A significant diversification is observed in the growth rates of the two markets as far as the volumes of distributed postal items are concerned. Specifically, the average annual growth rate of the courier market is estimated to 15.6% for the period 2000-2005, while the corresponding rate for the US market stands at 2.6% for the same period. A direct result of this dissimilar growth rate of those markets is the gradual reduction of US market share in the volume of distributed postal items (from 95.3% in 2003 to 94.3% in 2005).

With regard to the generated revenues, the Greek Postal Services Market was estimated at 631 millions euros, while a percentage of 61.5% was related to revenues from postal items distributed by USP (Chart 82, page 60). An important differentiation in the allocation of volume-revenue shares among US and courier markets depicts the significant difference observed between the content and the profit margin of the provided services.



Chart 81

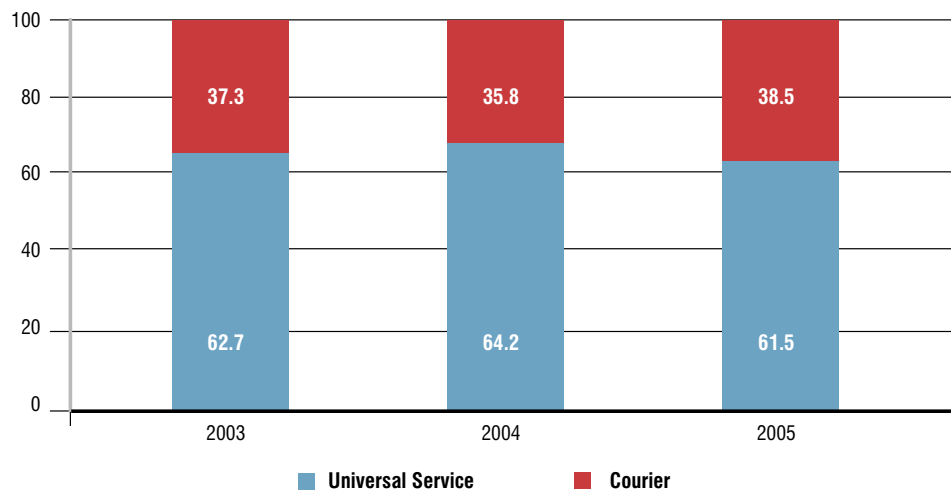
Greek Postal Market (Volumes of Postal Items)



Source: EETT (based on licensed providers' data).

Chart 82

Greek Postal Market (Revenues of Postal Services)



Source: EETT (based on licensed providers' data).



2.2. The Greek Courier Market

In 2005, the courier market distributed 39 millions postal items, presenting an increase of 16.5% in relation to 2004. During the previous two years the courier market has reached a certain level of maturity since the annual growth rate of the distributed postal items stood at 7-8%. The market revenues for 2005 stood at 243 millions euros.

In 2005, the overwhelming majority (99%) of distributed items concerns courier postal items. The distribution of these items produced 98% of market revenues.

It is noted that the autonomous distribution, which relates to the collection and distribution of postal items by the same postal undertaking and its network, constitutes the common way of distribution in our country and produces a sizeable part of the registered companies' revenues.

Certainly, the postal items that are deposited and delivered inside the country represent the biggest portion (approximately 90%) of the total correspondence volume, while they barely stand for

66% of the total revenues. On the contrary, the international correspondence (international incoming/outgoing) constitutes a small percentage (barely 10%) of the total volume but yields approximately 1/3 of the total revenues (Table 7).

One of the most important indicators of the courier services' quality is the percentage of the domestic postal items that are delivered to the recipient within 1 day from the date of deposit. This percentage stands at 85% for 2005 presenting a similar course as in 2004. The domestic postal items that are delivered within 1 day yield almost 86% of domestic postal items' revenues. As far as the international mail that is being distributed from sector's undertakings (both for international incoming and outgoing) is concerned, 70% of the postal items is delivered to the destination place within 1 day from the deposit day and yields almost 67% of the revenues of this specific category. The percentages of 1 day delivery for international correspondence of the courier sector have been significantly improved compared to those of 2004. Specifically, for 2004 only 62% of the international incoming mail was delivered to the recipient within 1 day, while the respective percentage for international outgoing mail stood at 55%.

Table 7. Volume-Revenue Distribution per Way of Distribution and Origination/Destination Area of Items

	Volume (% allocation)	Revenues (% allocation)
Distribution Way		
Autonomous Distribution	93	90
Combined Distribution	7	10
Total	100	100
Origination / Destination		
Domestic	90	66
Incoming International	6	12
Outgoing International	4	22
Total	100	100

The parcels under 20 kg account for 17% of the courier postal items, presenting a 5% increase compared to 2004. Also for 2005, the majority of distributed items (50%) weights under 500 grams, even though the percentage of items for this specific category recorded a 4% decrease compared to 2004.

The postal items per resident for every region were estimated by combining the volume of postal items with the population of Greek regions according to the provisional data of 2001 census (Chart 83, page 63). It is observed that the prices for this specific indicator stand below the average (3.23) for all Greek regions except Attica. This demonstrates that significantly differentiated demand patterns for courier services exist in every Administrative Region of Greece. More specifically, Attica presents the higher demand with 5.98 postal objects per resident, followed by Central Macedonia and South Aegean (2.63 objects per resident). The lower demand for courier services is met in Peloponnesus and Sterea Ellada.

The destination for international outgoing mail is mainly (75%) the European countries (E.U. & non E.U. members) followed by the USA-Canada and Asia that each receives 10% of the postal items of this category. The scheme is slightly different for the origination countries of the international incoming mail. Almost 66% of these items come from European countries (E.U. & non E.U. members). However, an important percentage (18%) of courier items comes from Asia, demonstrating the strong business affiliations between Asian countries and Greece, while about 12% of the international incoming items comes from USA-Canada.

According to market participants, the importance degree of the factors that affect the demand for postal services in 2005 is the following (from most important to less important):

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

It is worth noting that the answers of the participants in regard to the importance of factors that affect the demand

of courier services do not vary considerably for the period 2004-2005.

The most important customers of courier undertakings are located in trade (47% of items) and services' sector (37% of items). Specifically, as far as the volume of distributed postal items is concerned, the advertising companies and the pharmaceutical industries are the most important corporate customers of courier undertakings followed by telecom companies, banks and insurance companies, editorial companies, tourist enterprises and finally information technology companies which all have relative smaller volume and revenues shares.

The communication means that are used by customers (enterprises and individuals) in order to contact courier undertakings vary considerably. The call centre (PBX-Private Branch Exchange) has the highest percentage (64%) followed by the deposit of postal items to the courier shop (15%) while the electronic means of communication (e-mail, fax, web page) are used by 21% of the courier services customers. The reduction in the percentage of call centre (PBX) contact from 71% in 2004 to 64% in 2005 is remarkable and is attributed to the rise of electronic communications.

During 2005, the number of the registered undertakings increased by 13% compared to 2004. The geographic distribution of courier undertakings central offices is depicted in the Table 8 (page 64).

An important conclusion from Table 8 is that the growth for the sector is uniform in all Greek territory. The enterprises that reside in Athens distribute almost 60% of courier items, indicating a business adequacy in infrastructure, know-how and human personnel that render them capable of distributing a considerable volume of postal items to far destinations According to market representatives, the further growth of the sector is strongly associated to the progress of economy and the evolvement of tariffs for the provided services. Any changes in the legislative framework and the audits that are currently



Chart 83

Postal Items per Resident

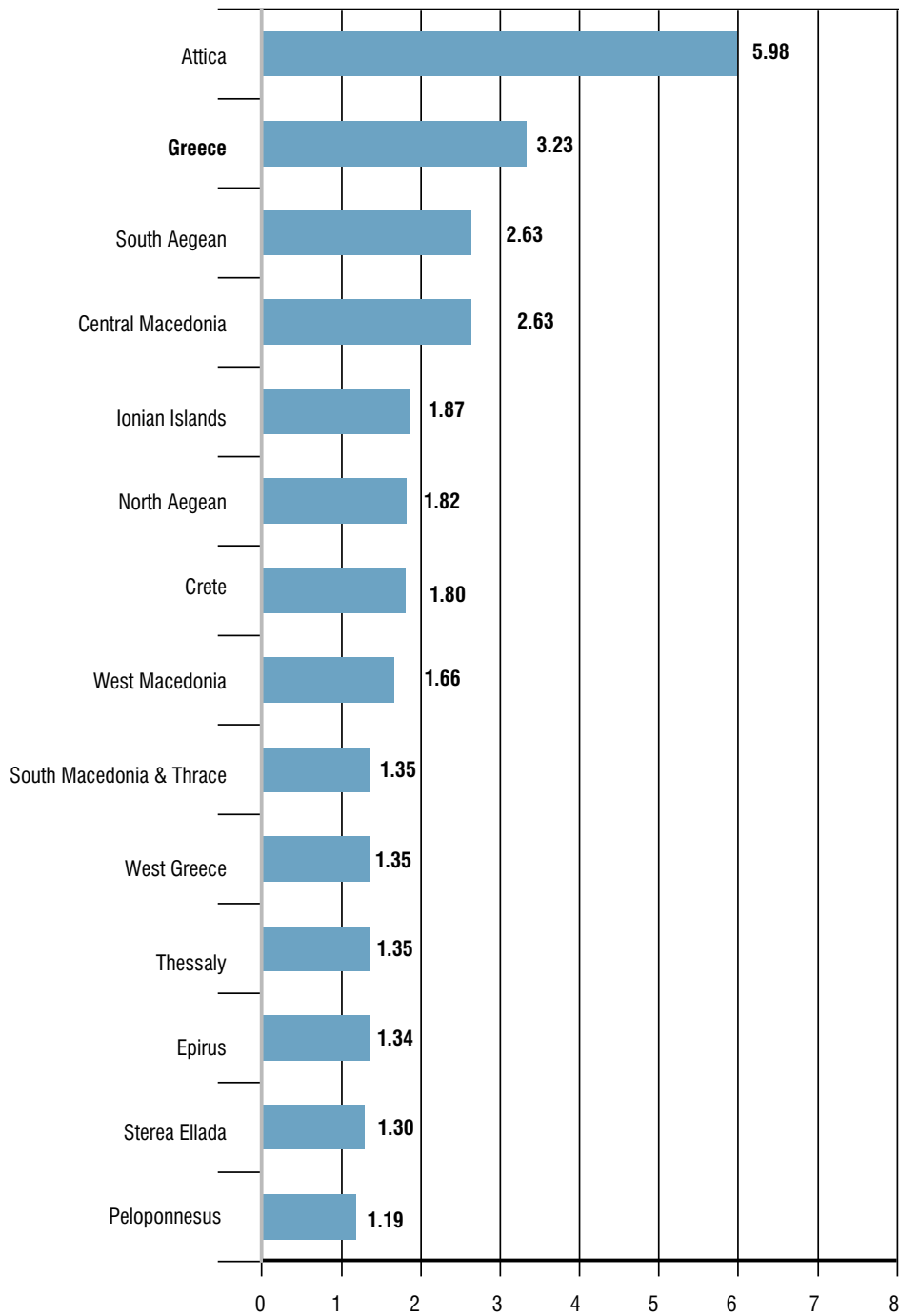


Table 8: Geographical Distribution of Postal Undertakings

Geographical Territory	2004	2005
Attica	110 (41%)	132 (44%)
Central Macedonia	43 (16%)	48 (16%)
Greece (ex. Attica & Central Macedonia)	113 (43%)	121 (40%)
Total	266 (100%)	301 (100%)

conducted in the market play a secondary role in the development of the courier sector.

As far as the prices of the provided services are concerned, it is commonly accepted by all market representatives that 2005 was characterised by an important decline in the prices of mail courier services and by an equal increase in the price of parcels courier services. For the same period, there has not been any important variation to the prices of direct mail with no recipient address, to the items' preparation service and to the documents exchange service. According to market participants, the importance degree of the factors that affect the prices for 2005 is the following (from most important to less important):

1. Time of dispatch for the service.
2. Weight of object.
3. Destination of the item.

The control over the cost of provided services is the main concern of courier undertakings. The market participants maintain that the personnel salaries and the operational expenses are the main cost factors for the sector's companies.

Taking under consideration that there is a growing demand for courier services, the sector is capable of further personnel employment in order to meet the increasing needs. It is estimated that the sector personnel amounted 10,586 individuals presenting a 4% increase compared to 2004. Almost 78% of this labour force is full time employees. Furthermore, the majority of market employees (93%) are graduates of gymnasiums or high schools (have received compulsory or secondary education), work as mailmen (56%) in the company's network (60%). However, the market participants claim that they are having difficulties in

hiring personnel of certain expertises such as mailmen, drivers with privately-owned motorbikes, employees for outdoor dispatches and administrative or production executives. Finally, many courier enterprises offer to their personnel training programs in order to provide better services. This education concerns mainly customer service issues, computer skills or other technical subjects.

The growth of courier undertakings infrastructure evidences a profound investment activity for the courier sector during 2000-2005. Both the volume and the size of the building infrastructure for the sector undertakings are increasing during the aforementioned period. The volume of subsidiaries' facilities supersedes the privately-owned facilities of the parent company as opposed to the size of the parent company which is considerably larger than the total size of its subsidiaries. In 2005, the ratio was 3 buildings of subsidiaries for every building of parent company, while almost 40 m² of the subsidiaries' facilities correspond to every 100 m² of parent company's facilities. The motorbikes constitute 70% of the volume of transportation means for the sector companies in 2005. In aggregate, there has been a 9% increase in the volume of transportation means compared to 2004.

The courier undertakings have adopted state of the art technologies for the best service of their customers. Many enterprises report that they operate some other information system beside SPITS. Also, a small percentage of registered undertakings possess scanners (barcodes) that are used by their mailmen, automated screening systems, electronic filing and invoicing systems as well as internet customer care capabilities. Finally, almost 74% of market participants state that they command a fully organised call centres (PBX).

In 2005, almost 87% of the volume of postal items is being distributed by the 9 largest sector's companies. It is worth noting that only one enterprise has a 31% market share of the volume of distributed items and almost a 24% market share of revenues. The competition in the sector is mainly driven by the prices and the quality of the provided services. At the same time, the market representatives agree that, in terms of importance degree, the lucrative collaboration with other sector companies, the infrastructure development, the import of innovative and value added services, are the most important ways for an increase in their market share.

The most important problems of the market, according to the questionnaires, can be summarised as follows:

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

As far as the sector's perspectives for the period 2005-2008 are concerned, the market participants tend to agree to a further demand in all categories of courier services. Specifically, an increase of 7% in parcel courier services is expected along with a 4% increase in direct mail with no recipient address, a 3% increase in direct mail and a 1% increase in the items' preparation and documents exchange services. In regard to the domestic postal items, the largest increase in the volume of distributed items is expected to take place in Attica, while the largest demand increase, as far as the international incoming/outgoing items are concerned, is expected to take place in the E.U. 27.

In conclusion, the growth perspectives of the courier market are positive, a fact that is also corroborated by the increasing trend of courier items' indicator per resident. Specifically for 2005, 3.5 courier items correspond to every Greek resident while the corresponding indicator for 2004 was 2.8.

3.3. The European Postal Market

The postal sector contributes 0.4% to the GNP of E.U., and employs almost 0.8% of the total labour force for 2004. As far as the end users of postal services are concerned, the postal sector dispatches 88% and receives 30% of the distributed postal items.⁹

The intensity of competition differs across the various sections of postal market. The USPs dominate the letter post market and possess 83% of total market revenues. On the contrary, the courier and express market is intensively competitive since 5 private operators have the largest market shares. It is worth noting that four from the aforementioned operators belong (to a certain percentage) to the public postal providers.

The USPs employ a total amount of 1.7 million labour force, while 1.5 million of this was employed in providing postal services for 2004. The estimation for the employed personnel in the private operators that compete the USPs rises at 0.1 million people.¹⁰

3.3.1. The Market of Letter Post Items

The European domestic market of letter post items (E.U. 25) amounted to 54 billions euros in 2004 while it is estimated that 93 billions postal items were distributed. The three larger USPs still possess a market share over 60% of the European postal market. The demand for direct mail increases significantly while the total demand for postal items remains constant since 2002. Moreover, the electronic substitution of exchange mail (eg accounts) was not materialised to the anticipated extent before 2000.

The average rate of increase for USP's total revenues stood at 3.7% from 2002 until 2004. Generally, the USP's revenues kept on increasing though with a diminishing rate of increase compared to the previous years. The total revenues of USP's amounted to 112 billions Euros in 2004, a 80% of those derived from

⁹ Source: WIK Consult, *main Developments in the Postal Sector (2004-2006)*, (WIK Consult GmbH – May 2006).

¹⁰ Source: WIK Consult (2004) "Main Developments in the European Postal Sector" E.C. – D.G. Internal Market.



postal services while 50% of the total revenues came from the distribution of letter post items (direct mail with no recipient address is included).¹¹

3.3.2. The Market of Parcels and Courier Services

It is commonly accepted that the market of parcels and courier services operate in a fully liberalised competitive environment. According to the most recent data the total revenue of this market amounted to 35 billions Euros in 2004 compared to 33 billions Euros in 2000.¹²

In a European level, the five largest enterprises of the sector are:

- DHL (100% subsidiary of Deutsche Post),
- DPD (La Poste),
- TNT (member of TGP Group),
- GLS (Royal Mail) and
- UPS

According to the estimations of Deutsche Post, the market share of these enterprises reaches almost 59% of the European market. These companies own subsidiaries worldwide, privately-owned fleets of cars, tracks, motorbikes and planes as well as modern screening stations.

¹¹ Source: WIK Consult (2004) "Main Developments in the European Postal Sector" E.C. – D.G. Internal Market.

¹² Source: WIK Consult (2004) "Main Developments in the European Postal Sector" E.C. – D.G. Internal Market.

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