



ANNUAL REPORT **2008**



# Contents

Address by Cyta Chairman	2
Message from the Chief Executive Officer	4
Chairman and Members of the Board	9
Management Team	10
Corporate Governance at Cyta	12
Corporate Social Responsibility at Cyta	16
Management	26
Products and Customer Service	34
Subsidiary Companies	44
Network	50
Financial Report	56
Auditors' Report and Financial Statements	60
Offices and Cytashops	96





# Address by Cyta Chairman Stavros Kremmos

## on the occasion of the presentation of the Organisation's 2008 results

### **The environment**

In 2008, Cyta was operating not only in a constantly changing telecommunications environment but in the midst of the global financial crisis as well. Both of these significant parameters were taken into consideration in the formulation of the Organisation's business strategy.

The extremely positive financial results for 2008 are an indication of the Organisation's ability to adapt to rapid changes in the business environment. Today we market services that provide customers with better functionality and quality than ever before and at a lower cost.

### **Financial results**

In 2008, operating revenue amounted to €484 million compared to €454 million in 2007, representing an increase of 7%, while operating expenses were €372 million compared to €359 million in 2007, an increase of 4%.

The operating surplus rose from €94 million in 2007 to €112 million, representing an increase of 19%. The surplus after tax rose by 8,7% from €81 million in 2007 to €103 million in 2008.

Earnings before interest, tax, depreciation and amortization amounted to €190 million compared to €175 million in 2007, representing an increase of 8,6%.

The robust finances of the Organisation are evident from the balance sheet: Reserves grew from €859

million in 2007 to €884 million in 2008, while liquid funds in the form of bank deposits and government bonds increased from €374 million in 2007 to €392 million in 2008.

We continued our development policy with capital expenditure of €76m. Financed entirely by our own funds, it constituted 16% of operating revenue.

### **Significant achievements**

- We carried out - and we are continuously planning - upgrades to existing services and products and the introduction of new ones.
- In 2008 we completed our new brand strategy project and the renewal of our corporate image.
- We realised our strategic aim of expanding abroad through our activities in the Greek market via our subsidiary Cyta Hellas.
- We signed a cooperation agreement with Syrian Telecom (STE) for the provision of international cable capacity in Europe and for the planning and construction of a new submarine cable system linking Cyprus and Syria.
- During the first half of 2009 we announced an agreement with Telecom Egypt North (TEN) to obtain a private submarine cable system for destinations in Asia and Europe.
- We contributed to the fact that Cyprus was able to register the highest increase in broadband take-up in one year in the European Union, from 13,8% to 18,2%. Work continues successfully towards our aim of bringing broadband access to all rural areas in Cyprus. It is worth noting that with no assistance

whatsoever (by contrast with what happens with other providers in Europe), we have so far brought broadband access to 202 villages while in 2009 we shall link another 95 and in 2010 the remaining 63 will all have broadband.

- Aware of our responsibility to society, we continue to fund the sectors of education, health and welfare, the environment, culture, sport, technology and research.
- We received two important European awards in 2008: from the European Foundation for Quality Management (EFQM) we obtained the highest five-star "Recognised for Excellence" ranking while from the European Commission's EQUAL initiative, we won the Social Excellence Award for ensuring the work/life balance of our personnel.

### **Our new services and the future**

For us, development is part of our culture. This is why our short-term plans include the establishment of the necessary infrastructure to create a totally connected environment with the aim of improving the people's lives regarding their communications, work or recreation. The technology required to achieve this is complex but the time has come for its implementation.

We wish to provide cutting-edge services, which is why we operate like other pioneering telecommunications organisations throughout the world. We believe that these services will not only benefit the Cyprus economy but will improve the quality of everything that we offer to customers.

### **Thanks**

Our success rests on two pillars: relations with our customers and relations with our personnel. The relationship with our customers is based first and foremost on our reliability. Our customers are the benchmark for our Organisation's broad strategy while, for us, our personnel constitutes our most important resource.

I should like to take this opportunity to thank our customers for their confidence in us, and all members of our personnel for their conscientious and professional dedication to the Organisation.

I also wish to thank:

the Government and the House of Representatives for their close cooperation, the Minister under whose authority the Organisation falls - Minister of Finance Charilaos Stavrakis - for his support, all our associates, Legal Advisers and Auditors,

the Auditor General of the Republic for her observations and comments which are always useful tools for further improvement,

the Commissioner of Electronic Communications and Postal Regulation and the Commissioner for the Protection of Competition for their excellent collaboration,

the trade unions with whom we are united by common goals and

of course, the Members of the Board and the Organisation's Senior Management for their productive and fruitful cooperation.

Finally, I express warm thanks to the Media for their contribution to the promotion of our achievements and their constructive interventions.

With you we shall continue to move forward, true to our commitment to society to keep opening up the most reliable communications highways linking us with the rest of the world.



**Stavros Kremmos**  
Chairman

*7 July 2009*



## Message from the Chief Executive Officer



*It was with a new, modern visual image that we bade farewell to 2008 and continued in 2009, with the same passion, ethos and creativity to provide our customers with new, innovative ideas and applications.*

*Our new image reflects our strategy, the first priority of which is to maintain and strengthen our position in the market as the leading Integrated Electronic Communications provider. The constant focus of our activities is on excellent customer service through the development and provision of innovative services at the correct combination of quality and price.*

*Last year saw the realisation of our major aspiration of expanding the Organisation's activities abroad with the successful launch of commercial operations in Greece. Focusing on our customers, as always, we developed new, innovative products. We contributed substantially to the fact that Cyprus registered the highest increase in broadband take-up in the whole of the European Union (from 13,8% to 18,2%) and became one of the countries offering the least expensive telephone services in the EU.*

### **New image, new horizons**

Our new corporate image reflects Cyta's ability to renew itself and adapt constantly to new market conditions. The decision to maintain a unified brand creates synergies that further strengthen our corporate brand while for our customers, communication becomes more simple, immediate, effective and advantageous.

### **Achievements in 2008**

For Cyta, 2008 was an extremely productive year, which once again confirmed our Organisation's consistency in realising its aims and aspirations.

### **Voice services**

With the aim of broadening our customers' traditional telephone experience, in 2008 we introduced a significant innovation to Fixed Telephony in the form of Broadband Telephony (BBT) at a very attractive price. One of the advantages of this new service is the fact that within the same household, each member of the family can have his/her own number. BBT also enables voice and video calls and offers a range of useful facilities that can be managed over the web. Video calls are possible among customers using an IP videophone or a PC connected to a webcam and microphone headset. We also created six telecommunications packages for national calls at particularly attractive rates.

During 2008 the number of International Roaming agreements with foreign networks rose to 350 in 154 countries, enabling our customers to make even greater use of their mobile telephones while abroad through the constant addition of new destinations.

Furthermore, we focused on the increased requirements of our business customers by offering to companies and their personnel our exclusive Business 300 and Business 600 Company Pay Monthly plans which enable better management of their communications needs and more effective cost control.

### **Data and Internet services**

In 2008 our Internet services continued to flourish thanks to the continuous development of the Cytanet network and to our upgraded services for home and business customers at more attractive rates.

With the aim of promoting greater use of the Internet and the services that we provide, we completed a number of major projects. We upgraded all our DSL Access and NetRunner products by doubling download speeds and increasing upload speeds, enabling customers to take advantage of faster speeds at lower prices.

We designed and marketed new products with connection speeds of up to 4Mbps for home customers and up to 8Mbps for businesses. Additionally, we offered Live Streaming which lets customers watch live sports events online.

In summer 2008 we upgraded our 3G mobile telephony network with High Speed Downlink Packet Access (HSDPA) technology to give customers the fastest and most reliable mobile broadband network from Cytamobile-Vodafone.

Via their mobile phone or computer, our customers have easy access to the Internet, e-mail, calendar and contacts list. From anywhere in Cyprus or via Vodafone's networks abroad (at special rates), they can make use of Vodafone Mobile Connect, BlackBerry from Vodafone and Windows Mobile Email for their data transmission so as to be in constant contact with their office and associates.

### **Cytavision pay TV platform**

Cytavision is one of our Organisation's most innovative services. Cyta was one of the first telecommunications organisations in the world to

introduce such a service. Cytavision offers television channels, video on demand, games on demand, TV mail and an information portal.

The platform supporting the service has an interactive capability which will be continuously enhanced to offer new features to the subscriber.

Regarding the enrichment of content, we offer coverage of all Cyprus football matches, either directly from the clubs or via our associates, as well as the home games of the Cyprus national team. We have also obtained the rights for most UEFA Champions League and UEFA Europa League matches for 2009-2012.

#### **Networking services for corporate customers**

In autumn 2008 we enhanced our networking services for corporate customers with the introduction of Ethernet services for high-speed, low-cost connections. E-Line and EVPN are aimed at business customers for the transmission of telecommunications traffic (voice, data and video) between two or more geographical positions.

#### **Cyta in Greece**

Cyta's entry into the Greek market was identified some time ago as a strategic priority, the only outstanding detail being the choice of the right time for such a venture. The undertaking of the Information Society SA project for the development and penetration of broadband services in provincial Greece, which is 75% funded by the European Regional Development Fund (ERDF) and 25% by the 3rd Community Support Framework, provided the business impetus for this move.

Commercial activity began in October 2008 and the €55 million project is already approaching completion.

As contractor for Zone 5 (population over 1.000.000) which includes the provinces of Florina, Pella, Grevena, Kozani, Imathia, Heraklion and Lassithi, the Argonautic Gulf islands of Aegina, Poros and Agkistri and the Municipalities of Salamina and Ampelakia, Cyta has installed a 1.300-kilometre long private optical network. The network extends across all the provinces in the above Zone and to neighbouring areas. The company recently announced the addition to its optical network of Rethymnon and Chania, thereby affirming our strong presence throughout Crete.

Similar success was enjoyed by our commercial activities. By the end of the first six months of the network's operations, more than 25.000 connections had been made. Internet via ADSL and fixed telephony are now a reality in the areas in which the company is active, while in January 2009 we launched products subsidised by Information Society SA. Meanwhile, demand for Cyta's broadband services remains high, exceeding all expectations.

From the above, it is clear that the major Information Society SA project enabled us to achieve a great deal in difficult circumstances and to show our strengths. Our ally in this success was none other than the Cyta philosophy which combines economic and business development with a social contribution. Moreover, the fact that we are testing ourselves in one section of the Greek market before making a countrywide entry suits our strategy of making a gradual, quality approach to the market.

#### **Our future strategy**

Our main effort will focus on continuing to upgrade our network to ensure that it supports every new service that responds to the needs of our customers.

Examples of services that will become available in the near future are IP Centrex, which covers a business's internal telephony (fixed and mobile) without the need for a private telephone exchange, etc.

It will be followed by the introduction of personal communications services such as contact management, unified voicemail, instant messaging, etc., which aim to help customers organise and expand their social and professional network of contacts.

Regarding broadband services and entertainment content, the further enrichment of Cytavision programmes is planned with the addition of up-to-the-minute content.

Finally, in the rapidly-emerging sector of applications service provision, we are planning many collaborative partnerships for the provision of a number of applications that will revolutionise the way we carry out many of our activities and transactions, including e-parking, Customer Relations Management (CRM) and Enterprise Resource Planning (ERP).

#### **Cyta, a living, people-oriented organisation**

The main factor and driving force behind all our achievements and aspirations is our personnel, to



whom we owe our creativity and effectiveness. Our relations with our personnel have made us one of the best employers in Cyprus, a fact that has been recognised by European bodies such as the EFQM and EU initiatives such as EQUAL and brought us significant awards.

**The future belongs to us**

2009 found our Organisation in a state of total readiness and in a position of strength regarding the monitoring of the rapid developments in technology and all its applications in the electronic communications sector. The new year began on a healthy basis with positive results which provide financial independence for new successes.

Before us lie challenges to which we are called to respond by making use of our great arsenal: the knowledge and dedication of our personnel and the confidence we enjoy from our customers.



**Photis Savvides**  
Chief Executive Officer

*June 2009*



# Chairman and Members of the Board



## **Chairman**

Stavros Kremmos  
Business Consultant

## **Vice-Chairman**

Pavlos Theodotou  
Secretary/Manager  
Pancyprian Cooperative Confederation

## **Members**

Stelios Amerikanos  
Advocate

George Chari  
Electrical Engineer/Consultant

Yiannis Chattalas  
Economist/Businessman

Gregory Diacou  
Economist/Businessman

Takis Fekkos  
General Manager Banking Organisation

George Korfiotis  
Advocate

Demetris Phellas  
Financial Executive

## **Legal Advisers**

A. C. Hadjioannou & Sons

## **Auditors**

KPMG  
Auditor General of the Republic

# Management Team



## Chief Executive Officer

Photis Savvides *(from 1/11/2008)*  
BSc, MSc, CEng, MIET, MIM, AMIPD

## Deputy Chief Executive Officer

Photis Savvides *(until 31/10/2008)*  
BSc, MSc, CEng, MIET, MIM, AMIPD

## Michael I. Economides *(until 23/3/2009)*

Dipl-Ing

## George Koufaris *(from 24/3/2009)*

FCA

## Senior Manager - Customer Services

Cleanthis Soleas *(until 31/3/2009)*  
BScEng (Hons), CEng, MIET

## Senior Manager - Networks

Constantinos Michaelides  
Dipl-Ing

## Senior Manager - Financial Management

George Koufaris *(until 23/3/2009)*  
FCA

## Senior Manager - Technical Support

Sebouh Gorgorian *(until 31/3/2009)*  
BSc



## Manager Internal Audit

Eleftherios Koudounas *(until 14/6/2009)*  
BA (Econ) (Hons), CIA, CCSA, CISA

## Manager Planning and Development, Networks

Panayiotis Kallenos  
Dipl. Eng NTUA

## Manager Business Management Support

Glaftos Houtris  
BSc, CEng, MIET

## Manager Personnel Services

Yiannis Souroullas  
BScEng (Hons)

## Manager Support Infrastructure, Technical Support

Marios Karatzias  
BSc(Eng)

## Manager National Sales, Customer Services

Aristos Riris  
BSc, PhD

## Manager Operation and Maintenance, Networks

Tasos Partzilis  
Dott. Ing.

## Manager Cyta Wholesale, Networks

Marios Karlettides  
BSc (Hons), MSc

## Manager Coordination of Subsidiaries, Investments and Strategic Alliances

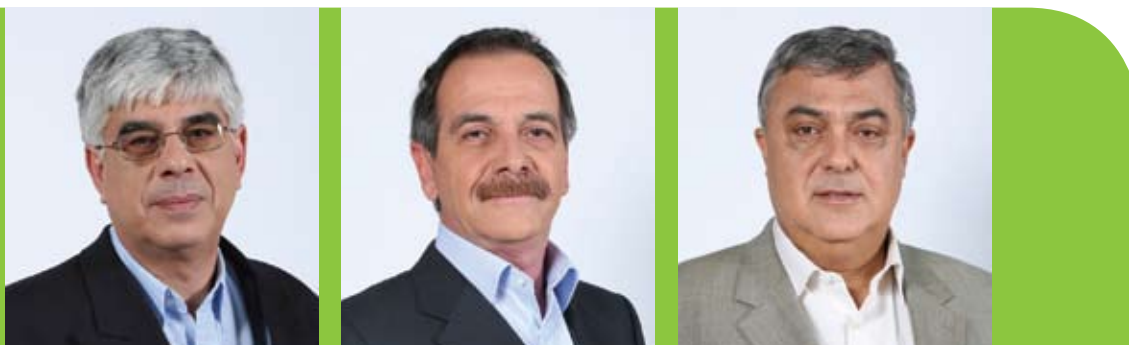
Michalis E. Achilleos  
BSc, MSc, MBA

## Manager International Commercial Services, Networks

Ioannis Koulias  
BSc (Hons), MSc, AUMIST, DUC, MIEEE, MIET, CEng

## Manager Transport and Core Networks, Planning and Development, Networks

Chrysis Phiniotis  
BScEE, MScEE



**Manager Strategy and Portfolio Management,  
Services Management**

Paris Menelaou

BSc Economics, MBA Marketing

**Manager Regional Operation and Maintenance,  
Operation and Maintenance, Networks**

Kyprianos Yianni

BSc, MSc

**Manager Sales Management,  
Customer Services**

George M. Lambrianou

BScEng, MBA, PhD

**Manager Products and Services,  
Services Management**

Michalis Lois

BSc Eng

**Manager Billing and Customer Payments,  
Financial Management**

Antigone Modestou

FCCA, MBA

**Manager Costing and Financial Studies,  
Financial Management**

Maria Damalou-Hadjigeorgiou

Bsc (Hons), FCA

**Manager Corporate Communications  
and Public Relations, Business Management  
Support**

Rita Hadjiloizou-Karatzia

BScBA (Hons)

**Manager Aeromaritime Network Services,  
Technical Support**

Christoforos Yiannakou

MSc

**Manager Value Added Services and Software  
Development, Planning and Development,  
Networks**

Costas Psillides

BSc, MSc, MBA

**Manager Systems Engineering, Networks**

Demetris Hadjittofis

BSc (Hons), MBA

**Secretary and Manager Administrative Services**

Petros Hadjiantoniou

BSc (Hons), MSc

**Manager Corporate Customers,  
National Sales, Customer Services**

Michalis Papadopoulos

BScEE, MScEE, MBA

**Manager Servers and Applications, Operation  
and Maintenance, Networks**

Sophocles Hadjisophocleous

BSc Electronic Computer Systems

**Manager Employee Resourcing, Development and  
Performance Management, Personnel Services**

Efi Christou-Pouri

BScEcon(Hons), MScIR&PMgt, MBA



Elias, Hans, Boris  
(Paralimni - Hamburg - Saint Petersburg)  
Together on holiday and friends for life... because they keep in touch.



# Corporate Governance at Cyta



*Proper corporate governance demands responsibility in an organisation's actions. Responsibility to its shareholders, personnel, associates and customers, and to society.*

*In 2008, through our rebranding project, we reminded our customers that, with the modern services that we provide, we help them to "get closer" to friends and family and enable them to "touch the world" while reassuring them that we do everything responsibly. Year by year we place greater emphasis on the security of data and IT systems since these play an increasingly important role in our modern way of life.*

### **The Board**

The Board is appointed by the Government which, in accordance with the relevant law, is the sole shareholder. It is made up of nine non-executive Members, of whom one is the Chairman and another Vice-Chairman. It is responsible for the Organisation's smooth running and long-term development, as well as for assessing and monitoring the Organisation's activities. It approves all decisions regarding corporate policy and strategy concerning financial, technological and social issues.

Among the Board's responsibilities is the appointment of the Chief Executive Officer. In October 2008, it appointed Mr. Photis Savvides to the post.

For better control and monitoring, the Board has set up various committees, one of which is the Audit Committee to which the Internal Audit Department (IAD) reports. The full Board comes together two to three times a month, while its various committees meet as and when required. It has unrestricted access to all information and to all members of Cyta's staff and, at the same time, it may use independent advisory services, including those of the Legal Advisor.

The Board members' remuneration is determined by the Council of Ministers, while relations between the Board and the shareholders (Government) are determined by the relevant provisions of the law.

### **Audit Committee**

The Audit Committee, formed in 2004, operates in accordance with the Code of Corporate Governance and is comprised exclusively of Members of Cyta's Board.

During 2008, the Committee held four meetings. In accordance with its mandate, the Committee

reviewed, inter alia, the Organisation's Financial Statements for 2007 together with the underlying accounting principles, as well as the 2007 Budgetary Control. In the course of the year, the Committee also reviewed the interim Financial Statements and rolling Budgets and Forecasts that are prepared periodically.

The Committee reviewed and discussed the Audit Programme for 2008, which was prepared on the basis of the results of a risk assessment carried out for the Organisation. Also, in the framework of assessing the effectiveness of Cyta's Systems of Internal Controls, the Committee reviewed and assessed work carried out by the IAD during 2008 and oversaw the progress made in the implementation of the recommendations made.

### **Risk Assessment and Risk Management**

Every year we identify, assess and manage the risks threatening the Organisation, including those to technology and IT systems. The method we follow includes the holding of workshops, under the IAD, with the participation of representatives of all the Organisation's main business units. The workshops confirm the aims of the main business units, activities and major projects. Subsequently the risks threatening their achievement are identified, taking into account the existing Systems of Internal Controls (SIC). All risks are assessed for their possible impact on the Organisation (financial, operational, corporate image) and the probability of them occurring. The results, with the corporate risks prioritised, are submitted to Senior Management and the Board. Also, based on the risk assessment, the IAD's Annual Audit Programme is prepared for approval by Senior Management and the Board.

In addition to the above, in 2008 we held specialist workshops on information security risk management, with the parallel aim of obtaining ISO27001/2 Quality Certification. In the specific case we identified all the information resources related to our basic products/processes and assessed the corresponding risks to their confidentiality, integrity and availability.

### **Internal Audit Department**

The Internal Audit is an integral part of our Organisation's chain of added value, through the provision of independent advice to the Management and Board regarding the adequacy and effectiveness of the Systems of Internal Controls (SIC), risk management, compliance with laws and



regulations, and the Organisation's governance. The assessment of the SIC is carried out using the COSO methodology, which is the most widely accepted best practice internationally. To assess the SIC concerning information systems, the COBIT methodology is followed. In general terms, monitoring work carried out in 2008 showed the standard of the SIC at Cyta to be quite satisfactory.

It is worth noting that, during the year under review, we dealt extensively with a very innovative sector, that of Information Technology Governance. Using internationally recognised consultants and in close cooperation with the Management and the Board, we identified areas where there is room for improvement so that our objectives and actions related to technology and IT issues are properly aligned with our business and strategic aims.

Every year we hold Control Risk Self Assessment (CRSA) workshops for all our main business units, activities and projects. In 2008 we held separate information security risk management workshops, showing in practical terms the significance that we attach to this issue. Also, during the same year we increased the percentage of audit coverage of issues pertaining to information systems and their corresponding management.

To strengthen our role and our effectiveness, the Organisation's Management and Board show unstinting support to facilitate the audit process. Specifically, direct access is provided to Senior Executive Management and the Board's Audit Committee, as well as to Cyta information and personnel. In addition, training opportunities have resulted in a large percentage of our Organisation's internal auditors obtaining professional qualifications as Certified Internal Auditors, Certified Information Systems Auditors and Certified Control Self Assessors.

# Corporate Social Responsibility at Cyta



Athina, Marios, Constantinos  
(Lefkosia - Lemesos - New York)  
Their careers have separated but they haven't... because they keep in touch.



### **What is Corporate Social Responsibility?**

Globalisation, political upheavals and technological advances lead to rapid and radical changes in society worldwide. Society's expectations concerning the role and responsibilities of business are changing drastically. In the newly-emerging economy, companies are judged not only on the basis of their financial results, products and services but also on their environmental and social sensitivities and practices.

For these reasons, more and more companies in Europe and throughout the world are adopting policies on and are voluntarily involved in areas such as working conditions, human rights, the environment and social issues, over and above their legal and regulatory obligations. The term "Corporate Social Responsibility" (CSR) is used to describe these broader commitments of an enterprise, beyond its responsibility for profitability and financial survival. There are various interpretations and a plethora of definitions of what is meant by and included in the term Corporate Social Responsibility. For us at Cyta, Corporate Social Responsibility is the voluntary management of the social, environmental and economic effects, positive and negative, of the Organisation's operations on its stakeholders, over and above its legal obligations. We believe that this is a holistic, balanced approach to CSR since it takes into account all the stakeholders in an organisation (e.g. employees, shareholders/owners, suppliers/associates, society, etc.) as well as the three dimensions - social, environmental and economic - on which an organisation can have a positive and/or a negative effect.

### **Our Commitment**

For the European Commission, and for Cyta, CSR represents an enterprise's contribution to sustainable development. We adopted this approach by signing the Sustainability Charter of the European Telecommunications Network Operators' Association (ETNO) in 2004 and committed ourselves to providing products and services that offer significant environmental, social and economic benefits. We also made a commitment to integrate environmental, social and economic responsibility into our business activities, reducing wherever possible any negative effects arising from such activities.

Cyta's products and services have the capacity to impact on all three dimensions of CSR: environmental, social and economic. Regarding the environmental dimension, our services can contribute to reducing the burden on the natural environment through



the substitution of matter (dematerialisation). For example, e-mail substitutes traditional written communication while teleconferencing and videoconferencing have changed the need to travel, thereby reducing fuel consumption and greenhouse gas emissions. In the social dimension, our services can, for example, improve the provision of medical services, education and the lives of working people through advanced applications such as telemedicine, tele-education and teleworking respectively. In the economic dimension, our services contribute to improving entrepreneurial skills and the development of new business activities and innovative products and services via applications such as the Internet, e-commerce, call centres, etc.

### **CYTA: A Responsible Organisation**

Cyta has been quick to acknowledge these trends and their potential and is also aware that it constitutes an integral part of the broader society in which it operates and whose trust it wishes to maintain, as a socially and environmentally responsible Organisation. This is why, for a number of years, apart from its usual

activities in the field of electronic communications, it has been actively involved in and contributed to society as described in the Business Excellence Model of the European Foundation for Quality Management (EFQM), specifically in the "EFQM Framework for CSR".

The European Union proposes a holistic approach to the application of CSR, namely its integration into all aspects of everyday business management and relationships with all stakeholders. At Cyta we have been promoting this holistic approach since 2006 when we set about implementing an Integrated CSR Management project. This project is ongoing and aims to make CSR an integral part of the way the Organisation operates, rather than a separate, add-on activity. In 2008, with the help of an external consultant, we began the process of formulating a CSR Strategy for the Organisation. At the first workshop, the Management Team was briefed and a CSR self-assessment exercise was carried out based on the EFQM Framework for CSR. At the second workshop, the draft CSR Strategy was presented and discussed. In 2009, the Organisation's CSR Strategy will be finalised and work will begin on its implementation.

Cyta's CSR Strategy is based on four pillars: society, personnel, customers and the environment. Below are details of the most important activities and projects that were carried out in 2008 with regard to each of these pillars.

### **Cyta's Responsibility to Society**

Cyta has adopted the EFQM Business Excellence Model, which prescribes self-assessment in the area of an enterprise's contribution to society, beyond its financial results and customer/employee satisfaction. To this end, we have consciously decided to promote our corporate identity, our products and services indirectly as well. During the year under review, in the framework of our Corporate Social Responsibility, we implemented projects contributing to Health and Welfare, Education, the Environment, Culture, Sport, and Research and Technology, thus reinforcing our contribution to society.

### **Health and Welfare**

On the sensitive issue of road safety, our policy focuses on the cultivation of road safety awareness by educating young people who make up a large percentage of the victims of traffic accidents in Cyprus. For this reason, we again organised road safety seminars for National Guard conscripts

and all Secondary and Technical School leavers graduating at the end of the 2008-2009 academic year. This initiative confirms Cyta's commitment to the European Road Safety Charter (which it signed in Dublin in 2004) and to the common European goal of halving the number of road fatalities by 2010.

Since we care about the welfare of those manning the National Guard, every year we issue and distribute "Camouflage" phonecards free of charge to newly-drafted National Guardsmen on their first day of military service. We also offer phonecards at Christmas to Greek officers and soldiers serving in the National Guard and the Greek Contingent in Cyprus, to needy National Guard soldiers and to prisoners.

Regarding health, for the fifth successive year we supported the Centre for Preventive Paediatrics, donating equipment for the detection of hearing impairment in newborn babies.

We remain consistent in our support for those less fortunate than ourselves. For the third successive year we supported the Cyprus Multiple Sclerosis Association, sponsoring its week-long campaign of information about the condition. At the same time, Cyta sponsored the printing of information leaflets on, among other topics, breast cancer prevention, thalassaemia and congenital heart disease. Also, during the Christmas holidays, Cyta officials visit hospitals and children's homes with gifts for the children.

In the context of its strategy to provide substantial assistance to social groups requiring special treatment, Cytamobile-Vodafone sponsored Hearing-Impaired Information Week. The week featured activities and events to inform the public and make everyone more aware of people with impaired hearing and also to strengthen the self-esteem and self-confidence of the hearing-impaired. Moreover, mobile telephony was used as an alternative solution to communication in sign language. Specifically, 3G technology was used for videocalls which enable simultaneous visual and auditory communication.

In 2008 we continued to support the annual Radiomathon as an Official Sponsor, by providing free of charge all the services required for its smooth and successful operation. At the same time we participated in various related activities, such as the "Love Fairs" and the fundraising kiosks. Combining the sectors of health and technology, we once again supported Medlook, the online health information website.

With the aim of offering telecommunications support to charity fundraising events, Cyta has, for some years now, provided the free Charity Direct service which enables people to make donations by telephone to the charitable organisation of their choice. We also operate several services with a four-digit telephone number via which free calls may be made to various emergency services.

### Education

In 2008 the Pefkios Georgiades Primary School was officially opened and, with Cyta's help, transformed into a Model Electronic School. Specifically, we installed an extensive communications network in classrooms, consisting of computers, printers, interactive blackboards and digital screens. It is linked to the Ministry of Education's educational network while all teaching areas have safe, monitored Internet access.

In the framework of a special agreement between Cyta and the Ministry of Education and Culture, we have connected all the island's schools to the Internet free of charge and offer a special low monthly subscription fee as well as free web hosting of school and teachers' websites (with educational content).

Since 2001 Cytanet has made presentations to primary, secondary and technical schools on the subject "The Internet: A Tool for All" with the aim of

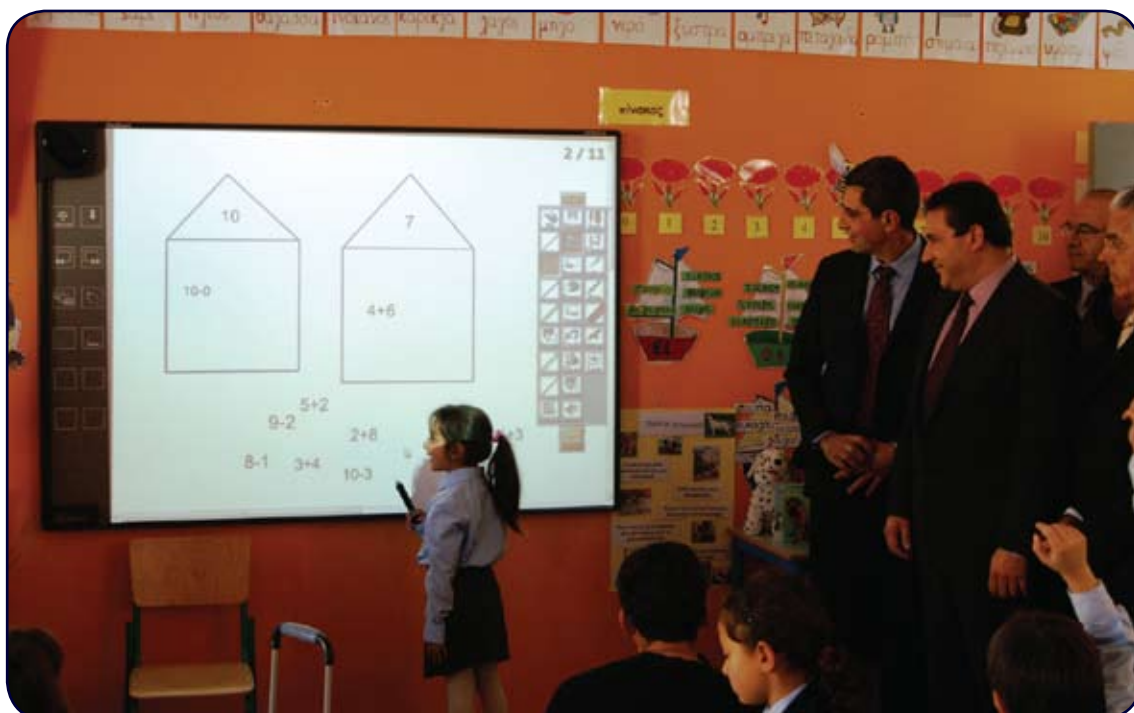
educating students about electronic communications and promoting correct Internet usage. During the 2007-2008 school year we made 71 visits to schools and a total of 6.887 pupils and teachers attended the Cytanet presentations. From 2001 until 2008, we made over 330 visits to schools where the presentations were attended by 35.500 pupils and teachers.

We also make presentations on "The Internet and Our Children - Safe and Responsible Use" which are aimed primarily at parents with the purpose of informing them about correct Internet use, its traps and dangers, and how to deal with them. From 2006 until 2008 some 805 parents attended these presentations.

Also, in recent years Cyta has sponsored "JOTA-JOTI" (Jamboree on the Air, Jamboree on the Internet), the annual online event of the Cyprus Scouts Association.

Cyta also provides equipment and services to the Youth Board of Cyprus' Youth Information Centres.

Every year we publish an activity book for children entitled "Playing, having fun and learning with Telis" which is distributed to all pre-school and primary school children throughout the island. The book contains educational and recreational material approved by the Ministry of Education



and Culture. The book also contains announcements of painting competitions in which the best children's paintings are subsequently chosen and prizes are awarded at a special ceremony. The winning paintings are included in a wall calendar published by Cyta and distributed to all pre-school and primary schools.

On the occasion of the adoption of our new corporate image, the 2008 edition of "Playing, having fun and learning with Telis" was a special one with more pages and subjects from the primary school curriculum.

In the framework of its support of extra-curricular activities for children, Cyta opens its doors to many schoolchildren. Usually they visit the Makarios Satellite Earth Station in order to learn about the Organisation, its services and history. We also welcome pupils and students on work experience projects.

Every year we enable prospective students to obtain their university entrance examination results as soon as they are announced by the Ministry of Education and Culture, either from the Cytanet homepage or by text message to their mobile phones via Cytamobile-Vodafone's cybee service.

Our Organisation was the main supporter and telecommunications services partner in the creation of the Virtual Bus mobile Internet unit. The Virtual Bus aims to study the digital divide between rural and urban areas and, through research, to promote measures and activities to spread Internet use and its benefits, as well as information and communications technology throughout Cyprus, particularly in rural areas.

### **Environment**

Our Organisation wishes to contribute to the strengthening of an environmental awareness among the people of Cyprus as part of its contribution to society, by implementing a variety of projects and activities. (Read more about Cyta's internal environmental management later on in this chapter.)

In this context and with the aim of raising public awareness, particularly among young people, Cyta carried out an environmental protection campaign via a TV film, the press and outdoor placements. The theme of the campaign was "What kind of world are we leaving to our children?"

Today there are Cyta Parks in almost every district of Cyprus, created in collaboration with the respective Municipalities or Local Authorities. The development of the Cyta Parks stems from a decision taken by the Organisation in 2001 in the framework of its 40th anniversary celebrations.

Another well-established institution is our sponsorship of the activities of the Cyprus Marine Environment Protection Association (CYMEPA) which, among other things, offers environmental education programmes to schoolchildren. These include the "Young Journalists for the Environment" programme which is supported by the Ministry of Education and Culture, coordinated by the Foundation for Environmental Education in Europe and sponsored by Cyta. Within the framework of this programme, a thematic competition is held among junior and senior high school pupils, the winners of which are awarded prizes by our Organisation at a special Cyta ceremony.

It is also worth noting that we supported the first International Sea Festival which was organised with great success by the Evagoras and Kathleen Lanitis Foundation in Lemesos (Limassol) in September-October 2008. At the same time we enriched the event with additional activities of our own such as a Pupils' Treasure Hunt aimed at making young people aware of the need to protect our seas and, more generally, the environment.

Since 2001, we have provided special paper recycling collection boxes (which we also use in our own offices at Cyta) and related posters to eco-schools and other interested schools. Specifically, between 2001 and 2008, around 1.700 such recycling boxes and posters have been donated to 140 schools for use in classrooms in order to develop environmental awareness in children.

### **Culture**

In 2008, Cyta continued its "Let's Go to the Theatre" sponsorship programme of support for all of Cyprus's independent professional theatre companies. In this context, it offered members of staff and the public some 3.000 free invitations for two to any production by one of the sponsored companies. At the same time, it carried out an advertising campaign aimed at encouraging the public to embrace the theatre and to applaud the theatre companies' efforts.

Also, in an effort to bring people closer to the theatre, on 27 March we celebrated World Theatre Day with the sponsored companies, offering everyone in Cyprus the opportunity to obtain a free ticket to a performance of their choice. This gesture was warmly received and the public responded with such enthusiasm that all seats for the performances in question were taken on the very day the special offer was announced.

In 2008, Cyta supported one of the biggest events ever held in Cyprus, the hosting by the CyBC of the Junior Eurovision Song Contest, by providing all the necessary telecommunications equipment and services free of charge.

In its role as a sponsor of the arts and culture in Cyprus, Cyta supported the production of three CDs by Cypriot artists: "Welcome to our Guests" by Michalis Terlikkas, "The Dear Land" by Vasos Argyrides and "Cyprus" by Stavros Hadjisavvas and Leonidas Malenis.

We were also particularly proud to present to the Cypriot public a work reflecting our culture: George Theophanous' concert performance entitled "I Sing of my Island".



the Cyprus Referees Association and the Cyprus Sportswriters Association as well as of other single but important activities of various sports associations and clubs.

We actively support Cypriot football with a sponsorship programme that covers the Cyprus Football Association, all the teams in Division 1 and the 2nd, 3rd and 4th Division championships. We also sponsor the Cyprus Basketball Federation and all the 1st and 2nd Division teams.

Every year Cyta also supports the biggest event in the local motoring calendar, the Cyprus International Rally, by providing the organisers with all the telecommunications equipment required by this major event.

### Technology and Research

As an organisation operating in an area of activity that is directly linked to technology, Cyta supports activities which are aimed at its development locally.

An innovative project to which we contributed with equipment, services and technical support in 2008 was the transformation of the Pefkios Georgiades Primary School into a Model Electronic School. The school makes optimum use of IT and electronic communications, thereby developing the Information Society in Cyprus.



### Sport

Cyta is a major sponsor of sport in Cyprus. Since 2007 it has been one of the institutional sponsors of the Cyprus Olympic Committee and the Olympic House. It is also an official sponsor of



Wishing to encourage young people to take up technology, we awarded prizes for the first time in 2008 to all graduating Lyceum and Technical School students who excelled in IT.

Furthermore, we continue to support the TechCulture website run by the ARTos Cultural and Research Foundation.

We also sponsored a number of conferences of which a main part of the work concerned technology and research, and the 3rd ICT Conference organised by the Cyprus Information Technology Enterprises Association.

### **Cyta's Responsibility to its Personnel**

As a responsible, good employer, Cyta manages and makes the best of its personnel through the implementation of management systems and development/support programmes which assist them in their professional as well as their private lives.

Our Organisation offers its personnel far more than is prescribed in the relevant legislation. Among other things, it takes care of the health and welfare of its employees and their families through the Medical Fund and the Cyta Staff Welfare Fund, by holding seminars on medical and social issues (e.g. stopping smoking, work-related stress, etc.), implementing an advice and support programme through the services of a social worker, offering financial assistance to needy employees, pensioners, employees' widows and orphans, providing low-interest student and housing loans, and through other activities that are described in detail in the "Management" chapter of this report under the "Human Resources" heading.

In the context of protecting and promoting good health among its personnel, in 2008 Cyta strengthened the institution of Occupational Physician with the services of a nurse and officially opened its Professional Health Centre. Also during 2008, the second Health seminar, aimed at all members of the Organisation's personnel and their families, was held with great success.

For the children of staff members, every year we organise Christmas parties, give prizes to the top students in secondary and tertiary education and award scholarships.

For our employees' entertainment, we subsidise their subscription to the Cyprus Theatre Organisation

and offer free tickets to concerts, plays and football matches.

We also organise special retraining seminars for retiring members of staff, while the Organisation's care for its employees extends beyond their working life. Retirees continue to be covered by the Medical Fund and may take advantage of the facilities and subsidised holidays offered by the Cyta Staff Welfare Fund.

Cyta employees, sensitive to social issues, also make their own contribution to society. For some years we have established and promoted voluntary blood donation sessions. Every year these are held on a regular basis in all districts in the workplace and during working hours. Members of Cyta's personnel make other voluntary social contributions in a variety of ways, such as, for example, the holding of a sale of Christmas dishes and plants by the Volunteer Group to raise funds for the children of the Evangelismos Special School and the children of the Organisation's personnel.

More details and additional information on activities undertaken by the Organisation for the benefit of its personnel are included under "Human Resources" in the "Management" chapter of this report.

### **Cyta's Responsibility to the Environment**

As a modern European business enterprise which respects the environment in which it operates, Cyta does everything in its power to operate and promote itself as an environmentally responsible organisation.

Recognising the positive and negative impacts on the environment of our operations, products and services, we have been active in this sector since 2001 when we drew up our Environmental Policy.

One of our strategic objectives in this area is the implementation of an Environmental Management System. In 2008, we continued work on a project for the introduction and ISO14001 certification of an Environmental Management System. The first stages of this project include the identification of and compliance with legal environmental obligations. We continued to examine environmental legislation, to identify sections applicable to our Organisation and to proceed with relevant action in order to comply with their provisions. Specifically, during the year under review, we proceeded

to take measures for compliance with legislation on packaging and packaging waste, end-of-life vehicles and batteries.

In collaboration with Green Dot Cyprus, we implemented a programme for the collection and recycling of domestic packaging waste (plastic water bottles, soft drink cans, juice cartons and cardboard boxes) from the Organisation's offices in 17 of our buildings which house 1.200 employees, i.e. 50% of our personnel. Cyta also implemented a programme for the collection and recycling of commercial packaging waste (cardboard and plastic) from its Central Stores. It is worth noting that, for many years, Cyta has been recycling waste paper in all its buildings, discarded or obsolete cables, obsolete electrical and electronic equipment and vehicles and all the old telephone directories returned by customers.

We drew up the environmental requirements for new vehicles and their suppliers, which must be included in the purchasing specifications and must comply with the provisions of the relevant legislation on vehicles and vehicle maintenance waste management.

We also drew up the environmental requirements for industrial batteries which must be included in the technical specifications set out in tenders for their purchase and comply with the requirements of the relevant legislation.

In the framework of our Environmental Policy which, among other things, provides for the purchase of products that are more environmentally friendly, we

developed material for a seminar entitled "Promoting Green Procurement". The resulting seminars in 2008 were attended by all members of personnel involved in the procurement of products/services and aimed at providing information on the various ways in which a product or service can be more environmentally friendly and how environmental criteria can be integrated into the purchasing process. At the same time, we drew up our 2008-2009 "Corporate Action Plan for the Promotion of Green Procurement".

In response to public concern regarding electromagnetic fields created by mobile phone base stations, we continued to meet with groups of interested citizens, organised groups, Municipalities and Communities in order to keep them properly informed on this issue.

Moreover, with the aim of informing the public on the broader issue of mobile telephony in our daily lives and, in particular, the subject of electromagnetic fields, the interdepartmental Working Group which was set up for this purpose in 2007, proceeded with a number of information activities, including the publication of a booklet, participation in a medical conference with a special session on the topic, the holding of seminars on the issue for journalists and local authority representatives, etc. For more details on this, see "Cyta's Responsibility to its Customers" below.

#### **Cyta's Responsibility to its Customers**

With the aim of keeping its customers and the broader public well-informed and protected regarding the subject of electromagnetic fields and their effect on



health, an interdepartmental Working Group was set up. In 2008 the Working Group published a booklet entitled "Mobile Telephony in our Lives" which is available at all Cytashops and on Cyta's website. It contains information on how mobile telephony works, mobile telephony and health, the responsible use of mobile phones (e.g. in the car, by children, telephone etiquette) and a Frequently Asked Questions section.

In 2008, at the 20th Annual Congress of the Hippocrates Medical Association of Lefkosia-Kyrenia, Cyta hosted a session on "Electromagnetic Fields and Health", the aim of which was to enable doctors to be presented with scientifically supported information on the issue by three academics who delivered papers on: (a) How electromagnetic fields are measured and what the results show, (b) The effect of mobile phones on health, and (c) Interpreting the results of various studies. The three speakers recommended the cautionary use of mobile phones, especially by children, even though, according to accepted scientific studies undertaken by international organisations, there is no proof that electromagnetic fields emitted by mobile telephone base stations have a harmful effect on human health.

Furthermore, with the aim of providing timely, targeted information to specific groups and to begin a dialogue with them, we organised two seminars under the aegis of the Ministry of Health, entitled "Electromagnetic Fields: Myths and Reality". One was aimed at journalists from all media and the other at Local Authority representatives. The speakers were independent scientists, academics and government officials.

In 2008, Cyta's Special Tariff Package for People with Special Social Needs was extended to cover individuals with intellectual and development disability.

In the context of our ongoing efforts to help our customers as much as possible, in 2008 we implemented a new practical way of distributing our telephone directories. The new editions of the Yellow Pages and the White Pages for each district are available free from all kiosks in towns and from village Cooperative Credit Societies, Community Councils and coffee shops.

We also continued to inform and advise customers on how to protect themselves from "phishing" scams via unsolicited, misleading text messages or e-mails. These either refer to winning a large

amount of cash or a big prize, or they aim to steal customers' personal data (ID, credit card numbers, passwords). This type of fraud is taking place on a global scale and is being dealt with in particular by the international organisations responsible for preventing it, such as Interpol. Cyta is monitoring and investigating the problem with its associates abroad and provides responsible advice to its customers.

Cytanet introduced its Safe Internet service in 2006, aimed mainly at parents wishing to monitor their children's Internet usage and to prevent them from accessing content they consider harmful. Since 2007, the service has been provided free to all our customers. In 2008 the service was upgraded and we were able to offer Safe Internet for Business to small businesses and Safe Internet for Schools to schools and higher education establishments. The service has been expanded to cover the needs of business customers and pupils/students respectively. Businesses are thus able to limit recreational Internet use on company computers while schools and educational institutes are in a position to offer their pupils and students a safe Internet experience.

Cytanet also offers free antivirus and anti-spam protection to its customers who can modify this facility according to their specific needs.

Aware of the needs of special groups of customers, under the banner "Everyone has a right to communication", Cyta provides special telephone handsets for individuals with impaired hearing, vision and movement. One example is the emporialife mobile telephone which is aimed mainly at the elderly due to its construction and characteristics, e.g. a large screen displaying large characters, large keys, loud sounds, an easy-to-use menu and a programmable SOS key.

As a follow-up to this, wishing to make mobile telephony more accessible to the visually impaired, since 2006 we have offered the Speaking Phone service. Special software for the mobile phone enables users to hear the menu, the telephone directory, SMS messages, etc. The service is provided free of charge to customers with visual impairment.

# Management





Aliki, Grandma Aliki, Panayiotis  
(Larnaka - Melbourne)  
No-one is ever missed... because they keep in touch.

*A milestone in the year under review was the completion of a rebranding project. Its culmination was the synchronisation of almost every place bearing our logo so that our new visual image was revealed during a single 24-hour period on 2-3 October.*

*In the area of quality, Cyta aspired to obtain the 2008 European Excellence Award of the European Foundation for Quality Management (EFQM). While our points total brought us very close, we did not win the award. We did, however, receive the highest five-star "Recognised for Excellence" ranking and we continue to be the only company in Cyprus to achieve this.*

*In an effort to respond to the needs of our personnel, we implemented a new programme for the reconciliation of professional and family life. In this context we set up the institution of the Employees' Annual Leave Solidarity Bank and extended flexible working practices such as teleworking and flexitime. We facilitated various annual staff social and financial schemes, cultural and social events for employees and their families, and the activities of Cyta's Volunteer Group. The Organisation's crowning achievement in this context was winning the 2008 Award of the European Commission's EQUAL initiative for its policy of helping employees manage work/life balance issues.*

*In the IT sector we developed an infrastructure for businesses for the provision of Ethernet services, enabling them to install flexible, reliable, high-speed connections in all their offices. We also introduced two new channels via which customers can settle their bills on a 24-hour, seven-day basis.*

### **Human Resources**

The institution of Occupational Physician, which was introduced in 2007, was reinforced with the services of a Nurse for the Occupational Medical Centre which was officially opened by the Minister of Labour and Social Insurance in September 2008. In addition to providing primary health care, the Centre began to implement schemes for the protection and promotion of good health among personnel, including a stop smoking programme, an investigation into work-related stress and the provision of anti-flu vaccinations for vulnerable groups of staff.

In the context of the European Commission's EQUAL initiative, our Organisation won an award in 2008 for its policy of helping employees manage work/life balance issues. This policy provides for the

creation of a truly flexible working environment, which promotes quality in professional and family life and increased job satisfaction at Cyta.

In 2008 we implemented a new programme for the reconciliation of professional and family life in the form of the Cyta Employees' Annual Leave Solidarity Bank, while continuing to reinforce and integrate flexible working practices such as teleworking and flexitime.

Furthermore, we continued to support the welfare of our staff through the provision of the services of a Social Worker and the organisation of cultural and social events such as Christmas parties for the staff and their children. At the same time we continued to facilitate various annual staff social and financial schemes and the activities of Cyta's Volunteer Groups. Prizes and scholarships to children were also awarded.

The second Health Forum in 2008 enjoyed even greater success than the first. The Forum was aimed at all members of the Organisation's personnel and their families. Our special retraining seminars for retiring members of staff once again met with similar success.

In the field of safety, 340 employees received First Aid training, including the use of a defibrillator, thereby covering all possible First Aid requirements in all our manned buildings. At the same time, in the framework of the implementation of our Health & Safety Management System, risk assessment



continued for all Cyta's premises and activities. A pioneering move was our action to undertake the precautionary analysis and sterilisation of Cyta's water systems for any contamination, including Legionnaires' disease, in its buildings.

In the context of our policy of encouraging life-long learning and the systematic development of our employees, we continued in 2008 to provide many and varied opportunities for training, development and learning, funding their participation in training programmes in Cyprus and abroad, for the development of their knowledge, skills and personal competences. Six scholarships were granted to employees to obtain a postgraduate MBA qualification

Some 62% of staff participated in training schemes and programmes in 2008, and the corporate index of training days per employee reached 5,27, representing an increase of 61% on the previous year, while human resource development as a percentage of payroll was 2,33%. Both personnel development indices compare favourably with those of other successful international organisations.

In addition to traditional forms of education/development/learning, we also promote internally other methods of development such as e-learning and on-the-job training with educational material as well as individual learning activities and coaching from immediate superiors.

Maintaining good industrial relations was a crucial factor in our success during the year under review, and this was helped by the mutually agreed solutions that were applied to various internal problems that arose and by the agreement reached with the trade unions on pioneering issues, which enhance the image of our Organisation. These issues included the implementation of an Incentives and Rewards scheme for employees, the introduction of a policy to combat work-related stress and the alternative targeted retirement scheme. Other pioneering issues on which negotiations are ongoing with the unions are the afternoon and Saturday opening of Cytashops and the introduction of a new pension scheme for newly-recruited staff.

At the same time, with the signing of a draft agreement between the unions and the Organisation, negotiations were concluded on

the renewal of the Collective Agreement for 2007-2009. Additionally, during the first half of 2008, full implementation of the 2004-2006 Collective Agreement was completed with the delivery to personnel of agreed salary increases and other benefits.

Following a decision in 2006 to recruit hourly-paid staff and the inclusion of the relevant provision in the Cyprus Telecommunications Authority Staff Regulations, this institution was established by the Organisation and as a result, in 2008 we proceeded to recruit hourly-paid staff in positions other than that of Call Centre Assistant. These included shop assistants, cleaners, gardeners, messengers, labourers and blue collar workers. Furthermore, in August 2008, the first Collective Labour Agreement 2007-2009 was signed with the hourly-paid staff, providing them with a range of benefits. This institution has proved to be especially appealing to the Cyprus labour market where the number of applications for each position has been particularly high.

### Communications Policy

A major rebranding project was completed in 2008. This great endeavour culminated in the synchronisation of almost every place bearing our logo and other signs of our identity, so that our new visual identity was revealed during a single 24-hour period on 2-3 October. The renewal of our corporate identity reinforces the Organisation's position in the market as ***"the leading provider of Integrated Electronic Communications*** which gives people ***freedom of choice*** about how and how much they interact with the world."

Cyta's aim is to provide reliable, integrated electronic communications solutions in a simple, smart and secure manner so as to improve its customers' way of life and productivity. For this reason it was deemed necessary to reposition our image in order to show our Organisation's uniqueness and its relevance to the new era of electronic communications.

The new, multiple role of Cyta in the life of our customers demanded the renewal of our visual identity which should effectively promote our personality and be in keeping with the style of all the services that we provide. At the same time, the existence of intense competition had increased the need to adopt a more modern image, especially at a time when, due to Cyta's dynamic expansion in Greece, our visual identity is present in this particularly competitive market.



In 2008 we also adopted the Organisation's overall communications strategy, according to which we mainly invest in and promote our corporate brand. This strategy will enable us to strengthen the brand and we thus avoid building or maintaining independent brands. There is now cohesion among all touch points for our brand and in all our promotional activities, which makes for easier communication with our customers.

With integrated brand management as our aim, we proceeded to implement a series of pioneering market surveys for the measuring and constant monitoring of our brand performance. The results of the surveys are an important tool in the hands of the Organisation's Management and Board when it comes to decision-making and corrective action, mainly of a commercial nature.

In the course of these surveys, it was noted that in the new competitive and, at the same time, regulated environment in which we operate, a strong brand can affect consumer choice to a great extent and can win over hearts and minds in the long term. With this in mind, we shall continue to invest in our brand so as to reinforce it even more as we look forward to the prospect of our Organisation's continued success.

#### **Media Relations**

With the aim of providing timely and reliable information to the public, we continued to issue regular Press Releases in Greek and English which were distributed to the media during 2008. Cyta officials participated in radio and television interviews and discussions, and gave interviews to the press. Articles and other features on the Organisation were published, press conferences were held and information campaigns were undertaken on a variety of issues.

#### **Participation in the Cyprus International Fair**

In 2008, Cyta participated in the 33rd Cyprus International Fair with a new pavilion. Once again the Organisation's participation in the event was viewed as extremely successful and it created a very positive impression on visitors. Our slogan was "Communication Zero Distance", by which we wanted to stress that the services we provide contribute to removing distances and helping customers to get closer to their objectives.

As happens every year, the Organisation's participation provided information on technological developments in electronic communications, but it also offered visual excitement since our pavilion hosted an impressive interactive multimedia production.

#### **"Telecommunications Street"**

During 2008 we continued to publish Cyta's monthly newsletter Telecommunications Street which is distributed to all present and retired members of staff and to outside recipients including representatives of the media. In October it was redesigned to correspond with our new logo and new corporate identity.

#### **Websites**

Our benchmark corporate website [www.cyta.com.cy](http://www.cyta.com.cy) is modern and functional, providing easy navigation for obtaining information. The home page provides access to other useful Cyta sites such as the Cytawebshop online store, Cytamobile-Vodafone, Cyta e-bill, the Yellow Pages and the White Pages as well as those of its subsidiaries. Visitors may also obtain information about our Organisation, Cytashops, our products and services, as well as Calls for Tenders, Annual Reports, archived issues of Telecommunications Street and Press Releases. Within the Organisation we continue to operate



our own intranet, which has been upgraded to an Intranet Portal and is a fast and reliable means of internal communication and information exchange.

All of the above contribute not only to the fast and efficient provision of information but also to saving paper in the context of Cyta's broader environmental policy.

### **Quality and Strategy Issues**

Following a second assessment by the European Foundation for Quality Management (EFQM), as part of the participation in the European Excellence Award this time, Cyta succeeded in confirming five-star "Recognised for Excellence" ranking for the second year running. Cyta is the first company in Cyprus to participate in the award, obtaining in 2008 a score that was 50 points higher than in 2007.

The EFQM model is used by organisations to evaluate their performance in regards to excellence.

Regarding the tools used for the formulation and implementation of strategy, 2008 was the year when upgraded tools were utilised to draw up a three-year corporate strategy for 2009-2011. Also, the major project of mapping and management of all the Organisation's activities began, together with the rational management of the strategic projects.

A total of 618 ideas were submitted by 24% of personnel to the idea.click Staff Suggestions Scheme in 2008. Yet again, Cyta not only won recognition in an international ideas competition but won first prize in a poster competition with an entry promoting the idea.click scheme.

Also, in 2008 considerable use was made of the electronic correspondence distribution system. The aim of the system is to transform Cyta into a paperless office.

### **Software Development**

We design and implement projects that continuously improve the efficiency, productivity and internal communications of Cyta's personnel.

We exploit the potential of the state-of-the-art telecommunications and IT infrastructure to provide services that make people "get closer", however far away they may be.

Convergence services enable customers to communicate easily and fast, irrespective of the

type of terminal equipment they have at their disposal at any given moment.

We offer user-friendly tools, mainly online and via mobile phone, which allow customers to modify the services we provide in accordance with their own personal needs.

For businesses we have developed an infrastructure for the provision of Ethernet services. These services enable businesses to install flexible, reliable, high-speed connections in all their offices, while providing other related value added services such as security and guaranteed quality.

### **Financial Issues**

The robustness of an organisation is, to a significant degree, based on appropriate financial management and a correct assessment of strategic projects and new opportunities.

Our constant concern is to provide top quality financial data, through the use of internationally accepted methodologies, for decision-making regarding the implementation of strategic projects and financial and business performance assessment and management.

Financial statements are prepared in accordance with International Financial Reporting Standards. We ensure the equitable management of reserves and apply best practices to the budgetary control system. At the same time, we ensure the proper costing and charging of products and maintain outstanding debts at low levels.

In 2008 we ensured full compliance with the directives of the Commissioner of Electronic Communications and Postal Regulation and took the necessary measures to ensure the application of all relevant decisions.

The Organisation's robust financial state reflects our customers' satisfaction with the quality of the products and the improved service that they receive. With the aim of providing the best possible service to our customers, given the pace of life today, we introduced two new channels via which customers can settle their bills on.

### **Regulatory Affairs**

During 2008, Cyta participated in public consultations on market analysis and completed

important work such as the preparation and publication of Whole Sale Offers.

### **Support Infrastructure**

Cyta's smooth operation depends substantially on the best possible, most efficient and integrated management of its infrastructure which includes land, buildings, vehicles and machinery as well as security and fire safety systems and guarding services.

During 2008, we continued to plan new buildings and to carry out works for the upgrading, antiseismic reinforcement and extension of existing buildings all over Cyprus. We went ahead with procedures for the renovation/upgrading of the old Electra building. We completed the study and issued a Call for Tenders for the renovation of the Personnel Services building. We continued with the renovation and antiseismic reinforcement of the Lakatamia building and with work on the upgrading/extension of the amphitheatre at our Head Offices in Lefkosia (Nicosia). Construction of the new Ammochostos (Famagusta) district office was completed, as was the upgrading/extension of the Aglandjia building and the renovation of the Kionia building. The whole Cytashop philosophy was redesigned and, on the basis of the new design, a Cytashop was set up in the new Ammochostos (Famagusta) district office. We relocated the Cyta pavilion at the Cyprus International Fair to a larger space which was transformed into a modern, flexible pavilion with which Cyta participated successfully in the Fair. The signs in all Cyta's branches and buildings were replaced with new ones bearing the Organisation's new logo.

During the year under review we began the full implementation of the Integrated Electromechanical Equipment Management System which will improve the standard of services, reduce electricity consumption and make significant savings. We also continued to replace old, inefficient vehicles with new generation ones aiming at the reduction of fuel consumption and emissions. We proceeded to replace a large amount of electromechanical equipment with the aim of further improving the reliability of the services that we provide. Finally, we continued with the development of an Islandwide Fire Protection System and the introduction of an Automatic Vehicle Location Management System. We studied and decided as an Organisation to apply the principles of sustainable development to the entire cycle of our activities.

In 2008, the Pancyprian Security System was expanded with the installation of new electronic access control terminals in buildings and internal restricted areas, terminals for the Time & Attendance System and Intrusion Detection Systems. Furthermore, automatic fire sprinkler systems were installed in important buildings. We also placed emphasis on upgrading our Cytashop security systems and the guarding of the Organisation's buildings in cooperation with the Cyprus Police and private security firms. We also consider the execution of drills at all our manned buildings, in accordance with Cyta's Civil Defence Plans, to be extremely important.

### **Materials Management**

The placement and handling of orders and the management of contracts for the timely supply of materials and equipment continued in 2008. Furthermore, the Organisation's Central Stores continued to send materials and equipment abroad for repairs, to receive and store materials and equipment and to distribute them to various sites.

Following a study, approval was given for the procurement of purchasing and asset management software which is due to become operational shortly. This project, in conjunction with the reorganisation of the entire supply chain (relocation of the Central Stores out of town and the upgrading of the Materials Distribution Centre), is expected to make a positive contribution to increasing productivity.

### **International Relations**

Cyta actively participates in the procedures and activities of the major international telecommunications organisations of which it is a member and is represented in various working groups and conferences organised by these bodies. It is thus in a position to monitor and implement technological and other developments in the telecommunications sector.

Cyprus is a member of the International Telecommunications Union (ITU), a United Nations body, and Cyta closely monitors its activities and implements all the recommendations of the ITU and its related sectors such as the Telecommunication Standardisation Sector, the Radiocommunication Sector and the Telecommunication Development Sector .

Our Organisation is a founder member of the European Telecommunications Network Operators' Association (ETNO) which coordinates its members'

activities regarding the promotion of services and the use of networks in Europe. Moreover, it determines a common policy for members on telecommunications issues and submits views and proposals to various European bodies, mainly in the European Union, and to other international organisations. Cyta personnel observe the Working Groups set up by ETNO members such as the Competition Group and the Data Protection Group.

Cyta is also a founder member of the European Telecommunication Information Society (ETIS) and of the European Telecommunications Standards Institute (ETSI) in which it has national administration membership and whose activities it monitors closely. It is also an active member of the Commonwealth Telecommunications Organisation (CTO).

In the context of its Research and Development activities, Cyta is a member of EURESCOM, an organisation which deals exclusively with research programmes in the telecommunications sector.

# Products and Customer Service



Petros, Michalis and another Michalis  
(Lefkosia - London)  
Three generations but no gap... because they keep in touch.



*The introduction of Broadband Telephony to Fixed Telephony broadened our customers' telephony experience. At the same time, the upgrading of the 3G network to Mobile Broadband gave Cytamobile-Vodafone customers access to the fastest Mobile Broadband network in Cyprus.*

*Cytanet continued to develop its network and upgraded all its DSL Access and NetRunner products, doubling download speeds and increasing upload speeds while maintaining or lowering prices. It also introduced new Internet connection products of up to 4Mbps for home customers and 8Mbps for businesses.*

*One of our Organisation's most innovative services is Cytavision, which has established itself as the most popular multi-channel pay TV platform in Cyprus. It improved both its market position and the product it offers with the addition of ten new channels, an upgraded Navigation Area and the chance for customers to make use of a second set-top box for the simultaneous viewing of two different channels on two television sets. The service's subscriber base increased by 20%.*

*In the context of harmonisation with the programmes of the European Civil Aviation Organisation EUROCONTROL, we continued to implement the LEFCO project which provides for the replacement of the existing Air Traffic Control Centre by a new generation state-of-the-art system that will contribute significantly to the upgrading of the operational capability of the Department of Civil Aviation.*

### **Fixed Telephony Services**

For our Organisation and for our customers, Fixed Telephony continued to be a basic service, providing top quality, reliable telecommunications solutions.

The vast majority of households and businesses in Cyprus continued to make use of basic Fixed Telephony services (analogue and ISDN) and of additional services and facilities. With the aim of satisfying the varied needs of our customers in 2008, we continued to offer six telecommunications packages for national calls (Classic 1 and 2, Home Package and three Business Packages) at especially attractive rates. For international telephony we continued to offer high-quality service at particularly low rates to every country in the world. Moreover, we continued to offer the especially popular "Friends and Family" scheme and to give volume discounts to customers with large monthly bills.

In 2008 we enriched Fixed Telephony with the extremely useful Call Completion to Busy Subscribers

facility by which when the number that a customer calls is busy, the call is returned as soon as the number is free, without the customer having to redial the number.

An important innovation in Fixed Telephony in 2008 was the introduction of Broadband Telephony with the aim of enhancing our customers' traditional telephony experience at a very attractive price. This new service can be used by many people within the same household and it enables each member of the family to have his/her own number. Broadband Telephony also enables voice and video calls and offers a range of useful facilities that can be managed over the web. Video calls are possible among customers using an IP videophone or a PC connected to a webcam and microphone headset.

### **Mobile Communications**

In summer 2008 we took another significant step in the development and provision of integrated electronic communications. In the framework of our commitment to respond to the needs of modern society, we upgraded the 3G network to Mobile Broadband (HSDPA), giving Cytamobile-Vodafone customers access to the fastest Mobile Broadband network in Cyprus.

Our main objective was to provide customers with the fastest, most reliable wireless network access on the market, either by computer via Vodafone Mobile Connect or by mobile phones supporting HSDPA technology in Cyprus and abroad.

During 2008, in the framework of Cyta's rebranding project, we also proceeded to renew the image of the Cytamobile-Vodafone brand. Under the new slogan "Make the most of now", which we support actively via reliable products and services, we are renewing and strengthening our relationship with all those who have shown confidence in us and choose us to live, enjoy, share and, indeed, make the most of now.

### **Cytamobile-Vodafone**

As we operate in this dynamic environment in a serious, responsible manner, aware of our responsibility to the Cypriot public, we are in a state of constant alert and development. As the leader in integrated electronic communications, we aim to help our customers to make better use of their time by giving them memorable experiences through the reliable, innovative, user-friendly services and solutions that we provide.



The basic parameters of our plan remain the same: to carry on upgrading our network, introducing new, advanced services, making constant improvements to existing services and customer assistance, and playing an active role in society.

In 2008, the number of International Roaming Agreements with foreign networks increased to 350 in 154 countries, enabling our customers to make even greater use of their mobile telephones while abroad through the constant addition of new destinations.

At the same time, International Roaming Agreements with foreign networks for direct calls by customers of the soeasy pay as you go service, rose to 96 in 59 countries. For other countries and networks with which we have agreements, customers can make calls by using the code \*111\*. Prepaid customers of 102 foreign networks in 56 countries may also make direct calls when visiting Cyprus.

We further expanded the services that our customers can access while abroad to include those enabling data transfer. Customers have easy access to the Internet and e-mail via their mobile phone and they can also use Vodafone Mobile Connect, Blackberry from Vodafone and Windows Mobile Email to keep in constant contact with their office and associates, benefitting from special rates for data transfer via selected Vodafone networks while abroad. By the end of 2008, the number of International Roaming Agreements for 3G/GPRS with foreign networks had risen to 166 in 77 countries. This facility is also offered to inbound roamers of 173 foreign networks in 78 countries when visiting Cyprus.

In the framework of our compliance with the European Regulation on International Roaming, on 30 August 2008 we introduced new regulated International Roaming charges for customers travelling within the European Union. The purpose of the European Regulation is to regulate wholesale and retail international roaming charges for all mobile telephony service providers in the countries of the EU and certain other countries whose rates are regulated by the EU. Cytamobile-Vodafone also successfully applies all the provisions of the Regulation on keeping its customers properly informed. Moreover, the new International Roaming rates are the same for customers of both the Pay Monthly and soeasy pay as you go services, as part of our simple, easy to understand charging policy.

By combining Vodafone's global knowledge and experience with our own, we are constantly enriching our portfolio of services, developing and providing important, tried and tested services which Vodafone offers in other countries. Today we can offer customers a complete portfolio of voice, content and data products and services designed to support their business ambitions and to improve their quality of life, through a combination of high quality and competitive pricing. During the year our portfolio was further enriched with new and upgraded services:

- **Business 300 & Business 600 Company Pay Monthly plans exclusively for companies and their personnel:**

The plans enable companies to exercise better management of their communications needs and to achieve more effective cost control.



With a fixed monthly subscription to one of Cytamobile-Vodafone's Company Pay Monthly plans, companies can connect five or more mobile phones and receive a significant amount of talk time and text messaging for each mobile phone participating in the plan at special prices. The Business 300 & Business 600 plans come with a connection charge and a monthly subscription.

- **soeasy pay as you go:**

In the context of our continuous effort to provide facilities that will improve the experience of soeasy pay as you go customers, we introduced four new soeasy top-up cards, with a face value of €5, €10, €20 and €35. They replaced the old top-up cards (£5, £10 and £20) as part of the transition to the euro.

At the same time, we gave soeasy pay as you go customers the opportunity to make calls to the audiotex services (900XXXXX and 909XXXXX).

- **Vodafone live!:**

We enriched the content and developed new services under the Vodafone live! umbrella. To this end, important new agreements were signed for the provision of sports, entertainment and informative content.

True to our commitment to respond to the communications needs of contemporary society, in summer 2008 we gave our customers access to the fastest Mobile Broadband network in Cyprus,

that of Cytamobile-Vodafone, with the main aim of satisfying their increased demands and expectations.

The upgrade of the 3G network to Mobile Broadband (HSDPA) gives our customers the fastest and most reliable wireless Internet access on the market:

- from a computer via the Vodafone Mobile Connect service
- from a mobile phone supporting HSDPA technology.

Our customers can enjoy faster Internet at Mobile Broadband speeds not only in areas covered by Cytamobile-Vodafone's 3G/HSDPA network but also while abroad in a significant number of countries via networks with which a 3G/GPRS International Roaming agreement is in place. Moreover, with the packages and plans that we offer, Internet access from a computer or mobile phone is more economical.

In the framework of Cyta's policy of frequently reviewing its rates and charges, we made significant reductions to charges for our services in Cyprus and abroad.

As an integral part of the society in which we operate, we engage in transparent cooperation with those around us. We are committed to continuous development and to the provision of the greatest possible value to those who place their confidence in us: our customers, our associates, our personnel and society as a whole. In 2008 we designed and implemented a dynamic, innovative and important plan which included:

- Advertising and information campaigns for products, services and promotions.
- A dynamic presence in key points of sale and in our Sales Network stores.
- Our participation in exhibitions and events and the optimisation of international and local sponsorships (UEFA Champions League, a concert by Sakis Rouvas, free concerts by Onirama, etc.)
- A range of activities concerning our Corporate Social Responsibility.

## Internet

Cytanet, the biggest Internet Service Provider in Cyprus, continued to flourish in 2008, thanks to the constant development of its network and the provision of improved services at more attractive rates to home and business customers. With the aim of providing integrated electronic communications solutions with quality, reliability



and professional service, as well as promoting greater use of the Internet and the services it provides, we completed the following projects:

- The upgrading of all DSL Access and NetRunner products by doubling download speeds and increasing upload speeds, thereby giving Cytanet customers faster speeds at the same or lower prices.
- Significant reductions to the rates for DSL Access and NetRunner broadband products for both home and business customers. At the same time, for three months Cytanet offered free installation of DSL Access Home products.
- The introduction of new Internet connection products with speeds up to 4Mbps for home customers and up to 8Mbps for businesses.
- The conformance of Cytanet with the Organisation's renewed corporate identity.
- The introduction of Live Streaming, a service that enables sports fans abroad to watch live and recorded Cyprus football matches and other sporting highlights online when these are transmitted by Cytavision. Moreover, a number of selected sporting events broadcast by Cytavision are also available for online viewing in Cyprus.
- The expansion of the Cytanet Wireless Zone's WiFi network with the installation of 28 new Hot Spots and the provision of specialist solutions for specific customer groups.
- The provision of special prices for students in Cyprus.

With the aim of constantly improving the quality and reliability of the network and of the services we provide, we further developed the Cytanet network with the installation of a large number of new STM-4 (622Mbps) connections for access to the global Internet, while establishing direct connections with Greek Internet Service Providers for faster access to Greek content. The total global Internet capacity of these connections is in excess of 5Gbps.

Additionally, as a further social contribution and with the aim of making the best and safest use of electronic communications in education, Cytanet continued to offer its Safe Internet service free to all primary schools in Cyprus to protect pupils from illegal and harmful online content. We also continued to organise free seminars on the use and potential of the Internet for primary, secondary and technical school pupils and for Parents' Associations and other organisations. From 2001 until the end of the 2007-2008 school year, visits were carried out to more than 330

schools and more than 35.500 pupils and teachers attended the presentations.

Through Cytanet presentations at various exhibitions and fairs in Cyprus, our customers had an opportunity to learn about the latest Internet developments and to benefit from various special offers.

During 2008, with the aim of extending broadband use to more areas so as to satisfy our customers' requirements, we proceeded to further expand our network to semi-urban and rural areas, exceeding 95% population coverage and significantly increasing our customer base.

At the same time, we continued to study the possibility of integrating DSL Access and NetRunner Internet access products in order to enhance the customer experience.

### **Cytavision Pay TV Platform**

Cytavision has an important place in our portfolio of services.

Cytavision offers digital video and audio transmission via a copper telephone line, a modem and a set-top box.

The service uses the DSL and IP Core networks, which have been developed to form the infrastructure for the provision of television services, fast Internet and interactive services through multimedia and other convergence services.

Cytavision is one of our Organisation's most innovative services. Cyta was one of the first telecommunications organisations in the world to introduce such a service. It offers television channels, video on demand, games on demand, TV mail and an information portal.

The platform has an interactive capacity which currently operates in the provision of content on demand (video, games, TV programmes). In the near future, this interactive feature will be further extended to give customers more services, greater choice and flexibility.

Cytavision has established itself as the most popular multi-channel pay TV platform in Cyprus. Customers have access to more than 40 thematic channels and all Cypriot national channels, they can connect to premium channels for sport, movies and adult



content and watch exclusive live transmissions of major sporting events. Also, via the movies on demand service, Cytavision customers have access to hundreds of movies from all the major Hollywood studios.

In 2008, Cytavision improved both its market position and the product it offers since:

- Its subscriber base increased by 20%.
- Ten new channels were added to the Basic Package, including our own Cytavision Nature.
- Customers were given the chance to make use of a second set-top box for the simultaneous viewing of two different channels on two television sets.
- The Navigation Area was upgraded to offer more to customers, including an enhanced electronic programme guide and the ability to watch time-shifted programmes from the Cypriot channels.

### **Global Products and Services**

The following Global Product and Service Portfolios serve the needs of both internal and external customers. External customers comprise for the most part national and international providers, associates and corporate clients.

### **Wholesale International Telephony Portfolio**

The portfolio includes products for termination of outgoing traffic to most fixed and mobile telephony networks worldwide, as well as termination of incoming traffic to all fixed and mobile telephony networks in Cyprus.

### **CytaWorld.Net Portfolio**

The CytaWorld.Net platform is based on the MPLS

protocol and has nodes in Lefkosia (Nicosia), Athens and London which are interconnected via an independent submarine cable ring and other international extensions. Via the CytaWorld.Net platform, total end-to-end solutions are provided, including international virtual private networks, international leased line circuit emulation and broadband Internet access.

### **Cable and Satellite Connections Portfolio**

The portfolio includes products for the resale of space segment capacity on various satellite systems, the provision of satellite links and associated co-location services, international television broadcasting and products for the provision, lease, interconnection or access of global cable capacity.

### **Private Leased Lines and Signalling Portfolio**

The portfolio contains products for the provision of international private leased circuits, global Frame Relay and Asynchronous Transfer Mode (ATM) connections, as well as common channel signalling transfer facilities.

### **Services Portfolio**

Specialised and personalised products add value and support to the broad range of international telecommunications products. Services include corporate customer support consultancy services, international telephone traffic statistics and predictions, national media restoration services, freephone services, consultancy services for the administration of submarine cable systems and international roaming facilities for GSM mobile telephony.

### **National Private Leased Lines**

In 2008, national private leased lines remained among the first choices of business customers for the transfer of data, offering a wide range of low and high speed services.

During 2008 the service continued to provide hundreds of businesses with reliable, secure and financially advantageous solutions for connecting their premises for image and data transfer.

The main characteristics of leased lines are their exclusive use on a 24-hour basis, a fixed monthly charge and their adaptability to the particular needs of any company through customised solutions.

In 2008 we proceeded to lower installation charges for channelised circuits and at the same time, to

create leased lines via channelised circuits. These products constitute an economical way of connecting central premises to those in other areas.

### **National Television Broadcasting**

Via the national television broadcasting service, TV stations are able to cover a variety of events with reception and transmission in Cyprus.

The service enables live broadcasts from a venue and the transmission of recorded highlights, by providing part or all of the telecommunications link with the TV station.

### **Hosting/Co-Location Service**

The hosting/co-location service enables third parties to house their equipment on Cyta's premises.

Where Cyta customers wish to install equipment in areas where they do not own buildings, Cyta is able to host their equipment on its premises, providing at the same time a broad range of telecommunications services.

### **Ethernet Services**

In autumn 2008 we enriched our Business Networking services with the introduction of Ethernet services for high-speed, cost effective solutions. The two new services (E-Line and EVPN) are aimed at business customers for telecommunications traffic transmission (voice, data and image) between two or more points of an enterprise.

The main advantages of the new services over other networking options are their high connection speeds of up to 1Gbps, their lower cost and easier installation. They offer alternative pricing models depending on the combination of three service quality levels (Gold, Silver and Bronze) for data transmission, according to each business customer's particular requirements. These new services are expected to gradually replace the traditional networking technologies such as leased circuits and the ATM and Frame Relay services.

E-Line and EVPN services have Cyta's new Ethernet/IP network as a common infrastructure. The main characteristics of the network, which was designed in accordance with international specifications and provides wide geographical coverage, are its reliability, security and the ease with which it can be extended and centrally managed. Monitoring by Cyta of all network equipment and the infrastructure

guarantees the most efficient operation of end-to-end security mechanisms and consequently, the reliability of the services provided.

### **Cardphones and Emergency Telephones**

Our Organisation's cardphones continue to enjoy widespread public use, mainly by tourists and foreign workers. At the end of 2008, a total of 2.145 cardphones were in operation (1.800 in public spaces and 345 in private spaces) for the best possible service to customers. Some 80 of the 1.800 cardphones have been especially adapted for use by people with impaired mobility.

In 2008, the Telecard Collectors Service continued to support collectors in Cyprus and abroad, by issuing special collector's cards and special informative literature and assisting them to obtain telecards/ phonecards from old and new series.

Cyta continued its successful operation of emergency call systems on highways on behalf of the Government. The network of 268 telephones covers all Cyprus' biggest main roads and highways.

### **Customer Service**

Cyta creates new situations and opportunities for greater development, enhanced prosperity and a better quality of life. Firmly focused on the customer, we are highly adaptable so as to provide the best possible service via updated systems and methods. Through regular market surveys and with the help of specialised systems such as Customer Relationship Management and Next Best Offer, we stay informed and develop an understanding of our customers' needs and expectations, with the main aim of continuously improving the top quality, personalised service that we provide.

Through our sales network we continue to offer personal service to customers, proposing the most suitable solutions according to their particular needs and budget. The upgrading of the Cytashop network continued in 2008 with the opening of the new Cytashop at Dherynia where, in a comfortable, modern space, customers have the opportunity to try out our services.

Our Corporate Customer Sales Network continues to support special and corporate customers as well as Small and Medium Enterprises with an upgraded personal service. Business clients receive expert advice and personal service from our telecommunications



consultants on issues of concern to them. We began the project to expand the sales network by having specialist consultants approach smaller enterprises and self-employed professionals by telephone. Our aim is to provide total solutions which arm them with autonomy and flexibility in their chosen sector. The Sales Network's aspiration continues to be that of establishing, reinforcing and maintaining mutually beneficial long-term relations with customers: "Close to business and next to the professional in order to touch the world together."

Via the Cyta Call Centre we offer high quality telephone assistance via the islandwide number 132. Customers can obtain information about our products, place orders, report possible faults in their services and receive technical support. Navigation of the Call Centre's service menu is via the advanced Interactive Voice Response (IVR) system by which customers can easily obtain the complete service they require. In an effort to improve service, in 2008 we increased the number of Call Centre assistants by 15% over the previous year.

The Directory Enquiries Service 11892, operating in a highly competitive environment, remains the leading service of its kind in Cyprus. Through simple and practical facilities it gives customers fast, reliable and inexpensive information relating to directory enquiries.

For technology buffs, we offer 24-hour service via our online portal [www.cyta.com.cy](http://www.cyta.com.cy). The portal provides easy and instant information on Cyta's products and

services, enables online ordering (of selected products) and purchases of telephones and accessories. Recently we also integrated the ebill service into the portal, enabling customers to obtain billing information and to settle their bills.

We continued to make our products and services available from a large number of stores on our Dealer Network. In 2008, two new chains of stores joined the network. We place special emphasis on enhancing the range of products offered through our Dealer Network, which includes subscriber and prepaid mobile telephony services such as Cytamobile-Vodafone, DSL Access and Cytavision, as well as the opportunity to switch from other mobile telephony service providers to Cyta and keep the same number. Through our associates we also offer top-up talk time for the soeasy pay as you go service and, for better customer service, we signed agreements in 2008 with two new associates especially for this.

Regarding the installation of services ordered via Cyta's various service channels, our experienced, trained staff visits customers at their premises, providing the necessary equipment and all possible assistance in order to familiarise them with the operation of the services that we provide.

With the aim of raising customer satisfaction and confidence in us, we encourage customers not to hesitate in making any complaint and we promise to respond with the best possible solution as quickly as possible.

With a new design and appearance, the 2008 printed versions of the Yellow Pages, the White Pages, the Business to Business Directory and the Cyprus Visitors' Guide were published.

All the directories are available online at [www.cytayellowpages.com.cy](http://www.cytayellowpages.com.cy). Featuring a user-friendly interface and with data refreshed daily, the upgraded directory website is a unique information search tool and, at the same time, an effective vehicle via which businesses and professionals can promote their products and services.

### **Wholesale Products**

During 2008 we continued to supply the alternative providers of telecommunications services with high quality wholesale products in a free market environment, in the context of the regulatory framework and in accordance with the regulatory

principles of transparency, non-discrimination and cost-orientation.

We managed contracts and offered wholesale products for:

- Interconnection
- Carrier Selection and Pre-selection
- Wholesale Line Rental
- Local Loop Unbundling
- Wholesale Broadband Access
- Wholesale Leased Lines
- Building Co-location
- Antenna System Co-location
- Ducting System Co-location
- Number Portability
- Access to the Cyprus Telephone Directory Database
- National Roaming

For the above agreements and wholesale products, we provide the necessary support to the alternative providers.

In 2008 we revised our reference offers and agreements for wholesale products. We also continued to develop support systems for the provision and management of wholesale products.

### **Facilities to Third Parties**

In 2008 we continued to provide services to the Departments of Civil Aviation, Merchant Shipping, and Meteorology.

### **Services to the Department of Civil Aviation**

Cyta provides technical support (the provision and maintenance of equipment) to the Department of Civil Aviation, which is responsible for the smooth, safe, effective and efficient management of air traffic within the Lefkosia (Nicosia) Flight Information Region (FIR).

The support provided serves the needs of the Department of Civil Aviation and is based on the international standards and recommendations of the International Civil Aviation Organisation (ICAO), and in compliance with the programmes of the European Civil Aviation Organisation EUROCONTROL.

The broad range of support services includes corrective and preventive maintenance to such a standard as to guarantee reliable and high quality communications between air traffic controllers and

aircraft, the monitoring of aircraft movements via radar facilities, the retransmission and exchange of aeronautical information and meteorological announcements. The equipment being maintained includes navigational aids such as VOR, DME and DF at Larnaka and Pafos airports.

In the context of harmonisation with the programmes of the European Civil Aviation Organisation EUROCONTROL, implementation of the LEFCO project continued with the installation of equipment in customised premises leased for the purpose. Acceptance testing is due to begin in the first half of 2009. The project foresees the replacement of the existing Air Traffic Control Centre by a state-of-the-art, new generation one which will contribute significantly to the upgrading of the operational capability and the quality of services provided by the Department of Civil Aviation.

Additionally, procedures continued on the replacement of the radar system at Kionia.

### **Services to the Department of Merchant Shipping**

Cyta continued to operate the Cyprus Radio Maritime Station, which serves seafarers and ships at sea.

The main mission of the station is to monitor safety and distress frequencies for ships travelling within the allocated region of the Republic of Cyprus. All relevant messages are transferred to the National Coordination Centre for Search and Rescue for operational handling. In addition, weather messages and other data are transmitted, covering seafarers' needs for communications of a social and/or other nature.

### **Services to the Meteorological Service**

We continued to provide telecommunications facilities to the Department of Meteorology, including technical support for the operation and maintenance of the Doppler-type meteorological radar system, which enables the study of meteorological phenomena over Cyprus and in the broader Eastern Mediterranean region.



Despina, Vasiliki, Antigone  
(Lemesos - Paris - Athens)  
Friends since kindergarten... because they keep in touch.



# Subsidiary Companies



### **Digimed Communications Ltd**

Digimed Communications Ltd was set up as a wholly-owned subsidiary of Cyta, with the aim of realising the strategy for the vertical and horizontal expansion of the Organisation's activities, thereby optimising output and operations. To this end, Digimed Communications Ltd creates suitable conditions and prerequisites for the expansion of Cyta's commercial activity in both local and foreign markets.

In 2008, in the framework of its mission, Digimed focused its efforts on the implementation of the project undertaken by the subsidiary Cyta Hellas for the development of a broadband infrastructure in provincial Greece, which is co-financed by the 3<sup>rd</sup> Community Support Framework and the Greek state.

The success of the project represents a substantial step in the realisation of Digimed's strategic aim - and by extension that of Cyta - of expanding the Organisation's activities abroad.

### **Cyta Hellas SA**

Cyta Hellas SA was established on 21 February 2007 by Cyta and its subsidiary Digimed Communications Ltd with the aim of implementing Cyta's strategy to expand its operations abroad. It is governed by a 10-member Board of Directors comprising all the members of the Board of the holding company and the Chief Executive Officer of Cyta as Managing Director.

In the context of our Organisation's expansion strategy, Cyta Hellas has undertaken the implementation of a project promoted and supported by the Greek Government which aims at the development and penetration of broadband services in provincial Greece.

The tender issued by Information Society SA, as the relevant authority of the Greek state, was awarded to Cyta in conjunction with its subsidiary Digimed Communications Ltd, to implement a project of broadband infrastructure and service development in the provinces of Grevena, Pella, Kastoria, Kozani, Florina, Imathia, Heraklion, Lassithi and the municipalities of Salamina, Aegina, Agkistri, Poros and Ampelakia, which have a total population of 946.419.

The subsidised budget for the development of broadband infrastructure and services in the above areas amounts to €32,8m, including the budget for stimulating the initial demand for such services. The maximum investment by the Greek government is some €16,4m and comes from the 3<sup>rd</sup> Community



Support Framework, which is managed by Information Society SA.

In 2008 planning was finalised and work began on the project, signalling the start of commercial operations by Cyta Hellas. Work continues on the construction of new generation private broadband network infrastructure, of which some 1.100km has been completed.

Investing in the potential of a privately-owned network, Cyta Hellas provides modern broadband-based products which respond to its customers' needs for Internet access and telephony services. The company's strategic objective is to expand gradually into new services, aiming at achieving a healthy increase in its customer base in the Greek electronic communications market.

Investment in the development of broadband infrastructure and services in provincial Greece is a business priority that is making a substantial contribution to the fulfilment of Cyta's strategic aim. At the same time it creates the right conditions for activity beyond the subsidised areas with the ultimate objective of a gradual expansion throughout Greece.

### **Cyta UK Ltd**

Cyta UK Ltd was established in the United Kingdom on 15 February 2000 and is 100% owned by Digimed Communications Ltd. Cyta UK Ltd was set up with the aim of realising the strategy of Cyta and the holding company for expanding their activities abroad and especially in countries with a significant Cypriot community. It is governed by a five-member Board of Directors comprising Cyta executives and members of the Board of the holding company.



The company has its own telecommunications node, based on the MPLS protocol and housed on the premises of Telecity Redbus Ltd in London. The node is part of Cyta's CytaWorld.Net international network and is maintained by Cyta's International Commercial Services, with technical support from Network Operation and Maintenance. The node is linked via a Cyta-owned submarine optical ring to similar telecommunications nodes in Lefkosia (Nicosia) and Athens owned by Cyta and CytaGlobal Hellas SA respectively.

Since November 2005, Cyta UK Ltd has provided fixed telephony services to the UK retail market based on the carrier-preselection model which enables customers to preselect it as their alternative carrier. Calls within the UK and to most international destinations are routed via a partner's network infrastructure whilst calls to Cyprus and Greece are routed via the company's London node and Cyta's international network. The target customer group is primarily the Greek-speaking community and those making a large number of calls to Cyprus and/or Greece.

With the aim of becoming a bridge of communication between expatriates and their home country, Cyta UK Ltd provides local and international telephony to fixed telephones in Cyprus, Greece and elsewhere at extremely competitive rates. The company offers very attractive rates for cyta.talk home products and cytabusiness specialised business products, and it is planning to expand into broadband services in the future, via which it will become a provider of high quality integrated electronic communications solutions at competitive prices.

In association with Cyta and CytaGlobal Hellas SA, Cyta UK also provides international virtual private network leased connections to providers and corporate customers in the United Kingdom and elsewhere. Furthermore, it is in a position to offer, in conjunction with Cyta, wholesale interconnection services for voice, signalling and Internet traffic. The company is also able to offer local loops and other local interconnections within the UK on a resale/leasing basis via its associates.

### **Cytacom Solutions Ltd**

2008 was another successful year for Cytacom Solutions Ltd. The company's progress was confirmed by a huge increase in turnover and improved financial indicators. This, combined with the development of the company's human resources and know-how, enabled it to bid for a greater number of tenders, to

broaden its cooperation with others and to become more flexible, with the aim of providing the best possible service to Cyta's customers and high quality integrated telecommunications and IT solutions.

In 2008 Cytacom Solutions Ltd expanded its activities into Greece through structured cabling, telephony, networking and IT projects. The expansion of its operations ensures the company's profitability and continuous improvements to the services provided to customers.

The year under review was marked by the completion of significant projects in all areas of activity and integrated solutions provision. There was an increase in the number of maintenance agreements with SMEs as well as in the renewal of important contracts with corporate customers requiring network support and IT equipment. The company was awarded the tender for the structured cabling of the new KPMG offices in Lefkosia (Nicosia) and undertook the structured cabling work for the refurbishment of the Cyta building at Lakatamia. It was awarded a Cyprus Ports Authority tender and carried out the complex, specialist project for the supply and installation of a wireless network and hand-held wireless computers. It successfully completed major projects using new technology, including the installation of telephone systems using VoIP technology in companies, organisations and local authority offices.

The company's certifications and specialisations continued in 2008. The honorary title of Cisco Premier Partner was renewed as was its status as an Advanced Wireless Specialised Partner. A range of networking projects was completed, the most important of which were the networking of 34 points for the Pancyprian Company of Bakers and 20 points for Tsokkos Hotels Ltd. Additionally, the involvement of Cytacom Solutions in networking projects with new Cyta services (Ethernet) confirmed the company's essential technical know-how in the provision of networking solutions using Cisco equipment as well as its dedication to monitoring technological developments.

In 2008, the company was inspected under ISO9001:2000 for which it was certified in 2003. The favourable comments and congratulations from the inspectors reflect the commitment of Cytacom Solutions to continuously enhance the quality of its services to customers. In 2008 the company began to prepare for its involvement in the field of managed solutions for customers and expects 2009 to be the

year in which it implements its plans for new services that will benefit the Organisation.

### **Cytaglobal Hellas SA**

Cytaglobal Hellas SA was established in Athens on 5 November 2003 as Cyta Hellas SA, a wholly-owned subsidiary of Digimed Communications Ltd. On 2 January 2007, following a decision taken at an extraordinary general meeting of the shareholders, the company was renamed CytaGlobal Hellas SA and the right of use to the brand name Cyta Hellas was assigned to another subsidiary which is active in the broadband services sector in Greece.

CytaGlobal Hellas SA is governed by a seven-member Board of Directors comprising Cyta executives and members of the Board of Directors of the holding company. It has its own telecommunications node, based on the MPLS protocol and housed on the premises of Mediterranean Nautilus Greece SA in Athens. The node is part of Cyta's CytaWorld.Net international network and is maintained by Cyta's International Commercial Services, with technical support from Network Operation and Maintenance. The node is linked via a Cyta-owned submarine optical ring to similar telecommunications nodes in Lefkosia (Nicosia) and London owned by Cyta and Cyta UK Ltd respectively.

CytaGlobal Hellas SA has the following General Licences for:

- Leased lines provision
- Bandwidth capacity leasing
- Data transmission
- Telemetry-telematic-radio location service provision
- Closed user groups network operation
- Internet access services provision
- Voice services provision via Internet

For the time being, the company operates in collaboration with Cyta and Cyta UK Ltd for the provision of international virtual leased interconnections to providers and corporate customers in Greece. The company is also able to offer local loops and other local interconnections within Greece on a resale/leasing basis via its associates. Moreover, in collaboration with Cyta, it is in a position to offer voice, signalling and Internet interconnection services.

### **Emporion Plaza Ltd**

Emporion Plaza Ltd offers quality and competitive e-commerce and electronic web-based Internet solutions.

The e-commerce solutions service involves the design, development and hosting of the e-shop, consulting services for the development and management of the catalogue of products for the e-shop, continuous technical and business support and e-shop management training. In 2008, [www.eplaza.com.cy](http://www.eplaza.com.cy) hosted a total of 22 e-stores.

In the sector of dedicated e-commerce networking solutions, Emporion Plaza developed the online application Cytanet Live Streaming for Cyta, enabling pay per view of live or recorded football and basketball games via an Internet portal. The service came into commercial operation in the last quarter of 2008 and work will continue throughout 2009 with the aim of continuously expanding the application's management and organisational potential.

The web solutions service includes end-to-end Internet portal design and development, including organisation, programming and graphic design, the development of content management tools, website hosting and the maintenance and upgrading of existing portals.

In 2008, Emporion Plaza Ltd enhanced its CMSquick content management tool with new functions. The CMSquick content management system was expanded with a package of new facilities such as News Bulletin, Events Calendar, Surveys, Currency Converter, Photo Gallery, Video Gallery, Scrolling Announcements and more. Significant projects in the company's portfolio include the Internet Portals of OPAP Cyprus, the Cyprus State Fairs Authority, the Cyprus Ports Authority's Intranet, the Short Sea Promotion Cent, Cyber Ethics and others.

Another important project was the redesign of Cyta's websites to bring them into line with the Organisation's new corporate identity. The redesigned sites include those of Cyta UK, Cytaglobal Hellas, Cytaglobal, Iris Sat, soeasy Top Up, BSFOCS, Directory Enquiries 11892, Yellow Pages, Cytamobile-Vodafone, Cytanet Live Streaming, Cytavision, In services, DSL Access (i-choice, i-choice portal), Cytashop (e-shop) and External Channel Management.

### **Iris Gateway Satellite Services Ltd**

Iris Gateway Satellite Services Ltd provides satellite turnaround of audio and video programmes between Europe, Asia and America from the Makarios Satellite Earth Station.

In addition to satellite connections, Iris Gateway Satellite Services Ltd also offers services via

submarine cable systems in collaboration with Cyta's International Commercial Services, providing integrated solutions to customers interested in distributing their services to various locations internationally via a combination of fibre optic cables and satellites.

During 2008, Iris Gateway Satellite Services Ltd continued to broaden its activities with the provision of occasional television transmissions on a large scale. At the same time, the company started to provide VSAT services in cooperation with Cyta's International Commercial Services.

### **Bestel Communications Ltd**

Bestel Communications Ltd was established in May 2001 as Bestelcomms and became active in September of the same year. The company is a joint venture between Cyta and the ZTE Corporation, one of the largest telecommunications equipment manufacturing corporations in China.

Bestel Communications' mission is to support the ZTE's internationalisation efforts and to provide integrated telecommunications solutions.



# Network



Penelope, Alexandra  
(Pafos - Johannesburg)  
Sisters who are never apart... because they keep in touch.



*In 2008, we successfully completed the upgrade to the IPTV platform for the Cytavision service and the introduction of a new Navigation Area with a plethora of new, innovative facilities such as Time Shifted TV and Caller ID.*

*We developed the infrastructure for Cytanet Live Streaming, via which live and recorded matches, mainly of Cyprus football, are transmitted abroad.*

*At the same time, we proceeded with significant upgrades to the mobile telephony networks, installing HSPA (High Speed Packet Access) technology on the 3G network for wireless broadband services such as Mobile Broadband. Population coverage of the GSM network reached 99% and geographical coverage 96% of the government-held areas of Cyprus.*

*We also extended and upgraded the broadband access network in both urban and rural areas with ADSL technology. In this way we can now provide more customers with access to fast Internet and interactive television.*

*Finally, through our participation in international submarine fibre optic cable systems, seven of which land at Cyta cable stations in Cyprus, and our access to the main satellite systems, we have strengthened our strategic and regulatory role in the broader region, making Cyprus a superb telecommunications hub in the Eastern Mediterranean.*

### **Central Telecommunications Network Management System**

In order to further improve network management processes and to maximise the savings that arise from activity concentration, Cyta has created a unified Operations Centre for all the Organisation's networks. This centre is temporarily based in the Lykavitos building until its new home in the Lakatamia building is ready.

### **Value Added Services**

In 2008, with the aim of expanding our range of high quality and reliable electronic communication services, we completed a number of important development projects.

Regarding Cytavision, we successfully completed the upgrade to the IPTV platform for the Cytavision service and the introduction of a new Navigation Area offering a plethora of new, innovative facilities such as Time Shifted TV and Caller ID.

Moreover, we signed a new agreement for the supply of set-top boxes with improved capabilities including High Definition (HD) TV transmission. At the same time the IPTV infrastructure was expanded to support the digital transmission of more channels, including HD channels.

During the year under review, we launched Cytanet Live Streaming, an Internet based service, via which live and recorded matches, mainly of the Cyprus football league, are webcasted, thus enabling Cypriots living or travelling abroad to "get closer".

With the aim of improving the availability and reliability of mobile telephony services and SMS in particular, we completed the installation of a new SMSC system with geographical backup for uninterrupted service. We also upgraded the MMSC system that is used for sending multimedia messages (MMS).

In 2008 we completed infrastructure work enabling the provision of Safe Internet to home customers of Cyta Hellas. At the same time, the infrastructure in Cyprus was expanded for the provision of safe Internet to SMEs. This public service enables Internet content filtering and the placing of restrictions on computer applications that can communicate on the Internet.

### **Transmission Network**

In 2008 we continued to develop the SDH and WDM networks so that the transmission network can respond to any network and customer requirements for high-capacity connections. For the first time, we installed high-capacity radio links (300Mbps) with a Gigabit Ethernet interface to connect equipment for the provision of broadband products in areas without fibre optic cables.

### **Core Networks**

We upgraded the core mobile telephony network to support High Speed Downlink Packet Access (HSDPA) data services at transmission speeds of up to 4Mbps and new services such as Anonymous Call Rejection.

In the framework of the provision of convergence services for fixed and mobile communications, we introduced technology for the provision of Broadband Telephony to customers. We completed work on the 2<sup>nd</sup> phase of the project with an upgrade to the IP Multimedia Subsystem (IMS) equipment and began

work on the provision of the IP Centrex service, which is aimed at business customers.

During the year under review, work began on transferring international telephony functionality to the softswitch network in order to provide high quality international communications. Furthermore, work was completed to connect the softswitch network to the networks of foreign telecommunications organisations via the Session Initiation Protocol (SIP) with the aim of distributing international telephone calls via IP.

We expanded Cyta's packet switched IP/MPLS, softswitch and IMS networks for the fast provision of quality Internet access services, carrier-preselection and broadband telephony services to customers of the subsidiary company Cyta Hellas in Greece.

At the same time, we continued to expand the core IP network to provide support for DSLAM/MSAN in new areas and for Ethernet business products.

The DSL Access and Cytanet network was upgraded to enable the doubling of speeds for the DSL Access Home/NetRunner Home and DSL Access Office/NetRunner Office services.

We signed agreements and completed additional connections with Internet Service Providers in Greece for the direct exchange of mutual Internet traffic with Cytanet with the aim of improving the quality of service by giving our customers faster access to Greek content.

## Access Network

### Radio Access Network

The development of the radio access network for mobile telephony continued at a slow pace during 2008 and with considerable difficulty due to regulatory lacunae regarding the siting of base stations and problems with securing agreements for new sites. As a result, the net increase in the number of base stations was restricted to 1,83%. Nonetheless, we went ahead with major upgrades to the mobile telephony network infrastructure with the aim of increasing capacity and optimising efficiency by introducing High Speed Packet Access (HSPA) technology to the 3G network in order to provide wireless broadband services, such as Mobile Broadband.

Population coverage of the GSM network exceeded 99% while geographical coverage reached 96% of the government-held areas of Cyprus.

The corresponding coverage for the 3G/HSPA network was 85% and 50% respectively.

In 2008 we again completed two rounds of electromagnetic field measurements at every Cyta base station in the context of fulfilling the conditions under which licenses were issued for the operation of mobile telephony networks. The results of the measurements were in par with those obtained in 2007, while the highest figures recorded in areas where mobile telephony equipment is installed did not exceed 2% of the maximum acceptable exposure levels determined by law.

At the same time, we continued to install new WiFi Hot Spots, the number of which increased from 48 (in 2007) to 88, and we signed agreements with Municipalities for the development of large-scale WiFi networks in specific areas in need of revival and where interest has been shown in this.

### Wired Access Network

In 2008 we continued to develop and upgrade the wired access network using Asynchronous Digital Subscriber Line (ADSL) technology.

Specifically, we continued work on:

1. a) The installation of outdoor MSANs in areas at some distance from a telephone exchange and closer to customers' premises, thereby enabling more customers to have access to broadband services such as fast Internet and interactive television.
- b) The installation of outdoor MSANs in a number of rural exchanges, thus providing residents of these areas with broadband access (DSL Access και Cytavision).
- c) Increasing coverage: today, 92% of telephone connections can receive Cytavision and 95% can have DSL Access.
2. The installation of additional outdoor MSANs in urban and rural telephone exchanges so as to respond to customer requirements.
3. The upgrading of MSAN software to support upgraded broadband services and the Frequency Management Plan.
4. The installation of the Access Network Frequency Plan and its connection to IT systems for the automatic activation of Broadband Telephony customers.

The Point-to-Multipoint project in the Archangelos area of Lefkosia (Nicosia) is operating smoothly with

a total of 150 customers and the prospect of increasing this number to 450.

For the Point-to-Point technology project, installation of the passive equipment has been completed.

At the same time we further developed our optical network so as to enable the connection of the isolated MSANs to the rest of the Cyta network.

By the end of 2008, we had completed 80% of the project to implement a cable pressurisation and monitoring system in rural areas. This system will lead to a drastic reduction in the number of faults and improvements to the electrical characteristics of the copper lines which, in turn, means reduced costs and improved network quality for the provision of telephone and broadband services.

### **Technology Intelligence**

The Technology Intelligence Management Department aims at the systematic monitoring of technological developments in the telecommunications sector and forwarding all relevant information to Cyta to ensure that strategic decisions on the adoption and introduction of new technologies are taken in the best possible circumstances.

To achieve this aim, we developed an online data gathering and assessment system by which around 60 of the most reliable information resources are monitored on a daily basis. From these, some 400 news items are automatically generated every day. These are assessed and a selection is made of those of interest to Cyta. The selected information is then classified according to its content and entered into the Competitive and Technology Intelligence System from where it is distributed to interested members of personnel.

### **Research and Development**

Since June 2008, Cyta has been an Associate Member of the European Office Cyprus for better access to information concerning European research programmes and projects.

In 2008, Cyta participated as a collaborating institution in the Cyprus Labour Institute in the framework of a Research Promotion Foundation research project on "Modernising semi-government organisations in Cyprus". Our Organisation was also an active participant in Europe's Safer Internet programme.

### **New Technologies**

New technologies and trends are monitored systematically and, wherever necessary, studies are carried out on these technologies and their potential for implementation by Cyta. Additionally, we identify existing networks and technologies approaching the end of their useful life and study the various options available for their subsequent transformation.

The result of these studies is network architecture planning. Planning is always carried out with the aim of maximising network capability and the adoption of new capabilities and technologies that will enable the introduction of innovative services that satisfy our customers' communications needs.

### **Telecommunications Fraud, Data and Network Security**

In accordance with our Vision and Mission, the security of our networks and products is integrally linked to quality and together they give our Organisation a competitive edge.

Cyta ensures that its personnel, customers and associates are regularly updated with information with the objective of raising awareness and vigilance concerning telecommunications fraud and information security.

### **Information and Network Security**

Our Organisation is active in matters of information security via the implementation of specific measures and processes such as regular security checks and hacking attempts, physical security/guarding and the monitoring of online access.

On issues of information security and the protection of personal data, we follow a holistic approach based on risk assessment methodologies and international standards. Over and above the ISO27001 certification process for selected services/networks, at a corporate level with the aim of ensuring the security of all our basic activities, an Information Security Management System (ISMS) has been set up with the appointment of information security liaisons in all departments of Cyta, an Executive Advisory Committee, etc. At the same time and in the context of the implementation of the ISMS, preparations have been completed on drawing up a Corporate Information Security Policy in accordance with ISO27001 and ISO27002 international standards. This policy constitutes the framework/foundation on which all the Organisation's information security efforts will be





based, at both departmental and corporate level. It aims at a high standard, holistic approach to issues of information security and wherever specific issues require greater detail, on the basis of the corporate policy, detailed/secondary information security policies and processes will be developed.

#### **Telecommunications Fraud Management**

We also take measures to prevent and stamp out telecommunications fraud, a phenomenon that is assuming increasingly worrying dimensions all over the world.

For the detection and investigation of instances of fraud against Cyta and its customers, a specialist team using dedicated technology works in conjunction with various services within and outside the Organisation.

#### **International Systems**

In 2008, a total of seven international submarine optical fibre cable systems landing in Cyprus were in operation:

- SEA-ME-WE 3 (Far East, Australia, Asia, Middle East, Europe)
- MED NAUTILUS/LEV (Italy, Israel, Greece)
- APHRODITE 2 (Greece)
- CIOS (Israel)
- CADMOS (Lebanon)
- UGARIT (Syria)
- MINERVA (Italy)

Cyta's international systems are completed by 20 satellite earth stations providing access to major satellite systems such as Intelsat, Eutelsat, Asiasat, SES Global, RSCC and Arabsat, which ensure global connectivity.

Through its participation in the above systems as well as in other international submarine cable systems, used as extensions to the cable systems landing in Cyprus, Cyta has consolidated its strategic and regulatory role in the broader region, establishing Cyprus as a superb telecommunications hub in the Eastern Mediterranean.

# Financial Report 2008





Stefanos, Antonia  
(seaman - teacher)  
In love forever... because they keep in touch.

## Summary of Results

Although 2008 was marked by the global financial crisis, for Cyta it was yet another particularly successful year with excellent financial results which reflect the robustness of the Organisation's operations. Operating revenue rose by €30,7 million or 6,8% while operating expenses increased by €13,1 million or 3,6% and as a result the operating surplus grew by €17,7 million or 18,7%. Earnings after tax, which are transferred to reserves, rose from €81,2 million to €103 million.

Earnings before interest, tax, depreciation and amortization (EBITDA) increased from €175 million to €189 million while the EBITDA margin remained at 39%.

## Financial Position

Cyta's financial position is considered to be excellent. The Organisation's capital base, in the form of reserves, stood at €884 million as at 31 December 2008. Cyta thus has the financial resources that are essential to the successful implementation of its business plan.

## Operating Revenue

In a highly regulated and competitive environment, operating revenue increased by €31 million or approximately 7%.

As a result of developments in electronic communications, fixed telephony revenue continued to decline and fell by 3%, mobile telephony revenue rose by 4% and revenue from other services (broadband and other) increased by 24%, thanks to Cyta's policy of reinforcing those activities which, according to its business plan, have the greatest potential for development and profitability.

## Operating Expenses

Operating expenses increased by €13,1 million. This was mainly due to a €7,3 million rise in personnel costs and a further €11,6 million rise in other expenses, while payments to telecommunications organisations fell by €5,8 million.

## Capital Expenditure

Additions to fixed assets amounted to €75,8 million compared to €83,5 million in 2007. Capital expenditure, which was wholly financed by Cyta's own funds, was at the same level as the depreciation charge of €75,9 million, representing 16% of operating revenue.

## Liquid Funds

Total liquid funds in the form of bank deposits and government bonds increased by €18 million. These funds will be used to finance Cyta's development plan and other investments.

## Reserves

Cyta's capital base in the form of reserves was reinforced by the surplus of €103 million, but reduced by a contribution to the government treasury of €76,9 million and by a loss of €0,5 million from the revaluation of investments.

## Loans and Other Long-Term Liabilities

Cyta's long-term liabilities to suppliers and financial organisations abroad remained at very low levels, and the total fell from €2,1 million in 2007 to €1,7 million in 2008.

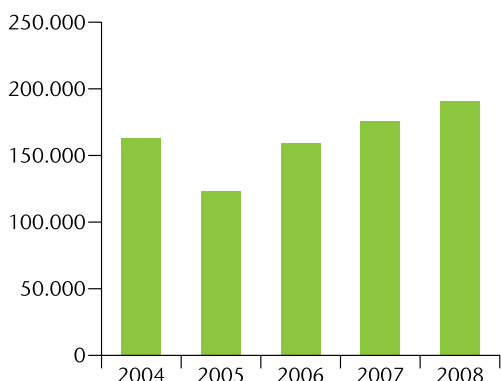
## Retirement Benefits

A new actuarial valuation of the Pension Scheme carried out on 31 December 2008 identified a deficit of €36,8 million. In accordance with a decision of the Board, the 2008 deficit is recognised and will be written off in equal amounts over a 20-year period while the remainder of the deficit from previous valuations will be written off over 20 years from the date of the valuation.

## Contractual Commitments

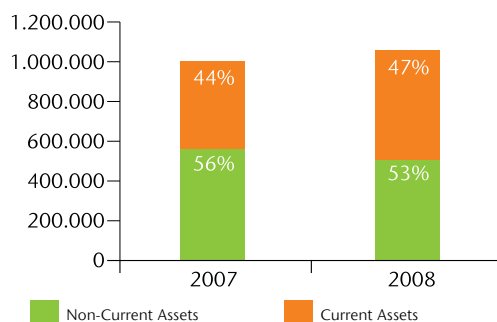
Contractual commitments amounted to €27,7 million (€30,1 million in 2007) and comprised €15,9 million for outstanding orders in foreign currency, €7,9 million for outstanding orders in Euros, and €3,9 million for buildings under construction.

### Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) (€'000)



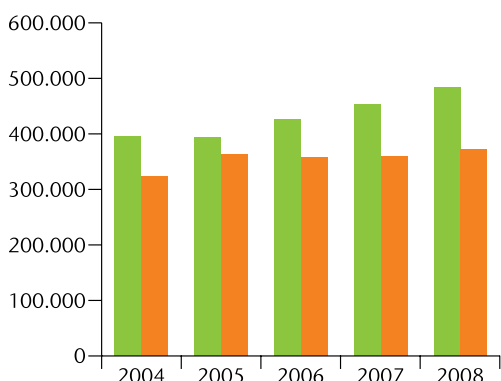
2004	2005	2006	2007	2008
162.729	123.546	158.669	175.149	189.515

### Total Assets (€'000)



	2007	2007	2008	2008
Non-Current Assets	555.444	56%	544.557	53%
Current Assets	436.440	44%	491.863	47%

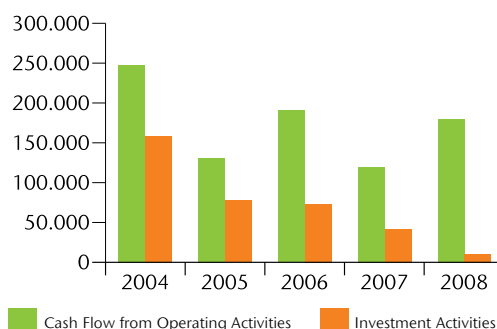
### Operating Revenue & Operating Expenses (€'000)



Operating Revenue (Green) Operating Expenses (Orange)

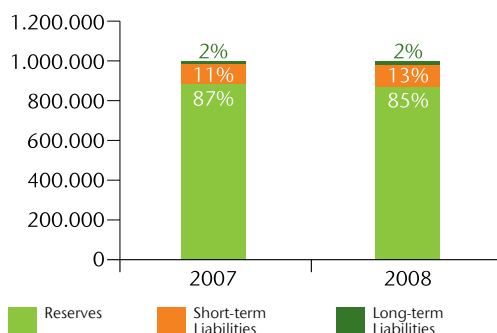
	2004	2005	2006	2007	2008
Operating Revenue	395.704	393.747	425.751	453.600	484.329
Operating Expenses	322.989	362.635	357.931	358.823	371.877

### Cash Flow from Operating and Investment Activities (€'000)



	2004	2005	2006	2007	2008
Cash Flow from Operations	248.086	130.609	190.656	119.735	179.757
Investments Activities	158.213	77.618	72.814	41.699	10.392

### Total Liabilities and Capital Expenditure (€'000)



	2007	2007	2008	2008
Reserves	858.833	87%	884.434	85%
Short-term Liabilities	112.128	11%	134.201	13%
Long-term Liabilities	20.923	2%	17.785	2%

### Five-Year Financial Summary

	2004 €m.	2005 €m.	2006 €m.	2007 €m.	2008 €m.
Operating Revenue	396	394	426	454	484
Operating Surplus	73	31	68	94	112
Total Assets	969	1.008	974	992	1.036
Total Liabilities	188	196	196	133	152
Reserves	781	812	777	859	884
Cash Flow From Operating Activities	248	131	191	120	180
Capital Expenditure	(158)	(78)	(73)	(42)	(10)

# **Auditors' Report & Financial Statements**



# Independent Auditors' Report to Cyprus Telecommunications Authority

## **Report on the Financial Statements**

We have audited the financial statements of Cyprus Telecommunications Authority (Cyta) on pages 64 to 95, which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. This report is made solely to Cyta's Board, as a body, to the Minister of Finance, to the House of Representatives and to the Auditor General in accordance with the Telecommunications Services Law, Cap. 302 and with the Public Corporate Bodies (Audited Accounts) Law of 1983 until 2008.

## **Board's Responsibility for the Financial Statements**

Cyta's Board is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (EU) and the requirements of the Telecommunications Services Law, Cap. 302. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. These Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Cyprus Telecommunications Authority as of 31 December 2008 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and the requirements of the Telecommunications Services Law, Cap. 302 and the Public Corporate Bodies (Audited Accounts) Law of 1983 until 2008.

## **Other Matter**

This report, including the opinion, has been prepared for and only for the Cyta's Board, as a body, the Minister of Finance, the House of Representatives and the Auditor General in accordance with the Telecommunications Services Law, Cap. 302 and with the Public Corporate Bodies (Audited Accounts)



Law of 1983 until 2008, and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

**KPMG**

Chartered Accountants

*Lefkosia, 25 May, 2009*

## Report of the Auditor General of the Republic to Cyprus Telecommunications Authority

I have examined the foregoing report on the financial statements of the Cyprus Telecommunications Authority on pages 64 to 95 for the year ended 31 December 2008 submitted by the appointed auditor in accordance with section 3(1) of the Public Corporate Bodies (Audited Accounts) Law and I am satisfied that this is appropriate.

**Chrystalla Giorgatzi**

Auditor General of the Republic

*Lefkosia, 25 May, 2009*

## Income Statement

For the year ended 31 December 2008

	Note	2008 € '000	2007 € '000
Operating revenue	4	484.329	453.599
Operating expenses	5	<u>(371.877)</u>	<u>(358.823)</u>
<b>Gross profit</b>		112.452	94.776
Other income	6	<u>1.975</u>	<u>2.185</u>
<b>Operating profit before finance income and expenses</b>	8	<u>114.427</u>	<u>96.961</u>
Penalties (imposed)/cancelled	24	<u>3.960</u>	<u>-</u>
Finance income		20.536	14.843
Finance expenses		<u>(1.040)</u>	<u>(352)</u>
<b>Net finance income</b>	9	<u>19.496</u>	<u>14.491</u>
<b>Profit before tax</b>		137.883	111.452
Tax	10	<u>(34.919)</u>	<u>(30.208)</u>
<b>Profit for the year</b>		<u>102.964</u>	<u>81.244</u>

The notes on pages 68 to 95 are an integral part of these financial statements.

## Balance Sheet

As at 31 December 2008

	Note	€ '000 2008	€ '000 2007
<b>Assets</b>			
Property, plant and equipment	11	<b>377.581</b>	396.193
Intangible assets	12	<b>39.117</b>	31.594
Investments in subsidiaries	13	<b>55.049</b>	55.049
Investments in associated undertakings	14	<b>1.480</b>	1.480
Held to maturity investments	16	<b>68.975</b>	69.318
Trade and other receivables	17	<b>2.355</b>	1.810
<b>Total non current assets</b>		<b><u>544.557</u></b>	<u>555.444</u>
Inventories		<b>4.949</b>	5.068
Trade and other receivables	17	<b>136.150</b>	100.604
Available for sale financial assets	15	<b>1.404</b>	1.867
Held to maturity investments	16	-	33.589
Refundable tax	22	<b>26.124</b>	24.332
Cash at bank and in hand		<b>323.236</b>	270.980
<b>Total current assets</b>		<b><u>491.863</u></b>	<u>436.440</u>
<b>Total assets</b>		<b><u>1.036.420</u></b>	<u>991.884</u>
<b>Equity</b>			
Other reserves	18	<b>1.253</b>	1.716
Retained earnings		<b>883.181</b>	857.117
<b>Total equity attributable to shareholders of the Company</b>		<b><u>884.434</u></b>	<u>858.833</u>
<b>Liabilities</b>			
Long term loans	19	<b>1.736</b>	2.074
Deferred tax liabilities	20	<b>16.049</b>	18.849
<b>Total non current liabilities</b>		<b><u>17.785</u></b>	<u>20.923</u>
Short term portion of long term loans	19	<b>348</b>	349
Trade and other payables	21	<b>133.853</b>	111.779
<b>Total current liabilities</b>		<b><u>134.201</u></b>	<u>112.128</u>
<b>Total liabilities</b>		<b><u>151.986</u></b>	<u>133.051</u>
<b>Total equity and liabilities</b>		<b><u>1.036.420</u></b>	<u>991.884</u>

The financial statements were approved by the Board on 25 May, 2009.



St. Kremmos  
Chairman



Ph. Savvides  
Chief Executive Officer



G. Koufaris  
Dep. Chief Executive Officer

The notes on pages 68 to 95 are an integral part of these financial statements.

## Statement of Changes in Equity

For the year ended 31 December 2008

	Other reserves € '000	Retained earnings € '000	Total € '000
<b>Balance at 1 January 2007</b>	1.448	775.873	777.321
Fair value gains	268	-	268
Profit for the year	<u>-</u>	<u>81.244</u>	<u>81.244</u>
Balance at 31 December 2007	<u>1.716</u>	<u>857.117</u>	<u>858.833</u>
<b>Balance at 1 January 2008</b>	1.716	857.117	858.833
Fair value losses	(463)	-	(463)
Profit for the year	-	102.964	102.964
Contribution to the Republic of Cyprus	<u>-</u>	<u>(76.900)</u>	<u>(76.900)</u>
Balance at 31 December 2008	<u>1.253</u>	<u>883.181</u>	<u>884.434</u>

The notes on pages 68 to 95 are an integral part of these financial statements.

## Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 € '000	2007 € '000
<b>Cash flows from operating activities</b>			
Profit for the year		102.964	81.244
Adjustments for:			
Depreciation of property, plant and equipment	11	58.889	63.681
Amortisation of intangible fixed assets	12	17.009	14.680
Loss/(profit) from the sale of property, plant and equipment		96	(297)
Income from investments	6	(45)	(44)
Interest income	9	(20.536)	(14.743)
Interest expense	9	359	352
Income tax expense	10	<u>34.919</u>	<u>30.208</u>
<i>Cash flows from operations before working capital changes</i>		193.655	175.081
Decrease in inventories		119	1.092
(Increase)/decrease in trade and other receivables		(36.091)	6.250
Increase/(decrease) in trade and other payables		<u>22.074</u>	<u>(62.688)</u>
<b>Cash flows from operations</b>		179.757	119.735
Tax paid		<u>(39.511)</u>	<u>(37.203)</u>
<b>Net cash from operating activities</b>		<u>140.246</u>	<u>82.532</u>
<b>Cash flows from investing activities</b>			
Payment for purchase of intangible assets	12	(23.998)	(8.205)
Payment for purchase of property, plant and equipment	11	(51.838)	(75.341)
Payment for purchase of investments in associated undertakings	14	-	(1.480)
Payment for purchase of investments held to maturity	16	-	(22.069)
Proceeds from disposal of property, plant and equipment		10.931	6.082
Proceeds from sale of investments held to maturity		33.932	44.524
Interest received		20.536	14.743
Income from investments		<u>45</u>	<u>44</u>
<b>Net cash used in investing activities</b>		<u>(10.392)</u>	<u>(41.702)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(339)	(314)
Interest paid		(359)	(352)
Contribution to the Republic of Cyprus		<u>(76.900)</u>	<u>-</u>
<b>Net cash used in financing activities</b>		<u>(77.598)</u>	<u>(666)</u>
<b>Net increase in cash and cash equivalents</b>		52.256	40.164
Cash and cash equivalents at the beginning of the year		<u>270.980</u>	<u>230.816</u>
<b>Cash and cash equivalents at end of the year</b>		<u><u>323.236</u></u>	<u><u>270.980</u></u>

The notes on pages 68 to 95 are an integral part of these financial statements.

# Notes to the Financial Statements

For the year ended 31 December 2008

## I. Incorporation and Principal Activities

Cyprus Telecommunications Authority (Cyta) is a Semi Governmental Organisation established by Law 67 of 1954 (Cap. 302), as amended by Laws 20/1960, 34/1962, 25/1963, 54/1977, 98/1988, 21/1989, 39(I)/1995, 20(I)/1998, 159(I)/2000, 149(I)/2001, 13(I)/2002, 7(I)/2004, 164(I)/2004, 51(I)/2006 and 117(I)/2006.

The principal activity of Cyta, which is unchanged from last year, is the provision of electronic communication services.

## 2. Basis of Preparation

### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

### (b) Basis of measurement

The financial statements have been prepared under the historical cost convention, except in the case of land, buildings and equipment, leases, and investments, which are shown at their fair value.

### (c) Adoption of new and revised International Financial Reporting Standards

As from 1 January 2008, Cyta adopted all the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), which became effective and are applicable for accounting periods beginning 1 January 2008 and also were endorsed by the European Union (EU) and are relevant to its operations. The adoption of these Standards did not have a material effect on Cyta's financial statements.

All IFRSs issued by the International Standards Board (IASB) which are effective for the year ended 31 December 2008, have been adopted by the EU (through the endorsement procedure established by the European Commission), with the exception of IFRIC 12: "Service Concession Arrangements" and certain provisions of IAS 39: "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The following Standards, Amendments to Standards and Interpretations had been issued but are not yet effective for the year ended 31 December 2008:

#### (i) Standards and Interpretations adopted by the EU

- Improvements to IFRSs – 2008 (effective for annual periods beginning on or after 1 January 2009).
- IFRS 1: "First Time Adoption of International Financial Reporting Standards" and IAS 27: "Consolidated and Separate Financial Statements" (Amendment): "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate" (effective for annual periods beginning on or after 1 July 2009). The application of the standard is not expected to have an impact on the financial statements of Cyta.
- IFRS 2 (Amendment): "Share Based Payment - Vesting Conditions and Cancellations" (effective for annual periods beginning on or after 1 January 2009). The application of the standard is not expected to have an impact on the financial statements of Cyta.
- IFRS 8: "Operating Segments" (effective for annual periods beginning on or after 1 January 2009). The application of the standard is not expected to have an impact on the financial statements of Cyta.

- IAS 1 (Revised): "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009). The application of the standard is not expected to have an impact on the financial statements of Cyta.
- IAS 23 (Revised): "Borrowing Costs" (effective for annual periods beginning on or after 1 January 2009). The application of the standard is not expected to have an impact on the financial statements of Cyta.
- IAS 32: "Financial Instruments: Presentation" and IAS 1: "Presentation of Financial Statements" (Amendment): "Puttable financial instruments and obligations arising on liquidation" (effective for annual periods beginning on or after 1 January 2009). The application of the standard is not expected to have an impact on the financial statements of Cyta.
- IFRIC 13: "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008). The application of the interpretation is not expected to have an impact on the financial statements of Cyta.

(ii) Standards and Interpretations not adopted by the EU

- IFRS 1 (Revised): "First Time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2009). The application of the standard is not expected to have an impact on the financial statements of Cyta.
- IFRS 3 (Revised): "Business Combinations" (effective for annual periods beginning on or after 1 July 2009). The application of the standard is not expected to have an impact on the financial statements of Cyta.
- IAS 27 (Revised): "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009). The application of the standard is not expected to have an impact on the financial statements of Cyta.
- IAS 39: "Financial Instruments: Recognition and Measurement" (Amendment): "Eligible Hedged Items" (effective for annual periods beginning on or after 1 July 2009). The application of the standard is not expected to have an impact on the financial statements of Cyta.
- IAS 39 (Amendment): "Financial Instruments: Recognition and Measurement": "Reclassification of Financial Assets: Effective date and Transition" (effective as from 1 July 2008). The application of the standard is not expected to have an impact on the financial statements of Cyta.
- IFRIC 15: "Agreements for the construction of real estate" (effective for annual periods on or after 1 January 2009). The application of the interpretation is not expected to have an impact on the financial statements of Cyta.
- IFRIC 16: "Hedges of a net investment in a foreign operation" (effective for annual periods on or after 1 October 2008). The application of the interpretation is not expected to have an impact on the financial statements of Cyta.
- IFRIC 17: "Distributions of Non cash Assets to Owners" (effective for annual periods on or after 1 July 2009). The application of the interpretation is not expected to have an impact on the financial statements of Cyta.
- IFRIC 18: "Transfers of Assets from Customers" (effective as from 1 July 2009). The application of the interpretation is not expected to have an impact on the financial statements of Cyta.

The Board expects that the adoption of these standards or interpretations in future periods will not have a material effect on the financial statements of Cyta except from the application of IAS 1 (Revised): "Presentation of Financial Statements" which is expected to have a significant impact on the presentation of the financial statements.

#### **(d) Use of estimates and judgements**

The preparation of financial statements in accordance with IFRSs requires from Management the exercise of judgment, to make estimates and assumptions that influence the application of accounting principles and the related amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are revised on a continuous basis. Revisions in accounting estimates are recognised in the period during which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below:

- Provision for bad and doubtful debts

CYTA reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through the income statement. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- Provision for obsolete and slow moving inventory

Cyta reviews its inventory records for evidence regarding the saleability of inventory and its net realisable value on disposal. The provision for obsolete and slow moving inventory is based on management's past experience, taking into consideration the value of inventory as well as the movement and the level of stock of each category of inventory.

The amount of provision is recognized in the income statement. The review of the net realisable value of the inventory is continuous and the methodology and assumptions used for estimating the provision for obsolete and slow moving inventory are reviewed regularly and adjusted accordingly.

- Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Cyta recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Impairment of available for sale financial assets other than temporarily impaired

This determination requires significant judgement. Cyta follows the guidance of IAS 39 in determining when an investment is making this judgement, Cyta evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near term business outlook for the investee, including factors such as industry and sector



performance, changes in technology and operational and financing cash flow.

- Impairment of intangible assets

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, Cyta estimates the recoverable amount of the cash generating unit in which the asset belongs to.

- Valuation of non listed investments

Cyta uses various valuation methods to value non listed investments. These methods are based on assumptions made by the Board which are based on market information at the balance sheet date.

- Impairment of Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units of Cyta on which the goodwill has been allocated. The value in use calculation requires Cyta to estimate the future cash flows expected to arise from the cash generating units using a suitable discount rate in order to calculate present value.

#### **(e) Functional and presentation currency**

The financial statements are presented in Euro (€'000) which is the functional currency of Cyta.

### **3. Significant Accounting Policies**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented in these financial statements unless otherwise stated.

#### **Subsidiary companies**

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

#### **Associates**

Associates are those entities in which the Company has significant influence, but no control over the financial and operating policies. Investments in associates are initially recognised at cost and are accounted for by the equity method. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **Revenue recognition**

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, rebates and discounts. Revenues earned by Cyta are recognised on the following bases:

- Operating revenue

Operating revenue includes revenue from fixed telephony, mobile telephony and other services.

Revenue generated from calls is recognised in the income statement in the period in which the calls are made from and to Cyta's network.

Annual rental income is recognised according to the time period that it covers.

Receipts from sales are recognised according to the time of sale.

- Dividend income

Dividend income is recognised when the right to receive payment is established.

#### **Permanent employee retirement benefit scheme**

Cyta operates a defined benefit scheme for its permanent employees. A lump sum amount is specified and is payable at the termination of employees' services based on such factors as the length of the employees' services, their age and salary as well as the investment return.

The cost of the defined benefit scheme is charged in the income statement over the period of the expected service lives of the employees and is estimated annually by independent actuaries, using the projected unit method, in order to create sufficient reserves.

Any surpluses or deficits that may arise from the difference between the expected and actual performance of actuarial assumptions are written off against revenue over a period of 20 years, from 2008 onwards, as opposed to previous years in which write off was over a period of 5 years.

The latest actuarial valuation was conducted on 31 December 2008, assuming annual average salary and pension increases of 3,5% and return on investment of 5,75%.

	31 December 2008	31 December 2007
	% p.a.	% p.a.
Discount Rate	5,75%	5,25%
Inflation	2,00%	2,00%
Expected return on investments	5,75%	5,25%
Pension increases	3,50%	3,50%
General salary increases	3,50%	3,50%

#### **Retirement Benefit Scheme of hourly paid employees**

Cyta contributes to the Retirement Benefit Scheme of hourly paid employees of Cyta for every hourly paid employee that has completed 18 years of life and has 18 months of consecutive employment as par time or/and permanent hourly paid employee. Employees's contribution is at 5% of their monthly salaries and employer's contribution is at 5%. Employer's contribution is charged in the profit and loss of the reporting period.

#### **Finance income**

Finance income includes interest income which is recognised based on an accrual basis.

#### **Financing expenses**

All borrowing costs are recognised in income statement in the period in which they are incurred.

#### **Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro using the rate of exchange ruling at the balance sheet date. The exchange differences that arise are transferred to the income statement, and are presented separately when considered material, except for exchange differences that arise from the exchange rate movement between foreign currencies and the Euro related to foreign currency loans made for the purpose of hedging the exchange risk in connection with revenues received in the same currency.

These exchange differences are recognised in accordance with IAS No. 39 "Financial Instruments: Recognition and Measurement" with the portion of exchange difference related to the effective hedging of foreign currency exchange risk being transferred to a special reserve, and the portion of exchange difference in relation to the ineffective hedging of foreign currency exchange risk being recognised in the income statement. The balance of the special reserve is adjusted in accordance with the foreign currency loan balances and the rates of exchange at the end of each year.

#### **Tax**

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that apply to Semi Governmental Organisations in Cyprus and have been enacted, or substantively enacted, by the balance sheet date. Current tax includes any adjustments to tax payable in respect of previous periods.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

#### **Property, plant and equipment**

Property, plant and equipment are measured at historic cost less accumulated depreciation and impairment losses.

- (a) The cost comprises of the purchase price and any directly attributable costs incurred in bringing the asset to working condition for its intended use.

Self constructed assets are valued individually and include material cost, direct labour and other appropriate costs.

Borrowing costs relating to the acquisition of property, plant and equipment are written off in the year that they are incurred.

Expenditure on repairs and renewals is written off in the year it is incurred.

- (b) Depreciation on leased property is calculated by equal annual instalments over the period of the lease with a maximum of 33 years.
- (c) Depreciation on prefabricated buildings, which are set on private or leased land, is calculated based on the period of their usage, which is 5 years.

For the remaining fixed assets, depreciation is charged by Cyta to write off the cost less the estimated residual value of the assets by equal annual instalments over their estimated useful lives as follows:

	Years
Freehold buildings	20 - 50
Buildings on leasehold land	3 - 33
Prefabricated buildings	5
Fixed line telephone service equipment	5 - 15
Transmission equipment	5 - 10
Line network	7 - 30
Mobile telephone service network	3 - 10
Security and fire alarm systems	6 - 10
Satellite earth stations	7 - 15
Submarine cables	15
Motor vehicles	7
Office furniture and equipment	8
Terminal equipment and tools	3 - 10
Computer peripherals	3
Mainframe computer and information systems	5
Electromechanical equipment	10
Bundled electronic communication services equipment	5 - 8

No depreciation is provided on land.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the income statement of the year in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to Cyta. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement.

A full year's depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal.

#### **Deferred income from government grants**

Government grants for capital expenditure are presented in the balance sheet and are recognised when they are received. They are amortised on a systematic basis using the straight line method over the expected useful life of the respective assets. Government grants that relate to expenses are recognised in the income statement as revenue when they are received.

#### **Mobile Telephony Licence**

Costs that are directly associated with mobile telephony licences that are controlled by Cyta and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently they are carried at cost less any accumulated amortisation and impairment losses.

The expected useful economic life of the mobile telephony licence is 20 years.

**Computer software**

Costs that are directly associated with identifiable and unique computer software products controlled by the Company and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmes are recognised as an expense when incurred. Computer software costs are amortised using the straight line method over their useful lives, not exceeding a period of five years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

The expected useful economic life of computer software ranges from 3 to 5 years.

**Financial instruments**

Financial assets and financial liabilities are recognised when Cyta becomes a party to the contractual provisions of the instrument.

**(i) Trade receivables**

Trade receivables are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Amounts receivable in more than one year from the balance sheet date are classified as non current assets.

Bad debts are written off and a specific provision is made for receivables considered to be doubtful.

**(ii) Investments**

Cyta classifies its investments in equity and debt securities in the following categories: financial assets at fair value through profit or loss, held-to-maturity investments and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates this designation at every balance sheet date.

- *Financial assets at fair value through profit or loss*

*Securities at fair value through profit and loss account consist of two categories:*

*Securities held for trading:* These are securities acquired either with the intention of generating profit from short-term fluctuations or included in a portfolio in which a pattern of short-term profit generating exists. Fair value is considered to be the closing bid price at the balance sheet date. Any unrealised gains and losses arising are recognised in the income statement.

*Securities that Cyta designated at fair value through the income statement:* This category includes financial assets and financial liabilities managed together and their performance is evaluated on a fair value basis.

These securities are initially recognised at cost and subsequently re-measured at fair value. Once a financial instrument is classified at fair value through profit and loss account category, it cannot be reclassified out of this category while it is held.

- *Held to maturity investments*

Securities held to maturity are securities with fixed maturity dates for which Cyta has both the intention and the ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective yield method, less any provisions for impairment.

On disposal of such securities, the remaining balance is reclassified to the 'Available for sale' category during the current year and for the next two following accounting periods are stated at fair value. The appropriate classification of investments under the above categories is made at the time of acquisition.

On disposal of an investment, the difference between the net proceeds and the carrying amount stated in the accounts is transferred to the income statement together with any remaining related balance in the revaluation reserves.

- *Available for sale financial assets*

Securities available for sale are securities intended to be held for an undetermined period of time but may be sold in response to needs for liquidity or fluctuations in interest rates, exchange rates or security prices.

These investments are initially recognised at cost and subsequently re measured at fair value. The fair value of the quoted securities is considered the closing bid price at the balance sheet date. The fair value of unquoted securities is estimated using specialised methods adjusted to reflect the individual characteristics of the specific issuer. In cases where cost approximates the fair value then the cost is considered to be the fair value. Unrealised gains or losses arising from changes in the fair value of securities classified as available for sale are recognised in the revaluation reserves.

(iii) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

(iv) Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(v) Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**Inventories**

Inventories are stated at the lower of cost and net realisable value.

The principal methods for determining cost are as follows:

- (i) Additions are valued at weighted average cost, which includes purchase cost and other attributable expenses.
- (ii) Recoveries of equipment are valued at original cost less accumulated depreciation.

Net realisable value is the estimated selling price in the ordinary course of business, less the costs to completion and selling expenses.

Items of capital nature are capitalised as property, plant and equipment.

#### Non current liabilities

Non current liabilities represent amounts that are due in more than twelve months from the balance sheet date.

#### Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### 4. Operative Revenue

	2008 € '000	2007 € '000
Fixed Telephony	122.942	126.317
Mobile Telephony	226.921	219.108
Other Services	<u>134.466</u>	<u>108.174</u>
	<u>484.329</u>	<u>453.599</u>

### 5. Operating Expenses

	2008 € '000	2007 € '000
Maintenance costs	27.285	26.225
Leased circuits rentals	2.624	2.671
Outpayments to telecommunication organisations	56.816	62.579
Staff costs	113.306	106.647
Contributions to pension scheme	19.490	18.841
Gratuities	1.344	2.117
Other expenses	79.824	64.432
Provision for doubtful debts	1.176	674
Provision for obsolete materials	706	1.153
Loss on disposal of property, plant and equipment	96	-
Pension fund deficiencies (Note 7)	2.821	6.793
Amortisation of intangible fixed assets	17.010	14.994
Depreciation	<u>58.890</u>	<u>63.366</u>
	381.388	370.492
Less: Costs that are capitalised or repayable by third parties	(9.511)	(11.669)
	<u>371.877</u>	<u>358.823</u>

## 6. Other Income

	2008	2007
	€ '000	€ '000
Sundry operating income	1.891	1.834
Gain from sale of property, plant and equipment	-	297
Income from investments	45	44
Government grants	39	10
	<u>1.975</u>	<u>2.185</u>

## 7. Pension Schemes

### (i) Superannuation Fund and Pension Scheme

	2008	2007
	€ '000	€ '000
Superannuation Fund deficiency	148	57
Pension Scheme deficiency	<u>2.673</u>	<u>6.736</u>
Charge for the year	<u>2.821</u>	<u>6.793</u>

Cyta's total liability for retirement benefits is as follows:

	2008	2007
	€ '000	€ '000
Short term	<u>36.800</u>	<u>4.101</u>

Cyta operates two separate staff retirement benefit schemes, the Superannuation fund and the Pension scheme for permanent employees.

#### Superannuation Fund:

The Fund was set up in order to provide pensions to monthly employees and for this reason contributions were made by both Cyta and the employees. The Fund, which had no active members as at 31 December 2008, operates independently of the finances of Cyta. According to the regulations of the Fund, Cyta is liable to contribute to the Fund for any deficits that might arise from periodic actuarial valuations. The last actuarial valuation which took place on 31 December 2001 by a professional actuary, showed an additional deficit of €738.502, and was written off in the income statement equally in the years 2001 and 2002.

Cyta is also liable to pay annual amounts, according to actuarial valuations, in order to finance the increases in pensions, after retirement. During 2008, the amount of €148.135 was paid.

#### Pension Scheme:

The Scheme offers retirement benefits to monthly employees and their dependants. The Scheme operates independently of the finances of Cyta. According to the regulations of the Scheme, Cyta is liable to make contributions to the Scheme which is determined by periodic actuarial valuations. The contributions represent a percentage of the pensionable salary of employees - members of the Scheme. Additionally, Cyta is liable to contribute to the Scheme for any deficits which may be indicated by the actuarial valuation, relating to past service cost. During 2008, the amount of €4.100.643 was paid.

According to the last actuarial valuation on 31 December 2008 an additional deficit of €36.800.000 arose which will be written off in the income statement equally between the years 2008 and 2027. The balance of €2.460.386 of year 2006 deficit will be written off between the years 2008 and 2025 whilst



the balance of €11.832.065 of year 2005 deficit, will be written off between the years 2008 and 2024. The unrecognised actuarial losses as at 31 December 2008, amounted to €48.419.499.

The amount which appears in the balance sheet regarding retirement benefits that arise from the Pension Scheme is as follows:

Changes to the present value of the retirement benefit obligation during the year

	2008	2007
	€ '000	€ '000
Current retirement obligation at the beginning of the year	708.185	662.543
Current service cost	20.005	16.861
Interest cost	36.665	32.639
Contributions by participants	595	562
Actuarial (gains)/liabilities losses	(31.377)	19.942
Net benefits paid out	<u>(23.220)</u>	<u>(24.362)</u>
Retirement benefit obligation at the end of the year	<u>710.853</u>	<u>708.185</u>

Changes to the fair value of the Scheme's assets during the year:

	2008	2007
	€ '000	€ '000
Fair value of assets at the beginning of the year	708.185	615.898
Expected return on assets	37.180	30.659
Actuarial gains/(losses) on assets	(68.177)	66.587
Contributions by the employer	19.490	18.841
Contributions by participants	595	562
Net benefits paid out	<u>(23.220)</u>	<u>(24.362)</u>
Fair value of assets at the end of the year	<u>674.053</u>	<u>708.185</u>

Reconciliation of funded status to balance sheet:

	2008	2007
	€ '000	€ '000
Fair value of Scheme's assets	(674.053)	(708.185)
Present value of funded obligations	710.853	708.185
Current year actuarial loss	36.800	-
Obligation for actuarial losses of previous years	-	4.101
Past service costs not yet recognised in balance sheet	<u>(48.419)</u>	<u>(14.292)</u>
Net liabilities recognised on the balance sheet	<u>(11.619)</u>	<u>(10.191)</u>

Analysis of profit and loss charge:

	2008	2007
	€ '000	€ '000
Current service cost	20.005	16.861
Interest cost	36.665	32.639
Expected return on assets	(37.180)	(30.659)
Net actuarial loss recognised in year	<u>2.673</u>	<u>6.736</u>
Expense recognised in profit and loss	<u>22.163</u>	<u>25.577</u>

**(ii) Provident Fund of Hourly paid employees**

The Provident Fund of Hourly paid employees was established on the 14th of October 2008. Participant is every hourly paid employee that has completed 18 years of life and has 18 months of consecutive employment as part time and/or permanent hourly paid employee. Employees's contribution is at 5% of their monthly salaries and employer's contribution is at 5%. Employer's contribution in the year 2008 amounted to €4.603.

**8. Operating Profit**

	2008	2007
	€ '000	€ '000
Operating profit before financing income/(expenses) is stated after charging the following items:		
Amortization of intangible fixed assets (Note 12)	17.009	14.680
Depreciation of property, plant and equipment (Note 11)	<u>58.889</u>	<u>63.681</u>

**9. Finance Income and Expenses**

	2008	2007
	€ '000	€ '000
Interest income	20.536	14.743
Exchange profit	-	100
<b>Finance income</b>	<u>20.536</u>	<u>14.843</u>
Net foreign exchange transaction losses	681	-
Bank charges and other interest	<u>359</u>	<u>352</u>
<b>Finance expenses</b>	<u>1.040</u>	<u>352</u>
<b>Net finance income</b>	<u>19.496</u>	<u>14.491</u>

**IO. Taxation**

	2008	2007
	€ '000	€ '000
Corporation tax - current year	32.202	25.954
Corporation tax - prior years	(71)	-
Defence contribution - current year	5.521	4.254
Defence contribution - prior years	67	-
Deferred tax - (credit) (Note 20)	(2.800)	-
Charge for the year	<u>34.919</u>	<u>30.208</u>

Reconciliation of taxation based on the taxable income and taxation based on accounting profits:

	2008	2007
	€ '000	€ '000
Accounting profit before tax	<u>137.883</u>	<u>111.452</u>
Tax calculated at the applicable tax rates	34.471	27.863
Tax effect of expenses not deductible for tax purposes	19.951	20.789
Tax effect of allowances and income not subject to tax	(22.220)	(22.633)
Tax effect of group tax relief	-	(65)
Defence contribution - current year	5.521	4.254
Deferred tax	(2.800)	-
Prior year taxes	<u>(4)</u>	<u>-</u>
Tax charge	<u>34.919</u>	<u>30.208</u>

From 2005 onwards, the entire taxable income of Cyta is subject to corporation tax at 25%. In addition, Cyta is subject to special contribution for defence on its taxable income at a fixed rate of 3%.

Under certain conditions interest may be subject to defence contribution at the rate of 10%. In such cases 50% of the same interest will be exempt from corporation tax, thus having an effective tax rate burden of 24%. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 15%.

## II. Property, Plant and Equipment

	Land and buildings	Assets under construction	Buildings on leasehold land
	€'000	€'000	€'000
<b>Cost</b>			
Balance at 1 January 2007	65.661	54.252	2.424
Additions	5.821	6.590	-
Disposals	(548)	-	-
Transfers	-	-	-
Balance at 31 December 2007	<u>70.934</u>	<u>60.842</u>	<u>2.424</u>
Balance at 1 January 2008	70.934	60.842	2.424
Additions	195	3.704	-
Disposals	-	-	-
Transfers	-	-	-
Balance at 31 December 2008	<u>71.129</u>	<u>64.546</u>	<u>2.424</u>
<b>Depreciation</b>			
Balance at 1 January 2007	21.790	-	1.281
Depreciation year	1.875	-	78
On disposals	(366)	-	-
Transfers	-	-	-
Balance at 31 December 2007	<u>23.299</u>	<u>-</u>	<u>1.359</u>
Balance at 1 January 2008	23.299	-	1.359
Depreciation for the year	1.803	-	73
On disposals	-	-	-
Transfers	-	-	-
Balance at 31 December 2008	<u>25.102</u>	<u>-</u>	<u>1.432</u>
<b>Carrying amounts</b>			
Balance at 31 December 2008	<u>46.027</u>	<u>64.546</u>	<u>992</u>
Balance at 31 December 2007	<u>47.635</u>	<u>60.842</u>	<u>1.065</u>

### (a) Assets in occupied area

Fixed assets include assets situated in areas currently occupied by the Turkish invasion forces which are not accessible by Cyta. Cyta is not in a position to ascertain the present state of these assets. Full provision has been made for assets and reserves situated in the occupied areas.

### (b) Land

Certain plots of land amounting to €48.397 (2007: €236.938) included in the financial statements, were in the course of being registered in the name of Cyta at the year end.

Telecommunication plant and equipment	Motor vehicles and tools	Furniture, fixtures and office equipment	Computer hardware and systems	Total
€'000	€'000	€'000	€'000	€'000
855.080	14.020	5.058	36.453	1.032.948
59.782	585	285	2.278	75.341
(15.555)	(205)	-	(892)	(17.200)
<u>(348)</u>	<u>-</u>	<u>-</u>	<u>(120)</u>	<u>(468)</u>
<u>898.959</u>	<u>14.400</u>	<u>5.343</u>	<u>37.719</u>	<u>1.090.621</u>
898.959	14.400	5.343	37.719	1.090.621
46.095	248	187	1.409	51.838
(31.002)	(374)	-	(6.180)	(37.556)
<u>-</u>	<u>-</u>	<u>1</u>	<u>(4.572)</u>	<u>(4.571)</u>
<u>914.052</u>	<u>14.274</u>	<u>5.531</u>	<u>28.376</u>	<u>1.100.332</u>
572.769	11.485	4.357	30.863	642.545
56.999	1.009	242	3.478	63.681
(9.973)	(190)	-	(890)	(11.419)
<u>(355)</u>	<u>-</u>	<u>-</u>	<u>(24)</u>	<u>(379)</u>
<u>619.440</u>	<u>12.304</u>	<u>4.599</u>	<u>33.427</u>	<u>694.428</u>
619.440	12.304	4.599	33.427	694.428
53.976	621	217	2.199	58.889
(20.000)	(374)	-	(6.155)	(26.529)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4.037)</u>	<u>(4.037)</u>
<u>653.416</u>	<u>12.551</u>	<u>4.816</u>	<u>25.434</u>	<u>722.751</u>
<u>260.636</u>	<u>1.723</u>	<u>715</u>	<u>2.942</u>	<u>377.581</u>
<u>279.519</u>	<u>2.096</u>	<u>744</u>	<u>4.292</u>	<u>396.193</u>

## 12. Intangible Assets

	Mobile Telephony Licence € '000	Computer software € '000	Total € '000
<b>Cost</b>			
Balance at 1 January 2007	22.388	149.780	172.168
Additions	-	8.205	8.205
Disposals	-	(65)	(65)
Transfers	-	468	468
Balance at 31 December 2007	<u>22.388</u>	<u>158.388</u>	<u>180.776</u>
Balance at 1 January 2008	22.388	158.388	180.776
Additions	-	23.998	23.998
Transfers	-	4.571	4.571
Disposals	-	(1.695)	(1.695)
Balance at 31 December 2008	<u>22.388</u>	<u>185.262</u>	<u>207.650</u>
<b>Amortisation</b>			
Balance at 1 January 2007	3.871	130.317	134.188
On disposals	-	(65)	(65)
Amortisation for the year (Note 8)	1.089	13.591	14.680
Transfers	-	379	379
Balance at 31 December 2007	<u>4.960</u>	<u>144.222</u>	<u>149.182</u>
Balance at 1 January 2008	4.960	144.222	149.182
On disposals	-	(1.695)	(1.695)
Amortisation year (Note 8)	1.089	15.920	17.009
Transfers	-	4.037	4.037
Balance at 31 December 2008	<u>6.049</u>	<u>162.484</u>	<u>168.533</u>
<b>Carrying amounts</b>			
Balance at 31 December 2008	<u>16.339</u>	<u>22.778</u>	<u>39.117</u>
Balance at 31 December 2007	<u>17.428</u>	<u>14.166</u>	<u>31.594</u>

**13. Investments in Subsidiaries**

	2008	2007
	€ '000	€ '000
Balance as at 1 January and 31 December	<u>55.049</u>	<u>55.049</u>

The details of the subsidiaries are as follows:

Name	Country of Incorporation	Holding %	2008 € '000	2007 € '000
Digimed Communications Limited	Cyprus	100	<u>55.049</u>	<u>55.049</u>
			<u>55.049</u>	<u>55.049</u>

Digimed Communications Ltd, a company registered in Cyprus, is a wholly owned subsidiary of Cyta. The principal activity of the company is the conduct of telecommunication projects.

**14. Investments in Associated Undertakings**

	2008	2007
	€ '000	€ '000
Balance at 1 January	1.480	-
Additions	<u>-</u>	<u>1.480</u>
Balance at 31 December	<u>1.480</u>	<u>1.480</u>

The details of the investments are as follows:

Name	Country of Incorporation	Principal Activities	Holding %	2008 € '000	2007 € '000
CYTA Hellas A.E.	Greece	Broadband Services	10	<u>1.480</u>	<u>1.480</u>
				<u>1.480</u>	<u>1.480</u>

**15. Available-for-Sale Financial Assets**

	2008	2007
	€ '000	€ '000
Balance at 1 January	1.867	1.599
Fair value change through reserves	<u>(463)</u>	<u>268</u>
Balance at 31 December	<u>1.404</u>	<u>1.867</u>

	Fair values 2008 € '000	Participation 2008 %	Fair values 2007 € '000	Participation 2007 %
Eutelsat Communications	1.281	0.04	1.543	0.04
ICO Global Communications (holdings) Limited	<u>123</u>	0.10	<u>324</u>	0.10
	<u>1.404</u>		<u>1.867</u>	

Cyta holds 75.815 shares of nominal value 1 Euro each in Eutelsat Communications. The company Eutelsat Communications is listed in the Paris Stock Exchange Euronext. The total value of Cyta's investment at 31 December 2008 was €1.281.274.

The Company ICO Global Communications (Holdings) Limited was listed in the NASDAQ stock exchange on 13 September 2006. Cyta holds 150.909 shares of nominal value 0,01 US dollars each. The total value of Cyta's investment at 31 December 2008 was 169.500 US dollars (€122.532).

Available for sale financial assets, comprising principally marketable equity securities, are fair valued annually at the close of business on 31 December.

Available for sale financial assets are classified as non current assets, unless they are expected to be realised within twelve months of the balance sheet date or unless they will need to be sold to raise operating capital.

## 16. Held-to-Maturity Investments

	2008		2007	
	€ '000		€ '000	
Balance at 1 January	102.907		125.362	
Additions	-		22.069	
Matured bonds	(33.932)		(44.524)	
Balance at 31 December	<u>68.975</u>		<u>102.907</u>	
	Fair values	Cost	Fair values	Cost
	2008	2008	2007	2007
	€ '000	€ '000	€ '000	€ '000
Government bonds	63.100	62.742	97.032	96.004
COA bonds	2.578	2.441	2.497	2.441
Hellenic Bank bonds	3.297	3.417	3.378	3.417
	<u>68.975</u>	<u>68.600</u>	<u>102.907</u>	<u>101.862</u>
Bonds maturing:			2008	2007
			€ '000	€ '000
Within one year			-	33.589
Between two and five years			<u>68.975</u>	<u>69.318</u>
Total			<u>68.975</u>	<u>102.907</u>

Purchase and sales of held-to-maturity investments are recognised on the trade date, which is the date that Cyta is committed to purchase or sell the asset. The cost of the purchase includes transactions costs. The investments are subsequently carried at amortised cost using the effective yield method.

Investments held to maturity are classified as non current assets, unless they mature within twelve months from the balance sheet date or unless they will need to be sold to raise operating capital.



**17. Trade and Other Receivables**

	2008	2007
	€ '000	€ '000
Trade receivables	43.843	47.555
Overseas telecommunication organisations	1.979	2.160
Deficit on pension funds (Note 7)	48.419	14.292
Receivables from related companies (Note 23)	2.239	1.374
Deposits and prepayments	10.186	9.402
Carrier Services	5.725	4.343
Other receivables	<u>26.114</u>	<u>23.288</u>
	138.505	102.414
Less non current receivables	<u>(2.355)</u>	<u>(1.810)</u>
Current receivables	<u>136.150</u>	<u>100.604</u>

Concentrations of credit risk with respect to trade receivables are limited due to Cyta's large number of customers who have a variety of end markets in which they sell. Cyta's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collections losses is inherent in Cyta's trade receivables.

The fair values of trade and other receivables due within one year approximate to their carrying amounts as presented above.

**18. Other Reserves**

	Fair value reserve - available for sale financial assets € '000
Balance at 1 January 2007	1.448
Revaluation (Note 15)	<u>268</u>
Balance at 31 December 2007	<u>1.716</u>
Balance at 1 January 2008	1.716
Revaluation (Note 15)	<u>(463)</u>
Balance at 31 December 2008	<u>1.253</u>

## 19. Loans and Borrowings

	2008 € '000	2007 € '000
<b>Short term portion of long term loans</b>		
Loans from foreign financial institutions	348	349
<b>Non current borrowings</b>		
Loans from foreign financial institutions	<u>1.736</u>	<u>2.074</u>
Total	<u>2.084</u>	<u>2.423</u>
Maturity of non current borrowings		
Between one to two years	338	338
Between two and five years	1.013	1.013
After five years	<u>385</u>	<u>723</u>
	<u>1.736</u>	<u>2.074</u>

The loans from foreign financial institutions are repayable between the years 2008 and 2015 and bear interest ranging from 2% to 11,62% per annum. The loans are secured with guarantees provided by the Cyprus Government.

## 20. Deferred Tax

Deferred taxation liability arises as follows:

	2008 € '000	2007 € '000
Accelerated tax depreciation	<u>16.049</u>	<u>18.849</u>
	<u>16.049</u>	<u>18.849</u>

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 10).

**21. Trade and Other Payables**

	2008	2007
	€ '000	€ '000
Trade payables	10.256	4.804
Overseas telecommunication organisations	13.499	21.609
Foreign suppliers	11.471	14.314
Provisions for payment	29	66
Prepayments from clients	1.095	1.366
Pension scheme and superannuation fund	36.800	4.101
Social insurance and other taxes	5.251	4.010
VAT	19.007	16.546
Carrier services	3.341	-
Accruals	5.972	15.071
Other creditors	11.276	13.042
Deferred Income	14.750	14.179
Amounts payable to subsidiaries and other group companies (Note 23)	<u>1.106</u>	<u>2.671</u>
	<u>133.853</u>	<u>111.779</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as at the balance sheet date.

**22. Refundable Tax**

	2008	2007
	€ '000	€ '000
Corporation tax - receivable	(28.117)	(28.117)
Corporation tax - payable	2.203	3.796
Special contribution for defence - refundable	(560)	(560)
Special contribution for defence - payable	<u>350</u>	<u>549</u>
	<u>(26.124)</u>	<u>(24.332)</u>

## 23. Related Party Transactions

The following transactions were carried out with related parties on commercial terms and conditions, and relate to provision of supporting services.

### (i) Receivables from related companies (Note 17)

Name	2008 € '000	2007 € '000
Digimed Communications Ltd	121	50
Cytacom Solutions Ltd	2.084	1.085
Iris Gateway Satellite Services Ltd	-	96
Bestel Communications Ltd	4	7
Cyta Global Hellas S.A.	-	68
Cyta Hellas S.A.	30	68
	<u>2.239</u>	<u>1.374</u>

### (ii) Payables to related companies (Note 21)

Name	2008 € '000	2007 € '000
Digimed Communications Ltd	-	1.481
Cytacom Solutions Ltd	692	147
Emporion Plaza Ltd	87	138
Iris Gateway Satellite Services Ltd	19	-
Cyta Global Hellas S.A.	7	92
Cyta (UK) Ltd	301	813
	<u>1.106</u>	<u>2.671</u>

**24. Penalties (imposed)/cancelled**

	Note	2008 € '000
Commission for the Protection of Competition (C.P.C)	1	4.032
Office of the Commissioner of Electronic Communications and Postal Regulations (O.C.E.C.P.R)	2	3
Commission for the Protection of Competition (C.P.C)	3	<u>(75)</u>
		<u>3.960</u>

1. The amounts of €3.758.923 and €273.376 relate to penalties imposed on Cyta from C.P.C. The Supreme Court by decisions dated 7 April 2008 and 19 May 2008 respectively, cancelled the decision of C.P.C for the imposition of penalty for violation of the Protection of Competition Law 1989. As a consequence of this decision penalties are now refundable to Cyta.
2. The amount of €2.597 relate to penalties imposed on Cyta by the Office of the Commissioner of Electronic Communications and Postal Regulations in relation to transactions with Thunderworx Ltd. The Supreme Court on 30 December 2008 cancelled the decision of O.C.E.C.P.R for the imposition of penalty. As consequence of this decision the amount of penalty is now refundable to Cyta.
3. On 11 December 2008, C.P.C imposed on Cyta penalty of €75.000, following a lawsuit filed from Thunderworx Ltd for prevention of provision of electronic communications in the retail market of Premium sms. The decision of the C.P.C referred to infringements of section 6(1)(b) of the Law 13(I)/2008.

**25. Contribution to the Cyprus Government**

The amount of the contribution, as well as the timing of the payment, are determined by the Board of Ministers, following a relevant decision by the Minister of Finance, which is taken after a discussion with Cyta's Board of Directors. For the year ended 31 December 2008, the amount of contribution was €76.900.000.

The amount of €76.900.000 was contributed to the Cyprus Government Treasury, following the Council of Ministers ('the Cabinet') decision on 24 July 2008, according to the Telecommunication Services Law Amendment, Cap. 302, as amended with the Telecommunication Services Law of 2006 (Amendment No.2)(section 117 (I)/2006).

The amount was set after taking into account the surplus for the financial year, the reserves at the end of the 2007 financial year, as well as the other provisions of the amended Telecommunications Services Law in relation to Cyta's liquidity, its ability to pay the amount set, the safeguard of its future investments, its contractual and other commitments and the repayment of the pension scheme deficit.

**26. Contractual Commitments**

Contractual Commitments in respect of capital expenditure as at 31 December 2008 not provided for in the financial statements, amounted to €27.660.617 ( 2007 : €30.139.760 ) of which €15.907.027 ( 2007 : €14.060.874) is payable in foreign currencies. Foreign currency amounts have been converted into euros at the rates of exchange prevailing at the end of the year.

The entire amount of contractual commitments at 31 December 2008 will be repaid on completion of the relevant projects within 2009.

## 27. Financial Risk Management

### Financial Risk Factors

Cyta is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market price risk
- Operational risk
- Compliance risk
- Litigation risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

Cyta's risk management policies are established to identify and analyse the risks faced by Cyta, to set appropriate risk limits and controls, and monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Cyta's activities.

#### (i) Credit risk

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. Cyta has no significant concentration of credit risk. Cyta has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and Cyta has policies to limit the amount of credit exposure to any financial institution.

#### *Trade and other receivables*

Cyta's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Cyta establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

#### *Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2008	2007
	€ '000	€ '000
Available for sale financial assets	1.404	1.867
Held to maturity investments	68.975	102.907
Trade and other receivables	136.266	101.040
Receivables from related companies	<u>2.239</u>	<u>1.374</u>
	<u>208.884</u>	<u>207.188</u>

#### (ii) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. Cyta has procedures with the objective of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amounts € '000	Contractual cash € '000	3-12 months € '000	1-5 years € '000
31 December 2008				
Loans from foreign financial institutions	2.084	2.084	349	1.735
Trade and other payables	129.406	129.403	129.403	-
Payables from related companies	<u>1.106</u>	<u>1.106</u>	<u>1.106</u>	<u>-</u>
	<u>132.596</u>	<u>132.593</u>	<u>130.858</u>	<u>1.735</u>
31 December 2007				
Loans from foreign financial institutions	2.423	2.423	349	2.074
Trade and other payables	109.108	109.105	109.105	-
Payables from related companies	<u>2.671</u>	<u>2.671</u>	<u>2.671</u>	<u>-</u>
	<u>114.202</u>	<u>114.199</u>	<u>112.125</u>	<u>2.074</u>

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect Cyta's income or the value of its holdings of financial instruments.

*Interest rate risk*

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose Cyta to cash flow interest rate risk. Borrowings issued at fixed rates expose Cyta to fair value interest rate risk. Cyta's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Any difference in interest rates, will not have a material effect on equity and profit and loss.

At the reporting date the interest rate profile of interest bearing financial instruments was:

	2008 € '000	2007 € '000
<i>Variable rate instruments</i>		
Financial liabilities	<u>2.084</u>	<u>2.423</u>

*Currency risk*

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not Cyta's measurement currency. Cyta is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. Cyta's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Cyta's exposure to foreign currency risk was as follows:

31 December 2008

	United States dollars € '000	Other currency € '000
Assets		
Trade and other receivables	1.193	1.509
Bank deposits	239	-
Investments	123	-
	<u>1.555</u>	<u>1.509</u>
Liabilities		
Trade and other payables	(861)	(2.010)
	<u>(861)</u>	<u>(2.010)</u>
Net exposure	<u>694</u>	<u>(501)</u>

31 December 2007

	United States dollars € '000	Other currency € '000
Assets		
Trade and other receivables	347	494
Bank deposits	376	-
Investments	324	-
	<u>1.047</u>	<u>494</u>
Liabilities		
Trade and other payables	(1.290)	-
	<u>(1.290)</u>	<u>-</u>
Net exposure	<u>(243)</u>	<u>494</u>

#### Sensitivity analysis

A 10% strengthening of the Euro against the following currencies at 31 December 2008 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. For a 10% weakening of the Euro against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

	Profit or loss	
	2008 € '000	2007 € '000
United States Dollars	69	(24)
Other currencies	<u>(50)</u>	<u>49</u>
	<u>19</u>	<u>25</u>

#### (iv) Operational risk

Operational risk is the risk that derives from the deficiencies relating to CYTA's information technology and control systems as well as the risk of human error and natural disasters. CYTA's systems are evaluated, maintained and upgraded continuously.

#### (v) Compliance risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from non



compliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by Cyta.

(vi) Litigation risk

Litigation risk is the risk of financial loss, interruption of Cyta's operations or any other undesirable situation that arises from the possibility of non execution or violation of legal contracts and consequentially of lawsuits. The risk is restricted through the contracts used by Cyta to execute its operations.

**Capital management**

Cyta manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Cyta's overall strategy remains unchanged from last year.

**28. Fair Values**

The fair values of Cyta's financial assets and liabilities approximate their carrying amounts at the balance sheet date.

The fair value of financial instruments traded in active markets, such as publicly traded trading and available for sale financial assets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by Cyta is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

**29. Post Balance Sheet Events**

There were no material post balance sheet events, which have a bearing on the understanding of the financial statements.

# Offices and Cytashops

## Head Offices

Telecommunications Street, Strovolos,  
P.O. Box 24929, CY-1396 Lefkosia, Cyprus

Telephone: + 357 22701000

Fax: + 357 22494940

Website: [www.cyta.com.cy](http://www.cyta.com.cy)

## Call Centre

132

## Lefkosia

14, Egyptou Avenue, P.O.Box 24755, CY-1303 Lefkosia

Tel: 22702020



- **Main 14**, Egyptou Avenue
- **Strovolos 14**, Strovolou Avenue
- **Lykavitos 5**, Naxou Street
- **Kakopetria 28** Costa Christodoulou Street

## Lemesos

89, Athinon Street, P.O.Box 50147, CY-3601 Lemesos

Tel: 25705050



- **Main 89**, Athinon Street
- **Omonia 7**, Vasileos Pavlou Street
- **Linopetra 28**, Kolonakiou Avenue

## Larnaka

7, Z. Pierides Street, P.O.Box 40102, CY-6301 Larnaka

Tel: 24704040



- **Main 7**, Z. Pierides Street
- **Agioi Anargyroi 4**, Alex. Panagouli Avenue

## Pafos

11, Griva Digheni Avenue, P.O.Box 60043, CY-8100 Pafos

Tel: 26706060



- **Main 11**, Grivas Dighenis Avenue
- **Polis Chrysochous**  
16, Archbishop Makarios III Avenue

## Ammochostos

Edison Street \*

Tel: 23862500

Temporarily

124, Eleftherias Avenue, Dherynia, P.O.Box 33355,

CY-5313 Paralimni

Tel: 23703030



124 Eleftherias Avenue, Dherynia

## Kyrenia\*

5A, 28th Octovriou Avenue Tel: 27452438

Tel: 27452438

## Morfou\*

18, 25th Martiou Street

Tel: 22742055

## Lefka

Lefka

Tel: 22817459

Published by: **Cyta – Corporate Communications & Public Relations**

Design & Layout: **Ekkeshi Consultants**

Photography: **Cyta Photo Archives/Agisilaou & Spyrou Photography**

Printing: **RPM Lithographica Ltd**

\* Not in operation due to the Turkish military occupation of the area.

ISSN 1450 - 0264



