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annual report

cyta

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Cyta is the trade name of Cyprus Telecommunications Authority

Message from the
Chairman

In 2011, despite the extremely difficult prevailing economic situation, we continued our development policy and made the most of the opportunities afforded by state-of-the-art technology and those arising as a result of the financial crisis so as to offer market services that enable businesses to increase productivity and reduce costs.

Thanks to proper planning and the excellent cooperation between the Board and Management, we successfully faced the consequences of the crisis and succeeded in posting positive financial results.

Moreover, during the year under review, we were delighted to celebrate Cyta's 50th anniversary. Drawing on our half-century of knowledge and experience, we have succeeded in ensuring that our customers enjoy electronic communication services equal in every way to those provided in most developed countries.

A socially responsible organisation

Cyta is an integral part of Cypriot society and its contribution to the country's economic and social progress is undisputed and acknowledged by all. We have given consistent and long-term support to society, the economy and the environment through our integrated electronic communication products. Furthermore, Cyta behaves responsibly towards its personnel, its customers and partners, society and the environment.

We take full responsibility for our products and services and we promote their sensible use. With the aim of ensuring safe and responsible Internet use, especially by children, we hold educational seminars for schools and Parents' Associations as well as open public lectures, and we distribute an informative leaflet on the subject. At the same time we offer customers "Safe Internet - for Home" and "Safe Internet - for Schools" free of charge. These services protect children from undesirable and harmful Internet content.

We provide specialised communications services and special tariffs for a range of services to particular social groups and to the disabled. Regarding broader society, we undertake and support projects that contribute to the development of sport, culture, health and welfare, education, the environment and, of course, technology and research.

Regarding the environment, we discontinued the mailing of itemised bills with notable savings of paper and we established the use of recycled paper in the printing of all our telephone directories. We also contribute to the cultivation of environmental awareness through our support of and participation in Green Dot Cyprus' Environmental and Recycling Festival and by encouraging members of the public to return their old mobile phones for recycling.

These activities represent only a small part of what we do in the area of Corporate Social Responsibility.

Into the future with our customers

Our strategy is customer-focused and we are constantly striving to provide high quality services, in response to the ever-changing customer needs that arise from the digital era, and to provide excellent service to customers during our every contact with them. Our objective is to achieve these aims by taking advantage of every new technological opportunity.

By maintaining a close watch on technological developments and maintaining an awareness of our customers' changing needs, we promise to continue to modernise and to provide a full range of integrated electronic communication services. Our strategy for the provision of services to customers is effective in all areas of telecommunications, business solutions and applications, multimedia, content, entertainment and safety/security.

We make the very most of the flexibility afforded by digital technologies and consequently go beyond traditionally closed networks, enhancing our offer to customers with greater added value services.

With the primary objective of covering all customer segments in the market, we are proceeding boldly with projects that upgrade the capabilities of our telecommunications infrastructure and new generation networks, implementing the pioneering know-how that we are gaining in order to improve existing products while introducing new ones.

Proceeding with vision and responsibility

The external environment is changing rapidly, in part because it is becoming increasingly more competitive but also because the digital age has brought changes to customers' perceptions, behaviour and requirements. As a result we recognise that the demands of the market on our Organisation are greater and, in order to maintain ties with our customers, we need to keep changing. And we are sure that Cyta will continue on its successful course in the years to come because all of us working at Cyta feel that the Organisation belongs to us and also because our customers know that with Cyta they are in good hands.

Our unwavering aim has always been to maintain Cyta's position as the leading integrated electronic communications organisation that offers its customers solutions to all their needs.

We wish to thank the Government, the Ministries of Finance and Communications & Works, the House of Representatives, the Office of the Commissioner of Telecommunications and Postal Regulation, the Competition Commission and the Auditor-General of the Republic for their support and cooperation.

We also thank the trade unions for the concern they have shown for the Organisation and media representatives for their promotion of our achievements and for their constructive criticism.

Stathis Kittis
Chairman

July 2012

Message from the
Chief Executive Officer

Cyta is the leading provider of integrated electronic communications in Cyprus. In the course of over half a century, Cyta has succeeded in turning Cyprus into a regional telecommunications hub and, thanks to its unwavering commitment to quality, it has earned the trust of its customers. In 2011 we celebrated our 50th anniversary with a feeling of great pride in our uninterrupted provision of high quality services to the people of Cyprus and in the way we have strengthened the country's economy.

Through the timely exploitation of technological developments and the convergence of telecommunications and IT, we have become the leading quadruple play organisation in Cyprus, providing a broad range of innovative services and IT solutions. We aim to offer quality and to satisfy the constantly growing needs of our residential and business customers alike.

Our mission is to provide reliable integrated electronic communication solutions in a simple, smart and secure way, solutions that will improve our customers' lives and productivity.

What we achieved in 2011

Sound financial management and the rational evaluation of strategic opportunities and projects are reflected in the Organisation's financial results, even during these times of crisis.

In 2011 we completed the introduction of Enterprise Resource Planning (ERP) systems. Moreover, we introduced new upgraded discount fixed telephony schemes for national and international calls, which offer customers reductions of up to 20%. We unified DSL Access and NetRunner as a new Internet product and at the same time increased its speeds.

We reinforced our portfolio of voice, content and data services and products for mobile telephony and we introduced the MakeYourOwn plan for pay monthly customers, which enables them to create their own package based on their own needs and to take full control of their bills.

Expanding and consolidating our country's position as a telecommunications hub in the region, in 2011 we brought ALEXANDROS, our own submarine cable subsystem between Cyprus and Egypt, into full operation following the operation in 2010 of the section of the system between Cyprus and France, thereby achieving the best possible arrangement for Cyta's business needs and the broader strategic interests of Cyprus. From a business continuity standpoint, the ALEXANDROS subsystem offers the possibility of alternative routing towards Europe as well as to all present and future cable systems between Asia and Europe that use the Suez Canal and land in Egypt.

This year and next year, our financial strategy focuses on how to deal with the crisis and to improve our financial results. It includes plans for the internal financial management of issues such as the new pension scheme and measures to improve productivity.

Cyta Hellas

After almost doubling its revenue which amounted to €55,45 million in 2011, and increasing the number of active customers by 86%, Cyta Hellas confirmed once again that it is on the right road, one that guarantees the continuation of its dynamic progress in the particularly competitive Greek market. At the end of 2011, Cyta's market share in Greece was approximately 14,5% while its customers numbered 237.200 in its areas of activity, thereby registering the highest rate of growth in the country. Nationwide, in 2011 the company was responsible for 39% of all new Internet and fixed telephony connections.

A milestone for the company in 2011 was its entry into the country's biggest urban centre, the Attica region, which was quickly crowned with success. From the second quarter after its establishment in Attica, Cyta managed to become the first choice among the alternative providers for new connections with a market share close to 56%.

Its year-on-year progress, which is confirmed by the above figures, is based on a differentiated market approach strategy. Expansion from the provinces towards the centre, targeted/tailor-made promotion strategies rather than investment in high-cost classic advertising, the continuous expansion of the company's own optical network, focus on quality and the customer, plus the new innovative products offered by Cyta in Greece, are all key aspects of this successful approach.

Monitoring developments, understanding customer needs

We consider the constant monitoring of technological developments in the telecommunications sector to be of vital importance to our Organisation. This is achieved by various means, e.g. through our partnership with Vodafone or through our participation in international fora at which future technologies are presented.

New technology, in most cases, comes to satisfy the particular needs of customers and of the market in general. Therefore the Organisation's primary objective is the "conversion" of technology into specific services which, on the one hand, respond to customer demand and, on the other, benefit Cyta.

Travelling at the speed of light

Today's technological developments focus mainly on the sector of applications, in particular for mobile telephony. The unprecedented increase in the use of data in recent years is expected to progress geometrically. Experts estimate that by 2016, the volume of data being transferred "over the air" will be 18 times greater than today and 2/3 of it will be in the form of video.

This increase, over and above the use of video, will arise from the development of a range of services that will undoubtedly affect the user's daily life and entrepreneurship in a positive way. Some examples:

· Entertainment applications such as games and apps.
· Social media.
· Productivity applications in the form of Machine-to-Machine (M2M) smart networks, such as connected home, cars and a host of others including e-learning, e-health and e-education, which will mainly be of assistance in developing countries.
· Mobile Marketing enabling the sending of messages to customers for the promotion of services at the right time and location.
· Mobile Payments, where a mobile phone becomes a virtual wallet for making a range of payments.
· Access to multimedia content anywhere, anytime via mobile phone, computer and television.

Our strategy for the future

The strategy of the Organisation's development plan is based on three main pillars: a) the expansion and consolidation of the country's position as a regional telecommunications hub; b) the provision of applications that will make our customers' lives easier and more productive; and c) the continuous development of fixed and mobile broadband, in terms of both geographical coverage and bandwidth.

We wish to offer our customers applications that respond to their specific needs and which are not merely restricted to communication needs. For our business customers in particular, we aim to provide solutions for all their business needs, enabling them to improve productivity, cut costs and provide better service to their own customers. This is the direction being taken by Cyta's portfolio of Cloud services which contains a range of applications in the Software-as-a-Service category. These services enable mainly small- to medium-sized enterprises (SMEs) to take advantage of IT technologies without an initial capital outlay. We shall continue to enhance our portfolio in a focused manner, while it is our goal to enhance and personalise our applications based on our two strong points: our smart network and our long-term, close, multifaceted relationship with our customers.

An essential prerequisite and a basic infrastructure for the provision of applications to our customers is the development of broadband, both to the home/business and also in terms of mobile broadband via which they will have access to the applications. To this end, Cyta will continue to invest in its internal and external networks, constantly increasing bandwidth and bringing the Internet to even the most isolated rural areas.

The Organisation is planning to invest in new generation access networks, specifically in Fibre to the Home and in the 4G mobile network using LTE (Long Term Evolution) technology.

The rational evaluation of technological developments, over and above investments in technology/networks, requires investment and/or changes in other sectors such as redesigning the Organisation's basic activities, its IT systems and human resources.

Still the leader

In order to be able to deal with the financial crisis and the competitive environment, we must remain productive. After all, technology, which is what we deal with, waits for no-one. It is here and it challenges us. And we must respond to each challenge, always ready to offer every new service in the electronic communications sector so as to satisfy the needs of our customers, whatever they may be.

We are still the leader in electronic communications and we shall continue to confirm our position, even in the present unfavourable economic circumstances. We are fully aware of the difficulties and we shall face them with good sense and in a spirit of cooperation with the Management, the Unions and our personnel.

We honour our Organisation's shining achievements and we respond as a team to the increased demands of the market and the rapid changes in the electronic communications sector.

We give you our promise to continue on a course marked by growth and progress.

Photis Savvides
Chief Executive Officer

July 2012

Chairman and
Members of the Board

CHAIRMAN
Stathis Kittis
Advocate

VICE-CHAIRMAN
Loizos Papacharalambous
Advocate

MEMBERS

Stelios Americanos
Advocate

Antonis Antoniou
Architect

Christakis Antounas
Mechanical Engineer

George Chari
Electrical Engineer/
Consultant

Nicolas Georgiades
Economist

George Tsakkistos
Sociologist

Charalambos Tsouris
Architect

LEGAL ADVISERS
A. C. Hadjioannou & Sons

AUDITORS
KPMG
Auditor General of the Republic

Management Team

Chief Executive Officer
Photis Savvides
BSc, MSc, CEng, MIET, MIM, AMIPD

Deputy Chief Executive Officer
George Koufaris
FCA

Senior Manager - Support
Constantinos A. Michaelides
Dipl-Ing

Senior Manager - Line Access Network
Panayiotis Kallenos
Dipl. Eng NTUA

Senior Manager - Customer Services
Marios Karatzias
BScEng

Senior Manager - Marketing
Yiannis Souroullas
BScEng (Hons)

**Senior Manager - Management of
the Subsidiaries**
Michalis E. Achilleos
BSc, MSc, MBA

Senior Manager - Networks
Aristos Riris
BSc, PhD

Manager Business Management Support, Support
Glafkos Houtris
BSc, CEng, MIET

**Manager Backbone Networks
and Network Management, Networks**
Tassos Partzilis
Dott. Ing.

Manager Personnel Services
Marios Carlettides
BSc (Hons), MSc

**Manager National and International Wholesale
Market, Networks**
Ioannis Koulias
BSc (Hons), MSc, MIEEE, MIET, CEng

Manager Regional Line Access Network
Kyprianos Yianni
BSc, MSc

Manager Support Infrastructure, Support
Christoforos Yiannakou
MSc

**Manager Aeromaritime Network Services,
Support**
Christoforos Yiannakou (Acting)
MSc

Manager Services Management, Marketing
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BScEng, MBA, PhD

Manager Communications and Public Relations
Rita Hadjiloizou-Karatzia
BScBA (Hons)

Chief Financial Officer
Maria Damalou-Hadjigeorgiou
Bsc (Hons), FCA

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Networks, Networks**
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Internal Auditor
Antigone Modestou
FCCA, MBA

Manager Services Development, Marketing
Michalis Lois
BScEng

Manager Information Technology Applications, Networks
Costas Psillides
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Manager Strategic Planning, Networks
Demetris Hadjittofis
BSc (Hons), MBA

Secretary and Manager Administrative Services
Petros Hadjiantoniou
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Manager Business Development, Customer Services
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Manager Planning and Development, Aeromaritime Network Services
Loizos Kyprianou
BSc (Hons), MSc, MIET

Corporate

Governance

at Cyta

The Board

The Cyprus Telecommunications Authority (Cyta) is governed by a 9-member Board, the Members of which are appointed by the Council of Ministers for a three-year term.

The Board is responsible for Cyta's smooth running and its long-term development and to this end it approves the Organisation's budget and strategy and monitors their implementation. More specifically, the Board is responsible for ensuring that Cyta maintains its overall functions which, as set out in the Telecommunications Services Law, are:

- to manage and maintain all the installations and equipment procured or to be procured by Cyta,
- to manage and maintain all the installations and equipment procured or to be procured by Cyta,
- to manage and maintain everything under Cyta's ownership and
- to promote, as far as is feasible, the development of telecommunications services in accordance with recognised international standards of practice and public demand.

Moreover, the Board is responsible for the implementation of all general directives issues by the State through the Minister of Finance, who is responsible for Cyta, while Members of the Board represent Cyta at conferences, in meetings and at other events.

The Board exercises its authority and duties through the Chief Executive Officer (CEO) who is responsible for the implementation of Cyta's policy and for the management of its everyday activities. The Board is entitled to transfer any of its powers to any Member, to the CEO or the Deputy CEO, or to Committees comprising Members of the Board and members of personnel.

For this reason the Board has set up a number of permanent committees while for special issues it appoints ad hoc committees. Permanent committees which the Board may, at its discretion, increase, reduce and/or modify, deal with Auditing, Personnel, Cytavision, Corporate Social responsibility, Direct and Indirect Advertising, Rewards & Incentives and Investments.

Furthermore, Members of the Board, together with the CEO, are responsible for managing the Cyta Staff Pensions and Grants Scheme and the Cyta Permanent Monthly-Paid Staff Pensions & Grants Fund.

Finally, Members of the Board, together with the CEO, make up the Board of the Cyta subsidiary Digimed Communications Ltd and are on the Boards (with members of personnel) of Cyta's other subsidiary companies: Cytacom Solutions Ltd, Emporion Plaza Ltd, Bestel Communications Ltd, Iris Gateway Satellite Services Ltd, CytaHellas SA, CytaGlobal Hellas SA, Cyta UK Ltd and Enternet Invest.

Risk management

Risk appetite is an essential prerequisite for the achievement of our strategic and operational objectives. For this reason we have adopted methodologies based on best practices in order to be certain that we are properly managing risk, in other words, that we identify all risks (and opportunities), evaluate them, prioritise them and, finally, select the best way of dealing with them.

All of Cyta's subsidiaries and units carry out self-assessment and management of all risks threatening the achievement of their objectives. Specifically, during special risk assessment workshops attended by personnel of various ranks, the aims of the business plan are confirmed and risks threatening their achievement are identified. The assessment takes existing control mechanisms into account. Risks are then assessed for their possible impact on our Organisation (financial, operational and image) and the probability of them occurring. Finally, all possible ways of dealing with them are assessed (reduction, transfer, acceptance or avoidance) and the best solution is chosen, taking into account the desired level of risk appetite.

The results are recorded in the corporate risk register and submitted to Senior Management and the Board for approval and preparation of the new rolling three-year Business Plan.

It is worth noting that, in the course of the year, we held other specialist risk management workshops on issues such as:

- Data Security Risk Management, where we assess the risks threatening the confidentiality, integrity and availability of our information sources for certain services.

- Business Continuity and Downturn Risk Management, in which all the main units of the Organisation are involved.

- Personnel Services Risk Management covering all Cyta premises and activities with the main objective of accident prevention and the safety of our personnel, customers and associates.

- Risk Assessment and Management of the entire Organisation, its resources and services for insurance purposes.

During the year under review we appointed Mr. Tasos Partzilis as Chief Enterprise Risk Manager for the whole of Cyta and its subsidiaries, with responsibility for the optimum coordination of the activity and preparation/management of the corporate risk register.

Monitoring of the adequacy and effectiveness of risk management activities is carried out independently by the Internal Audit Department.

Internal Control System

In compliance with best practices concerning corporate governance, the Board and Management carry out regular assessments (at least once a year) of the adequacy and effectiveness of our Internal Control System as a measure for reducing risks threatening the achievement of the Organisation's objectives and long-term viability.

All units of the Organisation are involved in this and in a responsible, consistent manner they self-assess the security controls implemented in the specific area of each one's activity. The results of this evaluation are benchmarked against international best practices in the telecommunications sector. Based on the results, decisions are taken to ensure constant improvements to the Internal Control System.

Audit Committee

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

In 2011 the Committee met six times. In accordance with its mandate, the Committee reviewed, inter alia, the following issues:

- The Organisation's Financial Statements and the underlying accounting principles according to which they were prepared.
- The Management Letter and the Management's re sponse to it.
- The Annual Audit Programme, which was prepared on the basis of the results of a risk assessment carried out for Cyta, and progress made on its implementation.

- Work undertaken by the Internal Audit Department in the context of its examination of Cyta and its subsidiaries and its monitoring of progress made in the implementation of recommendations made in the framework of examining the effectiveness of Cyta's Internal Control Systems.
- Approval of a new Internal Audit Charter which determines the role, authority and responsibilities of the Internal Audit Department.
- Recruitment to the Internal Audit Department.
- Actions taken by the Internal Audit Department to improve its processes and organisational structure and to train its personnel.
- The appointment of external auditors and the fixing of their remuneration.

Internal Audit Department

The Internal Audit Department (IAD), as an independent and objective security mechanism and provider of consultancy services, helps us achieve our objectives through the implementation of a systematic, disciplined approach to the evaluation and improvement of the effectiveness of activities in the areas of risk management, monitoring and governance.

With strict responsibility for the confidentiality and protection of the Organisation's archives and data, the IAD has full and unrestricted access to all the documents, ownership information and personnel of the Organisation and its subsidiaries in order to carry out any audit it wishes.

The IAD has the full support of the Board and Management. The Internal Audit Manager reports to the Audit Committee of the Board and to the CEO. The Department is manned by full-time personnel qualified in a broad range of specialist areas. It may also use external consultants for specialised audits and/or to extend the scope of an audit. In 2011, extensive use was made of consultancy services, both for training purposes and to cover the auditing requirements of Cyta and its subsidiaries.

We place tremendous importance on regular training for our internal auditors on issues pertaining to internal audits, technology and IT as well as more general topics concerning the Organisation's activities. A significant number of our auditors have obtained professional qualifications such as Certified Public Accountant, Certified Internal Auditor, Certified Information Systems Auditor, Certified in Risk and Information Systems Control and Certified Control Self Assessor.

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Corporate
Social Responsibility
at Cyta

Corporate Social Responsibility (CSR) is a term that has been used more and more frequently in recent years and it is generally accepted that companies, individuals, consultancy firms and organisations attribute their own meaning and content to it.

For Cyta, CSR is the voluntary management of the social, environmental and economic impacts, positive and negative, of the Organisation's operations on its stakeholders, over and above its legal obligations. We have adopted a holistic approach since this takes into account not only the positive but also the negative impacts that we may have on the three dimensions of CSR - social, environmental and economic - as well as on all stakeholders, i.e. all those who are affected by -or who themselves affect - Cyta.

We officially adopted this approach when we signed the Sustainability Charter of the Association of European Telecommunications Network Operators (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: A responsible organisation "Together for a better tomorrow"

Our objective, where CSR is concerned, is to implement its integrated management at Cyta. In other words, CSR becomes an integral part of the way the Organisation operates, not a separate, isolated process.

As formulated, our CSR Strategy is based on four pillars: society, personnel, customers and the environment and includes specific projects for each pillar. It also contains projects which target the particular areas for improvement that emerge from the CSR self-assessment, the main indicators for measuring the effectiveness of the CSR Strategy, and actions for communicating our achievements in the field of CSR to the organisation's stakeholders.

Below are some of the most important activities and projects undertaken during 2011 relating to the four pillars of our CSR Strategy.

Responsibility to our personnel "Cyta: An employer of choice"

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. It provides the services of social workers, an occupational physician and a nurse, as well as financial assistance to needy employees, pensioners and employees' widows and orphans. We also offer low-interest student and housing loans and we hold social activities for members of staff and their families.

At the same time we provide significant career development opportunities, fully subsidising staff participation in training programmes related to their work and holding specialist courses on broader issues of development which improve productivity as well as job satisfaction, such as, for instance, time management, stress, teamwork, communication, leadership, etc.

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. Furthermore, members of staff working in volunteer groups in all towns, organise charity fundraising events such as the activities of volunteers in Larnaca on behalf of the Saint George and Saint Lazarus Foundations for children with special needs, those of the 11892 service and volunteers in Limassol on behalf of the Association of Parents and Friends of Children with Heart Disease, and volunteers in Nicosia for the Intervention Centre for Autistic Children.

(Other related activities are described in the "Management" chapter of this report under the heading "Human resources".)

Responsibility to our customers "Cyta provides responsible products and services"

Malicious or harassing phone calls

Cyta provides its customers with solutions to deal with malicious or harassing phone calls and text messages in a simple way while totally preserving the confidentiality of their personal data. In 2011 we informed our customers about the procedure for examining malicious or harassing phone calls and texts.

To protect our customers we also offer the Anonymous Call Rejection Service which enables them to reject calls with blocked/private numbers. The Selective Call Rejection Service enables Cyta Fixed Telephony customers to select up to five numbers from which they do not wish to receive calls. In such cases, even if a call is made from a blocked/private number, it will be routed to a recorded announcement.

Mobile telephony

In recognition of our responsibility for the sensible use of our products and services by customers and with the aim of keeping them informed about issues related to mobile telephony, we continued to mail out brief informative leaflets with telephone bills, a practice that we started in 2010. The series has the overall title "Mobile Telephony in Our Lives" and in 2011 we sent out two leaflets. The first, entitled "Mobile Phones and Good Manners" provided basic, simple tips on good manners when using a mobile phone in various public places (e.g. in church, at the theatre, in hospital, on the street), as well as in private and business meetings, etc. The second leaflet on "Mobile Phones and Health" answered frequently asked questions and public concerns about the possible effect on health of electromagnetic fields due to mobile telephony. It also gave practical advice on how to reduce exposure to electromagnetic fields when using mobile phones.

Safe Internet

Since 2001, Cytanet has been giving presentations in primary, secondary and technical schools, as well as in private schools, entitled "The Internet: A Tool for All".

Through these presentations, pupils have a chance to get to know the main services available online and the advantages and weaknesses of the Internet, as well as to find out about new online applications in their daily lives.

The main emphasis is placed on the dangers and pitfalls that pupils may encounter while surfing the Internet and on practical ways of dealing with such dangers. During the 2010-2011 academic year, some 101 visits were made to schools where 10.934 pupils and teachers attended the Cytanet presentations. In total, since the 2001-2002

academic year, 580 schools have been visited and 63.185 pupils and teachers have attended the presentations.

Cytanet also gives presentations on "The Internet and Our Children - Safe and Responsible Use" which are aimed primarily at parents but also at other organised groups with the purpose of informing them about correct Internet use, online pitfalls and dangers and how to deal with them.

Special mention should be made of the Safe Internet service which Cyta provides free to its customers. Parents have shown particular interest in this service since it can protect their children from illegal, undesirable and harmful online content. Moreover, Cyta has published a special booklet for parents, which is distributed during the presentations on the service. At the same time, Safe Internet - for home is provided free to all Cytanet home customers and Safe Internet - for schools is given free to all state primary, secondary and technical schools.

Every year, Cytanet participates in the international events marking Safer Internet Day. On the occasion of the 2011 celebrations, it held a seminar entitled "It's more than a game, it's your life" which was attended by a large number of secondary school students, teachers and parents. The aim of the seminar was to provide food for thought on the ways in which people, and children in particular, present themselves on social networking sites, in chat rooms and in online role play.

Responsibility to society
"Cyta: Helping society"

Health and welfare

On the sensitive issue of road safety, our policy continues to focus 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. At the same time, we offer cycle helmets to all children visiting the Police Road Safety Park.

In a new effort aimed at cultivating driver awareness in users of Cyta's fleet of service vehicles, we began the "Cyta Responsible Driver" project in February 2010. A sticker bearing a slogan and a telephone number was affixed to some 800 vehicles belonging to the organisation, enabling the public to report driving behaviour by Cyta employees to a call centre.

The various initiatives undertaken by Cyta confirm its commitment to the European Road Safety Charter (which it signed in Dublin in 2004) and to the common European goal of reducing road fatalities. Cyta renewed its commitment to the Charter in Nicosia in 2009.

As an indication of our constant interest in the welfare of those manning the National Guard, in 2011, as in previous years, we distributed free soeasy pay as you go connection packs to all newly-drafted soldiers on their first day of military service and to all newly-arrived members of the Greek army contingent in Cyprus.

Regarding health, for the eighth successive year we supported the Centre for Preventive Paediatrics.

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 organisations 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 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 charge as well as free web hosting of school and teachers' websites (those with educational content).

Every year we publish an activity book for children entitled "Playing, having fun and learning with Telly" 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, which has a different contemporary theme each year, also contains the announcement of a children's painting competition in which the best entries 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-primary and primary schools.

Environment

Our Organisation wishes to contribute to the strengthening of 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 in this chapter.)

In June 2011, on the occasion of World Environment Day, we presented Green Dot Cyprus's 1st Environment and Recycling Festival. The festival, which was informative, educational and entertaining, aimed at raising awareness, particularly among children, of environmental issues and cultivating greater sensitivity to them. Those attending the festival learned about such issues as well as about products and services that contribute to protecting the environment and about recycling. At its own stand, Cyta promoted its environmental work, urged members of the public to return their old mobile phones for recycling, offered free gifts and, through an interactive game, educated children on how mobile phones are recycled.

Since 2001, we have provided special waste paper collection boxes for recycling (which we also use in our own offices at Cyta) and related posters to eco-schools and other interested schools. Specifically, in 2011 we donated 700 such boxes and posters to 27 schools for use in classrooms in order to help develop environmental awareness in children.

In collaboration with the village of Kophinou, Cyta undertook tree planting in the centre of the village in the framework of its efforts aimed at environmental protection and improving people's quality of life. The tree planting took place on the occasion of the Tree Day and involved organised groups in the village, Scouts and Guides as well as members of Cyta personnel who took part voluntarily.

There is now a well-established sponsorship of the activities of the Cyprus Marine Environment Protection Association (CYMEPA) which, among other things, provides environmental education to schoolchildren. It includes the programme "Young Journalists for the Environment" which is supported by the Ministry of Education & Culture, coordinated by the Foundation for Environmental Education in Europe and sponsored by Cyta. In the framework of this programme a competition is held among high school students, the winners of which are awarded prizes by our Organisation at a special ceremony. The competition was announced during an environmental seminar at which the keynote address was given by the well-known Greek actor and Green Party parliamentary candidate Antonis Kafetzopoulos.

Culture

In 2011, Cyta continued its "Let's Go to the Theatre" sponsorship programme of support for all of Cyprus's independent professional theatre 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, in March Cyta celebrated World Theatre Day with the sponsored companies, offering everyone in Cyprus 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 day the special offer was announced.

Sport

In 2011, we continued our sports sponsorship programme to provide support for the Cyprus Tennis Federation and the Cyprus Table Tennis Association.

We are also official sponsors of the Cyprus Referees Association and the Cyprus Sportswriters Association as well as of other occasional but important activities of various sports associations and clubs.

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

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.

Wishing to encourage young people to take up technology, for the second time we awarded prizes during a special ceremony to all graduating Lyceum and Technical School students who had excelled in IT studies.

We also awarded prizes to outstanding students of technology and IT at all the island's universities.

Recycle now!
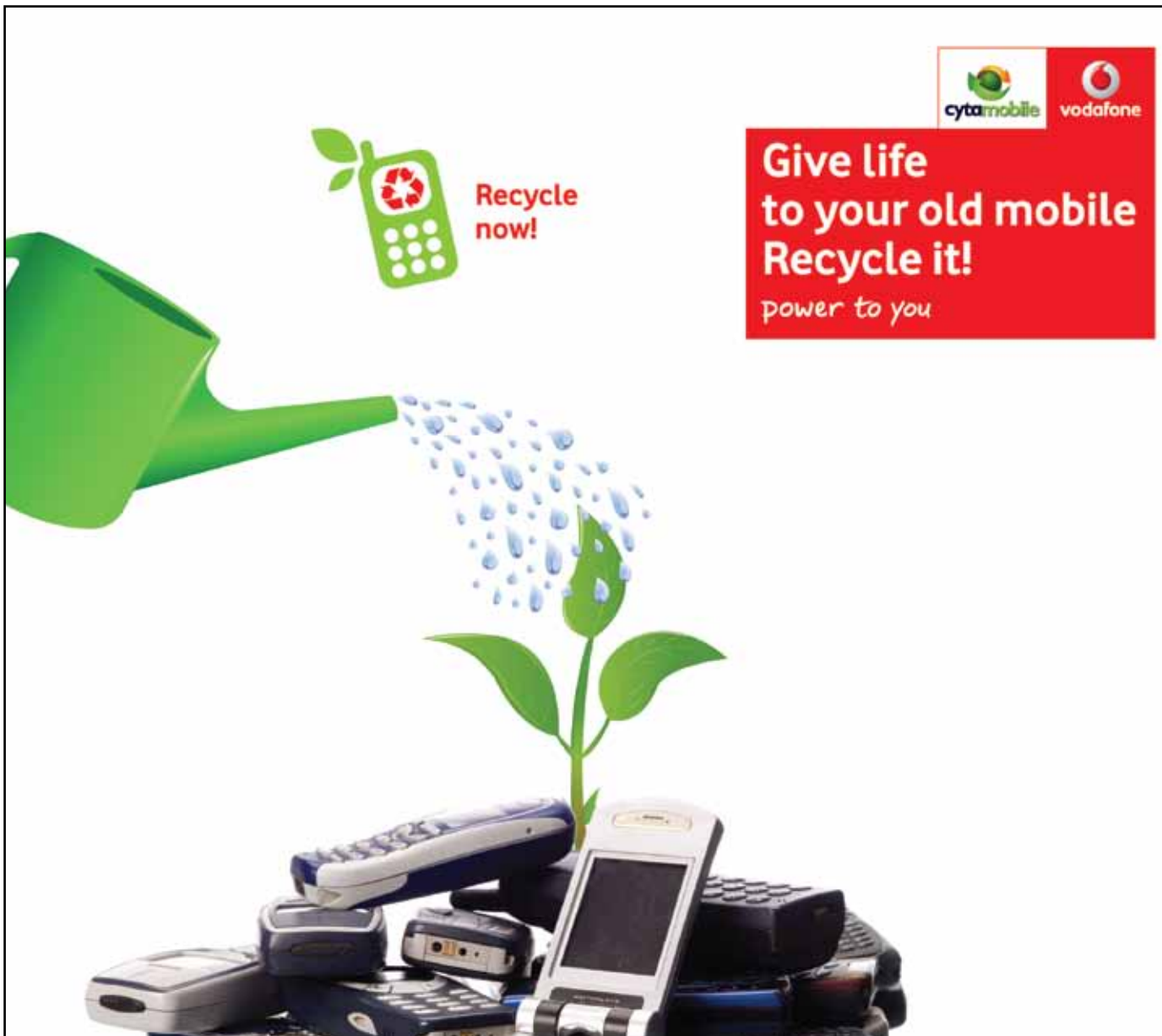
Cyta's participation in dealing with the crisis following the Mari accident

Cyta played a decisive role in dealing with the crisis following the large-scale accident in July 2011 at the Naval Base at Mari. Cyta installed a mobile telephone exchange and supplied those working on managing the situation with satellite phones while giving priority to securing the uninterrupted operation of essential state communications systems.

Furthermore, Cyta brought its backup generators into service, covering the major requirements for its network to function as part of the overall effort to shed load from the Electricity Authority of Cyprus grid. At the same time, it proceeded to order new generators so as to deal with the situation even more effectively. Cyta personnel responded to and cooperated on efforts to save energy by avoiding the use of aircondtioning and lighting at work unless absolutely necessary for the whole of the electricity crisis.

Responsibility to the environment
"Cyta: Leads with environmental solutions"

Recognising the positive and negative impacts of its operations, products and services on the environment, Cyta has been active in this sector since 2001 when its Environmental Policy was formulated.

"Give life to your old mobile phone. Recyle it!"

In 2011, Cyta continued the project it started in 2010 for the recycling and reuse of mobile and fixed phones, chargers and other accessories. During the year under review, in addition to the permanent mobile phone collection points that can be found in all stores on the Cytamobile-Vodafone sales network, collection bins were also placed in company offices and schools and were also to be found at events organised by others such as the Sport for All programme and the 1st Environmental and Recycling Festival held by Green Dot Cyprus.

The aim of the project is primarily to protect the environment and public health from uncontrolled dumping but it also wishes to raise public awareness of and participation in recycling. Proceeds from the mobile phone recycling project are donated to charity. Income from the first year of the project were donated to the "Make a Wish" Foundation for Children with Cancer and Related Illnesses.

No more itemised bills - Saving paper

With the aim of reducing paper consumption, in November 2011 Cyta stopped sending out itemised bills for fixed telephony and Cytamobile-Vodafone mobile telephony. This new green initiative, with our customers' help, brought savings of 86% on the paper required for the printing and mailing of itemised bills. It has been calculated that in the space of one year, some 29 tons of paper will be saved and this saving will be repeated every year.

Using recycled paper

Our environmental policy commits us to promoting more environmentally-friendly products. Since 2010, the monthly Cytavision magazine has been printed on 100% recycled paper. In 2011 the Yellow Pages and Telephone Directory were printed on 40% recycled paper while the Business Directory and the Holiday Guide were printed on 100% recycled paper.

At the same time, as part of our efforts to raise public awareness of the need to protect the environment, we encourage customers to recycle their old telephone directories through Green Dot Cyprus' recycling programmes.

Waste

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, batteries, used cartridges, vehicles and commercial package waste (cardboard and plastic) from its Central Stores.

Awards

Cyta was honoured in 2011 with an award from Green Dot Cyprus during a special event on the occasion of Environment Week for its contribution to efforts aimed at creating a recycling infrastructure and culture in Cyprus. Our Organisation was given the award for being a "Company with a long-term contribution to recycling" while a member of our personnel won an award for being an "Employee of a firm with a major contribution to recycling".

Management

In 2011 our Organisation celebrated 50 years of life and contributing to society and this fact gave us an opportunity to publicise the important work that Cyta has done over the years and its relationship with the history of the country. During the year under review, we strengthened the organisation's position in the market as the leading provider of integrated electronic communication solutions.

Cyta's interest in the welfare of its employees continued in 2011 through the institution of the occupational physician and social workers, support for employees facing problems and events organisation.

Wishing to expand our communication with our customers via the Internet, we launched our presence on Twitter which we integrated into our corporate website. Specifically, we created the @cytacyprus account which aims to present information about new services and products as well as special offers from various sections of Cyta, tips and advice and an opportunity to take part in competitions and draws.

We extended Enterprise Resource Planning (ERP) to cover the full range of the Organisation's financial management activities and to unify the internal human resource and financial management processes. Our ultimate objective is to achieve greater efficiency and productivity through ERP by unifying and automating the organisation's relevant internal processes. We continue to progress, leading Cyta into a long-term IT transformation project, a transformation that is not merely technological but entrepreneurial.

Human resources

Personnel welfare

The institution of occupational physician continued in 2011 with the provision of primary healthcare, examination of employees due to be given permanent posts, the provision of flu injections for vulnerable groups of personnel and more. Furthermore, preventive medical tests were introduced for certain groups of employees. These programmes were aimed at Wired Access Network personnel and those working shifts and included a broad range of clinical laboratory tests.

Furthermore, we strengthened our commitment to the social welfare of our personnel through the services of two social workers and through the organisation of cultural and social events for personnel and their children. At the same time we continued our annual staff social and financial schemes with the creation of another Volunteer Group in Limassol two Single Parent Groups in Nicosia and Limassol respectively, we awarded prizes and scholarships to outstanding students and we continued the retraining scheme for retiring members of staff.

In the field of safety, risk assessment continued for all Cyta's premises, while the precautionary analysis and sterilisation of its water systems was undertaken to combat any possible contamination, including Legionnaires' disease, in all buildings.

Education

In the context of our policy of encouraging life-long learning and the systematic development of our employees, in 2011 we continued to provide many and varied opportunities for training, development and learning, funding their participation in training schemes and programmes in Cyprus and abroad for the development of their knowledge, skills and personal competencies.

Some 68,6% of staff participated in training schemes and programmes in 2011 and the corporate index of

training days per employee was 4,82 (an increase of 32% over 2010), while human resource development as a percentage of payroll was 2,13%. Both personnel development indices compare favourably with those of other successful international organisations.

At the same time, in conjunction with external educational institutes, we designed and successfully implemented a development programme for employees promoted to the ranks of Supervisor, Deputy Head of Department and Head of Department.

We have also started to introduce the institution of Academies and the Customer Service Academy is in the process of being adopted.

In addition to traditional forms of education/development/learning, we also designed or promoted other methods of development such as in-house training with educational material and online learning.

Industrial relations

Maintaining good industrial relations was a crucial factor in Cyta's success during the year under review, to which all involved parties contributed with mutually agreed solutions that were applied to various internal problems that arose.

Recruitment

The recruitment process for Clerks Grade 3 to man the Cytashops with 30 new Customer Service Officers was completed. Additionally, vacancies were announced for Technicians Grade 3, Technicians Grade 3 (IT), Engineers Grade 2, Clerks Grade 2 (IT Staff) and Accounting Clerks Grade 2 (Financial Staff) to cover the Organisation's staffing needs. For the first time we introduced an online recruitment application system which was designed and developed internally by Cyta.

At the same time, we continued to recruit hourly-paid staff (Call Centre Assistants and Sales Assistants) from the reserve list of successful applicants, according to the needs of the Call Centres in Nicosia and Limassol and Cytashops throughout the island.

Communications policy

In 2011 our Organisation celebrated 50 years of life and contributing to Cypriot society and this fact gave us an opportunity to publicise the important work that Cyta has done over the years and its relationship with the history of the country. During the year under review, we strengthened the Organisation's position in the market as the leading provider of integrated electronic communication solutions, since through the provision of reliable integrated electronic communication solutions in a simple, smart and secure way, Cyta contributes significantly to improving its customers' way of life and productivity.

Through its work, Cyta confirms its commitment to reliably offer its stakeholders freedom of choice, movement, expression and potential for the next 50 years.

Continuous progress is one of the Organisation's permanent objectives and we wish to inspire our personnel and, of course, our customers, with the same aim.

Focusing our attention on providing integrated solutions to customers, in recent years we have implemented new methods of brand management. As a result, Cyta now implements a monolithic communications strategy, based on which it invests in and promotes the corporate brand first and foremost and adopts a uniform communications style. This strategy has enabled us to strengthen our corporate brand and to avoid creating or maintaining independent brands. There is now continuity among all the brand's contact points and throughout all promotional activities, which simplifies our communication with customers.

With the aim of reinforcing a uniform style of communication and simplifying further our communication with customers, we adopted a new approach to the presentation of our brand. We created a brand narrative which narrates the place of the brand in the mind of the consumer at any given moment and, at the same time, reflects our values, the promise of the brand and an idea that may lead all our advertising campaigns. This practice is implemented internationally and we are certain that it will strengthen the Cyta brand even more.

With integrated brand management as our aim, we continued to carry out market surveys for the measurement and constant monitoring of our brand value/productivity. The results of these surveys are an important tool in the hands of the Organisation's Board and Management when it comes to decision-making and corrective action, mainly of a commercial nature.

In the course of the 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. The results so far have been more than encouraging in every way.

This gives us the strength to move towards further coordination of important aspects of our brand communication strategy with the aim of focusing on areas that will lead us to the next stage of the relationship with our customers. For the best possible customer service and the achievement of our business and commercial objectives, we have started various projects which deal with the correct diffusion of our values among personnel and the integrated management of the customer experience at Cytashops and other important points of contact. A key aspect of our brand communication strategy is internal communication within the Organisation. With the aim of improving internal communication, areas revealing weaknesses have been identified and a strategy has been developed to resolve them.

Crisis communications management is an integral part of communications management. In collaboration with external consultants, a manual and processes have been developed to deal with crises at communications level with the contribution of the organisation's Board and Management.

We shall continue to invest in our brand so as to strengthen it even more as we look forward to the prospect of the 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 which were distributed to the media throughout 2011. 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 2011, Cyta participated in the Cyprus International Fair with what was, by general agreement, a highly distinctive presence. In its new pavilion, the Organisation presented all the electronic communication solutions that it offers to customers. Part of the pavilion was transformed, thanks to technology, into a guided tour of the past 50 years with a glimpse of the future. Our participation was a journey into the Organisation's development and contribution for the Cypriot citizen, who was urged to imagine tomorrow with Cyta!

The thousands of visitors to the Cyta pavilion had a chance to find out more about and benefit from the many special offers on various Cyta services and products that

were valid for the duration of the Fair. Special offers concerning Cytamobile-Vodafone, Cytanet, Cytavision and Fixed Telephony included special prices for terminal equipment, free installation of services, free subscriptions and lower charges.

"Telecommunications Street"

During 2011 we continued to publish Telecommunications Street, Cyta's monthly newsletter which is distributed to all present and retired members of staff and to external recipients including representatives of the media.

Websites

Our benchmark corporate website **www.cyta.com.cy** is modern and functional, providing easy navigation for obtaining information. Specifically, it enables users to search easily and quickly for information about Cyta products and services, to order a large range of products online, and to check and settle their bills via the ebill service. Moreover, visitors to the corporate website may also access other useful Cyta sites such as those of Cytanet, Cytamobile-Vodafone, Cytavision, the Yellow Pages and the Telephone Directory as well as those of its subsidiaries. Users may also obtain information about our Organisation, Cytashops, Calls for Tenders, Press Releases, Annual Reports, etc.

Wishing to expand our communication with our customers via the Internet, we launched our presence on Twitter which we integrated into our corporate website. Specifically, we created the @cytacyprus account which aims to present information about new services and products as well as special offers from various sections of Cyta, tips and advice and an opportunity to take part in competitions and draws.

Within the Organisation we continue to operate our own intranet, which has been upgraded to a 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

In 2011 considerable progress was achieved on projects relating to corporate performance management, such as computerised project and indicator management and the alignment of strategy at all levels. Furthermore, we continued to work on the project for end-to-end processes management in the Organisation through a study on Terminal Equipment Management.

The Cyprus Excellence Community continued to thrive,

organising an event aimed at Small to Medium-Sized Enterprises (SMEs).

A total of 341 ideas were submitted by 7% of personnel to the idea.click Staff Suggestions Scheme in 2011.

IT applications

We provide IT applications so that the Organisation can carry out its strategy. Our objective is for them to be aligned with our corporate aims and their timely, decisive achievement at low cost in order to maintain the Organisation's competitiveness.

During 2011, we completed several important IT projects for the introduction of new products and services and to increase our efficiency and productivity. With the main objective of supporting our frontline staff, we modernised existing Business Systems wherever possible, while laying the foundations for their renewal.

We extended Enterprise Resource Planning (ERP) to cover the full range of the Organisation's financial management activities and to unify the internal human resource and financial management processes. Our ultimate objective is to achieve greater efficiency and productivity through ERP by unifying and automating the organisation's relevant internal processes.

We improved the Business Intelligence infrastructure with the aim of transforming corporate data into useful information. The information is gathered in a unified work environment, providing easy and fast processing of data, combined information, warnings and predictive tools. In this way we assist in the better understanding of market behaviour and the identification of business opportunities.

We continue to progress, leading Cyta into a long-term IT Transformation Project, a transformation that is not merely technological but entrepreneurial. In 2011 we reached the stage of selecting a partner for the IT Transformation Project following a Call for Tenders.

Financial management issues

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

For this reason we ensure that we provide timely financial information for decision-making, for the implementation of strategic development projects and for the evaluation and management of financial business efficiency. Financial information is made available in accordance with International Financial Reporting Standards. We ensure the equitable management of reserves and apply best practices to financial systems. At the same time, we ensure the proper costing and charging of products and make every effort to maintain possible risk at low levels.

In 2011 we completed the implementation of the unified Enterprise Resource Planning (ERP) environment. That is to say, we unified almost all financial and management activities, from placing orders and monitoring stocks to paying suppliers and monitoring cash in registers, as well as entering accounting documents into a system. In this way we removed the interfaces between systems and introduced more user-friendly tools. The unified environment will enable a speeding-up of processes, financial savings and the further upgrading of financial information.

Regulatory issues

During 2011, Cyta participated in public consultations on market analysis and completed important work such as the preparation and publication of the Offer for Wholesale Services.

Support infrastructure

An essential part of the smooth running of Cyta is due to the best possible, most efficient and most integrated management of its support infrastructure, i.e. among other things, land, buildings, vehicles and mechanical means as well as security, fire protection and guarding systems.

Buildings

During 2011, we continued to plan new buildings and to carry out the upgrading, antiseismic reinforcement and extension of existing buildings all over Cyprus. An important new construction project in 2011 was the new technical building at the MAKARIOS Earth Station which houses the portal for monitoring the satellite belonging to Avanti Communications plc. The project was designed, constructed and delivered in an extremely short time, within a very strict timeframe. As regards the upgrading of existing buildings, we issued and awarded a tender for the anti-seismic reinforcement work on the ELECTRA building. In the context of developing the Cytashop network, we issued tenders for the Agia Phyla Cytashop in Limassol, adopting the design that was created in accordance with the Customer Experience concept, while finalising design work on the Lykavitos Cytashop in Nicosia. As for the *Telefone* chain, we completed the stores

in stage 1 and at the same time we finalised the design of the stores in stage 2 and proceeded to construct them.

In the framework of the support services that we provide to Cyta Hellas, we designed and prepared tenders for the stores in Volos, Larisa, Piraeus, Patras, Zographos and Peristeri. We also designed the Thessaloniki Data Centre.

We continued with excellent results to provide services for the development of the mobile telephony network, both with construction work at base stations and the preparation and submission of applications for planning and building permission.

Regarding cleaning and hygiene services management, efforts continued to successfully provide a high standard of service while we once again held training seminars for cleaning staff with the aim of obtaining overall improvements.

Electromechanical services

During the year under review we began to implement the Islandwide Fire Protection System. The first trial phase, fully covering five buildings, was successfully completed and we began to implement phase 2 which will cover the remaining buildings. Moreover, we proceeded to replace a large amount of electromechanical equipment and systems with the aim of further improving the reliability of the services that we provide. Furthermore, we signed contracts for the introduction of a vehicle fleet telematics system to the Organisation.

In the context of our implementation of the principles of Sustainable Development, we continued to replace old and energy-inefficient vehicles with new generation ones with the aim of reducing fuel consumption and emissions. Furthermore, we continued our cooperation with the Cyprus University of Technology and, at the same time, took various measures to reduce electricity consumption.

Security

In 2011 we completed the second phase of the project to upgrade the Islandwide Security System. The upgraded system employs state-of-the-art technology with multiple applications and resolves problems caused by the huge area it covers and by the age-related limitations of the existing system. At the same time we continued to expand the Islandwide Security System with the installation of new electronic access monitoring points and terminal equipment for the Electronic Timekeeping System and the implementation of the Trespassing Detection Subsystem. We also placed considerable emphasis on improving 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

In 2011, the Organisation's Central Stores continued to send materials and equipment abroad for repairs and to receive, store and distribute materials and equipment.

Following the relevant study and approval, we acquired new, up-to-date purchases and asset management software, which has been designed for the Central Stores. This project, in conjunction with the reorganisation of the entire supply chain (relocation of the Central Stores out of town and their upgrade to a Materials Distribution Centre) is expected to make a positive contribution to increasing productivity.
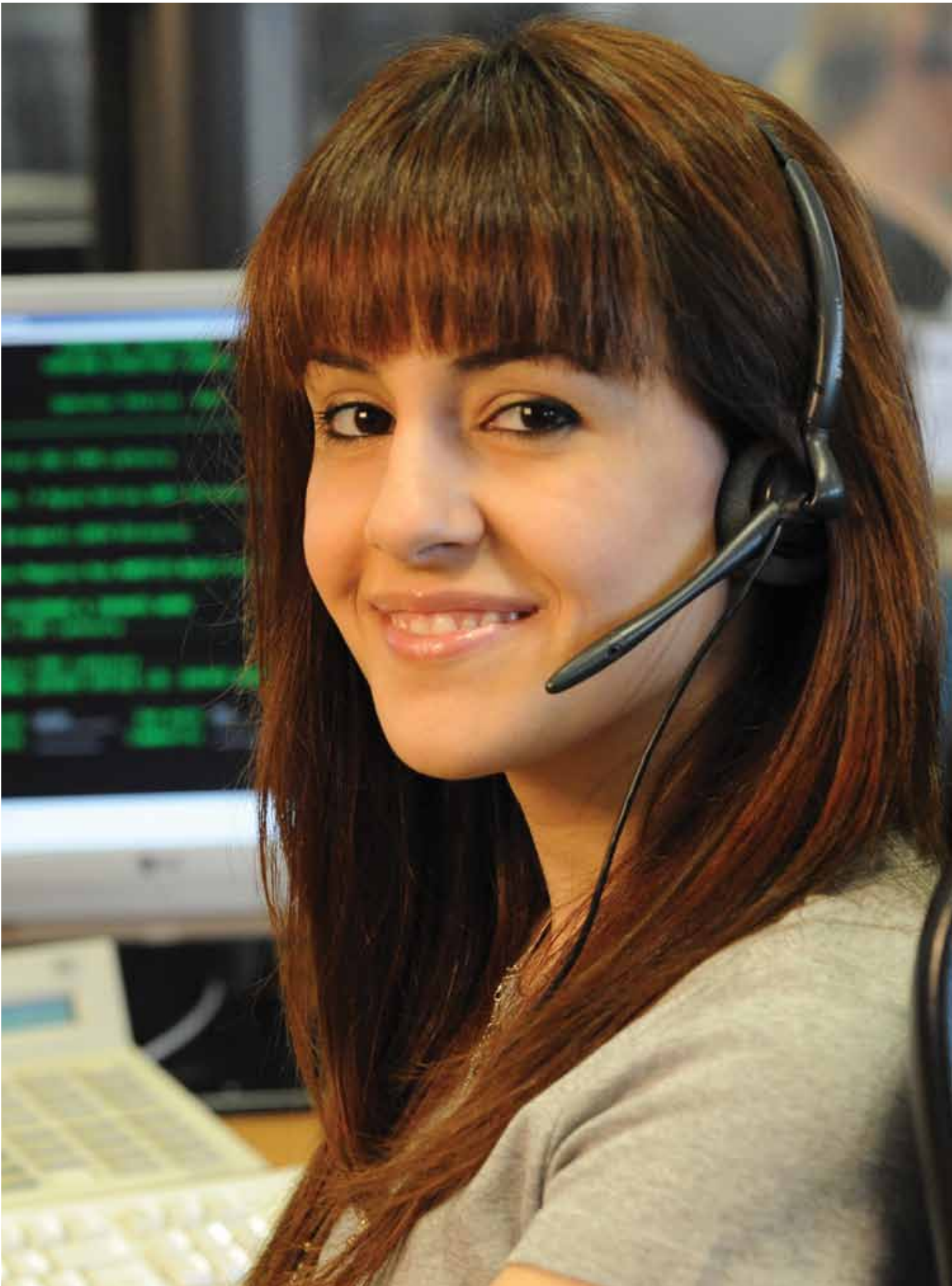
Products and
Customer service

We continued to enrich the value proposal to customers with the commercial launch of the Talk & Save Fixed Telephony discount schemes which apply to our customers' national and international calls to any fixed or mobile number in Cyprus (on the Cyta network) or abroad and offer discounts of up to 20%.

In October 2011 we introduced with tremendous success the pioneering MakeYourOwn programme, by which Cytamobile-Vodafone customers can choose from more than 500 combinations to create a package containing talk time, text messaging, Mobile Internet and a new phone, adapted exclusively to their own personal needs.

Regarding broadband Internet access, we increased DSL Access and Netrunner (Cytanet) speeds while introducing new choices of speed. We proceeded to unify DSL Access and Netrunner in a single Internet product.

From January 2011 we started to enhance the content of Cytavision with new channels such as the National Geographic Channel, LTV Sports HD and LTV Premier HD and the Disney Channel, as well as four Novacinema channels and six Novasports channels.

In the framework of the new Customer Experience strategic pillar, we completed the design of the retail sector pilot scheme concerning the Customer Experience Cytashops Redesign and introduced it to the Agia Phyla St. Cytashop in Limassol. The main objective is the creation of a model for modernising all Cytashops by ensuring that they reflect the values of the Cyta brand and, above all, the provision of conditions of service that create a pleasant experience for customers and personnel alike.

RETAIL PRODUCTS

Fixed Telephony services

Remaining true to our commitment to provide top quality, reliable fixed telephony solutions with respect for our customers, we implemented a range of projects with the aim of increasing incentives to use Fixed Telephony.

We enriched the value proposal to customers with the commercial launch of the Talk & Save Fixed Telephony discount schemes. These schemes apply to residential and business customers' national and international calls to any fixed or mobile number in Cyprus (on the Cyta network) or abroad and offer discounts of up to 20%. The Talk & Save Friends scheme is for customers who make regular calls to specific numbers, Talk & Save Home is for those whose calls are of long duration, while Talk & Save Business is for customers with large telephone bills.

In addition to introducing these new schemes, we expanded the range of Fixed Telephony services in response to the increased needs of our customers. Thanks to its low charges, Fixed Telephony is the most economical means of communication.

In 2011 the number of customers of the innovative Broadband Telephony service (BBT Home) continued to grow rapidly, taking advantage of the ability to provide a number of telephone lines on the same premises, enabling each member of the family or company to have his/her own number at low cost. BBT Home customers can also make voice and video calls by telephone or from a computer with a camera and microphone/headset.

Mobile communications

Cytamobile-Vodafone

Carefully monitoring international developments in the mobile telephony sector, we continue to operate and grow in a dynamic environment, seriously aware of our responsibilities towards society, and we remain consistently the first choice for mobile telephony in Cyprus.

During the year under review, our portfolio was enriched even further with new and upgraded services.

- **MakeYourOwn**
  In October 2011 we successfully introduced the pioneering MakeYourOwn programme, by which Cytamobile-Vodafone customers can choose from more than 500 combinations to create a package containing talk time, text messaging, Mobile Internet and a new phone, adapted exclusively to their own personal needs. MakeYourOwn is aimed at both new and existing pay monthly (Classic, Light) and soeasy pay as you go customers.

- **Mobile Internet**
  Following global trends with the aim of satisfying the personal needs of our customers for Internet access from their mobile phone or laptop computer, we launched new Mobile Internet price packages and new Vodafone Mobile Broadband plans.

- **Vodafone Mobile Broadband Pay As You Go**
  Further enhancing our customers' choices, we introduced the prepaid form of the Vodafone Mobile Broadband service, enabling them to have Internet access whenever, wherever and however much they want via a laptop without contracts or commitments.

- **Content services**
  We enhanced content and developed new services such as Welcome Tones, which lets subscribers replace the classic call tone with music of their choice from a wide range of songs.

- **International roaming (voice calls and texts)**
  During 2011 the number of international roaming agreements with foreign networks for pay monthly customers reached 378 in 169 countries, thereby enabling our customers to make even greater use of their mobile telephones while abroad through the constant addition of new destinations. From July 2011,

we offered Vodafone Passport to pay monthly and soeasy pay as you go customers, enabling them to talk easily while travelling in countries of the European Union. The number of International Roaming Agreements with foreign networks for direct calls by soeasy pay as you go customers rose to 113 in 66 countries. For the remaining 103 countries and 265 networks with which we have International Roaming Agreements, customers can make calls by using the code *111*. Pay monthly customers of 116 foreign networks in 67 countries may also make direct calls when visiting Cyprus.

- **International roaming (for data transfer)**
  For our customers who travel abroad and for whom data transfer is important for personal or professional reasons, we increased the number of International Roaming Agreements for 3G/GPRS with foreign networks to 229 in 102 countries, expanding further the services available. Customers have easy access to the Internet and e-mail via their mobile phone and they can also use Mobile Internet and BlackBerry® from Vodafone to keep in constant contact with their office and associates while abroad. Customers of 241 foreign networks in 103 countries can do the same when visiting Cyprus.

On 1 July 2010, we applied new regulated international roaming charges for the 5th consecutive year in the framework of our compliance with the European Regulation on International Roaming.

Cytanet Internet services

Acknowledging our responsibility as the biggest Internet Service Provider in Cyprus, we continued to thrive in 2011, thanks to significant network development projects and our provision of upgraded services at more attractive rates.

Placing emphasis on improving the quality and reliability of the network and, by extension, of the services we provide, we increased DSL Access and Netrunner (Cytanet) speeds in February 2011 and at the same time introduced new higher speeds. We also unified DSL Access and Netrunner in a single Internet product. To this end, a series of technical upgrades was implemented, giving customers even better quality of service, an improved Internet user experience, an easier connection process and a simpler, unified bill for the new product.

We also continued to upgrade the Cytanet network's internal connections with Ethernet 10Gbps connections. The total capacity of our connections to the global Internet is now in excess of 27Gbps.

During 2011, with the objective of expanding broadband to even more areas, we proceeded to further extend our network in suburban and rural areas, achieving 98% coverage of telephone connections and significantly increasing our customer base.

- **Special offers and charges for specific customer groups**
  In 2011 we expanded our special offers for specific customer groups, such as students and large families. We also offered free three-month subscriptions to new customers at the start of the new school year.

- **Live Streaming**
  We upgraded the service so as to provide a better online viewing experience for those watching live or recorded games of the Cyprus football championship, basketball, international tournaments and other sporting events. Specifically we introduced Adaptive Streaming (Adobe Flash) technology to the service.

- **Expansion of the Cytanet Wireless Zone's WiFi network**
  2011 was the year when we operated more than 100 WiFi Hotspots around the island, thereby making the Internet more accessible outside the home. We made it faster and easier to locate Wi-Fi Hotspots by enabling customers to find them using Google Maps.

- **Web Hosting**
  We upgraded the Web Hosting service so as to give customers an even better quality of service and an improved user experience. Specifically, we introduced new large-storage services and discontinued low-storage products, reduced charges and upgraded the additional facilities that come bundled with the products.

- **Safer Internet education**
  For the eleventh consecutive year we continued our presentations entitled "The Internet: A Tool for All" in state primary, secondary and technical schools and in private schools in collaboration with the Ministry of Education and Culture. During the 2010-2011 academic year, 101 visits were made to schools where 10.934 pupils and teachers attended the presentations. In total, since the 2001-2002 academic year, 580 schools have been visited and 63.185 pupils and teachers have attended the presentations.

Cytavision subscriber television platform

Cytavision is the most well-rounded subscriber television platform in Cyprus.

Our strategy is to offer customers an attractive package which is worth more than the cost of providing the service. To achieve this we focus on two key features: on the breadth and quality of content and on innovation.

Regarding quality, our main concern is to provide quality content and to constantly enhance it in order to satisfy all our customers' needs, focusing on Premium sports content and specifically on Cypriot and European football, on movies and series such as those on Universal Channel and FX, on quality documentaries from channels such as Discovery and National Geographic, on children's channels such as Disney Channel, Baby TV and many more.

Our customers have access to more than 70 channels catering for all interests: sport, movies, documentaries, children's programmes, news, music and lifestyle, depending on the package they select.

At the same time, they can watch more live and exclusive broadcasts of top football matches and other sporting events than anywhere else.

Innovation lies in the upgrading of the interactive element and improvements to the customer experience through a number of interactive services such as Video on Demand for renting movies, Time Shifted TV which allows customers to watch programmes on Cypriot channels whenever they like, and Pay per View, for watching football games of their choice for an additional one-off charge each time.

It should also be stressed that the Cytavision platform features a parental control system and a content monitoring system which guarantee that only age-appropriate content is watched by viewers.

In the course of 2011 we proceeded with a number of projects supporting the two key aspects of our strategy

and thereby substantially increased Cytavision's subscriber base:

- **Popular new channels**
  From January 2011, we improved our content by adding new channels covering different areas of interest: sport, children's programmes and documentaries. Specifically, in January 2011 the National Geographic Channel (NGCI), one of the most popular TV channels in the world, was added to our schedules. In March we added LTV Sports HD and LTV Premier HD for sports fans while in June, what is possibly the world's most popular children's channel, the Disney Channel, became an instant favourite with younger viewers. These channels were included in Cytavision's Full Pack at no extra charge.

- **Novacinema and Novasports on Cytavision**
  In December 2011, Cyta signed a contract with Nova Greece which we consider to be a major success and one that has opened up new horizons for Cytavision. The result of this deal is our bouquet of channels being further enhanced by the addition of the four Novacinema and six Novasports channels. The agreement also means that our subscribers can watch Greek Superleague football and Euroleague basketball live.

- **New arrangements for live sport**
  During the year we signed significant agreements concerning live sport to satisfy our sports-minded subscribers. We secured exclusive rights to screen league and cup games from 17 Cypriot teams (1st and 2nd divisions) until 2016 as well as important European football, basketball, volleyball and tennis matches and Super League Formula.

  Moreover, in December 2011, we signed an improved deal for the transmission of UEFA Champions League football for the 3-year period 2012-2015. The agreement provides for the live transmission of all UEFA Champions League matches (playoffs and Group stage).

  We further improved things for sports fans by adding three live studio programmes with discussions, guests, predictions and analysis. We also introduced new custom-made graphics to our live transmissions with statistical analysis and more detailed information.

  From 1 July 2011, all Cypriot free-to-air channels broadcast digitally. In the new digital era, our subscribers were at an advantage because they did not need to purchase an additional digital decoder or an MPEG4 TV since Cytavision broadcasts all these channels with digital picture and sound via its own Set-Top Box.

National private leased lines

In 2011, national private leased lines remained among the options available to business customers for the transfer

of data, offering a wide range of low and high speed services. With WDM technology, speeds of up to 10Gbps are possible.

During the year 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.

Telematics solutions

Telematics solutions provide small to Medium-Sized Enterprises (SMEs) economical, easy-to-use online software applications, payable by monthly subscription. In 2011 we enhanced our product portfolio with a logistics application and three new vehicle fleet management solutions At the same time we reached agreement with various companies in order to expand the portfolio of available solutions. Specifically, contracts were signed for the development of services in the areas of Enterprise Resource Planning (ERP) systems, Payroll Management, Security, Logistics and Digital Signalling, which are due to be launched commercially in 2012.

National television broadcasting

The national television broadcasting service enables TV stations to cover a variety of events with reception and transmission in Cyprus. Via this service, live broadcasts can be made from any venue and recorded highlights transmitted, through the provision of part or all of the telecommunications link to the TV station. The year under review saw the successful TV coverage of the parliamentary and municipal elections, with the latest developments being transmitted from eight different locations to the studios of seven TV stations.

Hosting/Collocation

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

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

Ethernet services

2011 was another successful year for our Ethernet Business Networking services which continued to attract major business customers. The E-Line and EVPN Ethernet services enable high-speed, low-cost telecommunications traffic transmission (voice, data and images) between two or more points within an enterprise.

The main advantages to customers of these services over other networking options are higher connection speeds of up to 1Gbps, lower cost and easier installation. They offer various connection options and data transmission prioritisation with three service quality levels (Gold, Silver and Bronze), to cover each business customer's particular requirements at low cost.

E-Line and EVPN have Cyta's new Ethernet/IP network as a common infrastructure. The network, which was designed to international specifications and provides islandwide coverage, is characterised by its reliability, security and the ease with which it can be extended and centrally managed. Monitoring by Cyta of all network equipment and the natural infrastructure guarantees the most efficient operation of end-to-end protection mechanisms and, by extension, the reliability of the services provided.

Customer service

Implementing our strategy to come closer to our customers, in recent years we have placed great emphasis on reinforcing our Sales Network, focusing on the development and upgrading of our stores in terms of their appearance and commercialism. In 2011 we opened a new Cytashop at Latsia, Nicosia and the Strvolos Cytashop was given a facelift. In response to customer suggestions, we paid particular attention to extending Cytashop opening hours with the ultimate aim of making them the same as those in the rest of the market.

Through the sales network of our partners we continued to be close to our customers, giving them the opportunity to obtain service from more points of sale in the towns and broader districts. We strengthened and deepened our cooperation, constantly enhancing the range of products and services available through our partners' stores with the firm objective of providing the best possible customer service.

In the framework of the new "Customer Experience" strategic pillar, we completed the design of the retail sector pilot scheme concerning the "Customer Experience Cytashops Redesign" and started the pilot project at the Agia Phyla St. Cytashop in Limassol. The main objective is the creation of a model for modernising all Cytashops by ensuring that they reflect the values of the Cyta brand and, above all, the provision of conditions of service that create a pleasant experience for customers and personnel alike.

The main philosophy behind the "Customer Experience" project is based on the central value of the Cyta brand, which is "Freedom-Empowerment". This will be visible throughout the design of the new Cytashops, specifically in the customer journey, in the new customer service principles based on the new roles of the Cytashop personnel, and also on the layout and positioning of furnishings and other equipment.

The main innovations planned for the "Customer Experience Cytashops" are:

1. Freeing the customer from having to queue through an automated customer waiting management system.
2. Particular emphasis on freedom of movement in the experience zone, where services and products are displayed in such a way that the customer can actually use them.

3. Free availability of all accessories displayed on the shelves.

4. Protection of everything that is freely available (devices and accessories) by a modern anti-theft system.

5. Support for customers inside Cytashops through two additional customer service roles: Reception and Technology Expert.

6. Promotion of products and services through interactive means.

Thanks to the great flexibility regarding choice and products, our specialist network of Telecommunications Consultants provides an upgraded personal service to major customers and small to Medium-Sized Enterprises (SMEs). Each company can select the ideal and, at the same time, most economical solution for its particular needs, combined with the optimisation of financial gain and Cyta's quality. Moreover, our specialist Consultants initiate telephone contact with smaller businesses and freelance professionals with a view to handling issues of concern to them.

Our aim is to provide integrated solutions which arm professionals with autonomy and flexibility in their chosen sector, thus rendering their business more efficient and, by extension, more competitive. The development, reinforcement and maintenance of mutually beneficial long-term relations with customers, combined with the chance for them to enjoy an excellent experience, are the basic components of our approach: "Get close to business and next to the professional in order to touch the world together." To this end we give our employees a high level of technological know-how and advanced tools that correspond fully to our customers' demands.

Through the Cyta Call Centre (CCC) we offer high-quality telephone assistance via the islandwide number 132. Customers can obtain information about our products, place orders, report possible faults to their services and receive technical support. The Call Centre also provides service to customers of Cyta Hellas and thus makes an active contribution to the successful expansion of the Organisation's activities in the Greek market.

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 corporate website **www.cyta.com.cy**. The website provides easy and fast access to information on Cyta's products and services, and enables online ordering and purchases (mobile phones, laptops, tablets, etc.) Moreover, the ebill service has been integrated into the website, enabling customers to obtain billing information and to settle their bills.

We also created a twitter account (@cytasupport) with the aim of instantly resolving problems and answering queries, which is available to serve customers Monday-Friday 08:00-24:00 and at weekends 09:00-24:00.

Our technical staff, backed by a new task management system, upgraded equipment and their own constantly enriched knowledge, are able to respond to any customer request for support to resolve problems that may arise. Through preventive action to guarantee the quality of the services we provide, both on the Cyta network and on our customers' premises, we achieve to the highest possible degree the uninterrupted operation of our services and, by extension, of our customers' own operations.

Every contact with customers is a unique experience for us and for them. We encourage our customers to share these experiences with us by submitting suggestions and/or complaints and completing customer satisfaction surveys in order to give us their views about the service/assistance they have received so that we can make further improvements to it and to the services they are using.

The latest editions of the printed Yellow Pages, Telephone Directory and Business to Business Directory were published in 2011, updated with all the latest information on companies and individuals, together with the Cyprus Holiday Guide. Thanks to the amount of information they contain, our publications are unique information research tools and, at the same time, an effective means of promoting businesses, products and services. Featuring data that is refreshed daily, all the directories are also available online at **www.cytayellowpages.com.cy**
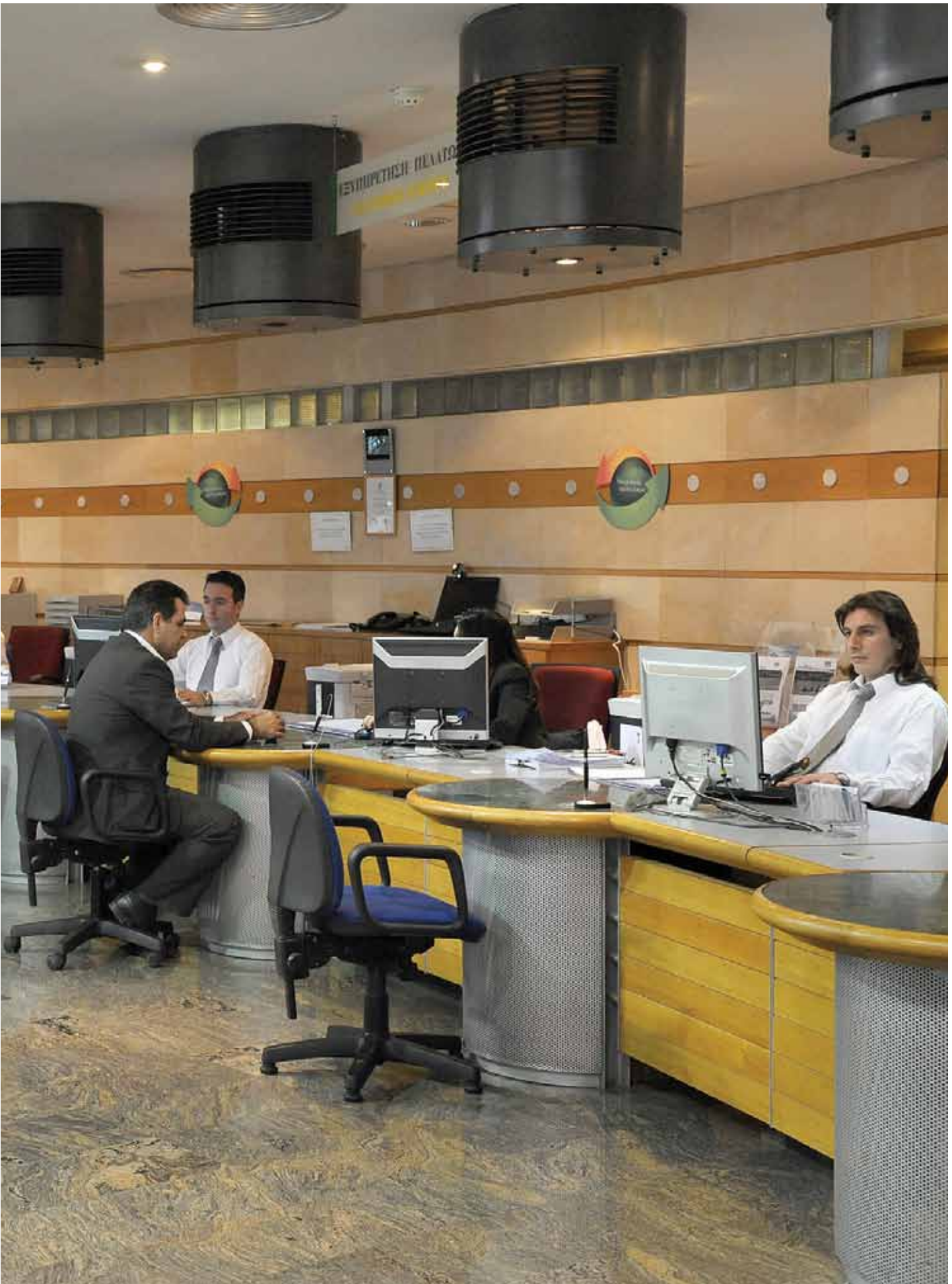
National market

In 2011 we continued to supply national alternative providers of telecommunications services with high-quality wholesale products in a free telecommunications market in the context of the regulatory framework and in accordance with the principles of transparency, non-discrimination and cost-orientation. We drew up agreements with a host of national telecommunications service providers for the provision of wholesale products relating to telephony, broadband services, access to and leasing of infrastructure and other services, offering the necessary support. We reviewed the templates for tenders and agreements and developed and upgraded support systems and processes for the provision and management of high quality products and services. The national wholesale products and services portfolios are the following:

Interconnection and mobile telephony portfolio

The Interconnection and Mobile Telephony Portfolio includes products relating to Interconnection, Wholesale Leased Lines, National Roaming, Access to Cyta's Mobile Network and Mast Collocation.

Interconnection enables national providers to connect their networks to Cyta's fixed and mobile telephony networks. Interconnection takes place on predetermined nodes on Cyta's networks via interconnection links and enables the termination of telephone traffic between networks.

Wholesale Leased Lines are circuits on the Cyta network that are leased to national providers, enabling them to interconnect nodes on their networks or on their customers' networks to their own network.

National Roaming gives national mobile telephony providers access to Cyta's mobile network. National Roaming allows subscribers of these providers to use Cyta's mobile network in areas not covered by the national provider's own mobile network.

Access to Cyta's Mobile Network enables national carriers to provide mobile telephony services to their subscribers via Cyta's mobile network. Cyta offers alternative access arrangements to Service Providers, Enhanced Service Providers and Mobile Virtual Network Operators. In May 2011, Cyta's first Mobile Virtual Network Operator was brought into service.

Joint installation in Portals lets national providers of mobile telephony use Cyta's mobile communications network portals for the collocation of their own equipment.

Telephony and broadband portfolio

The Telephony and Broadband Portfolio includes products relating to Carrier Selection and Pre-selection, Wholesale Line Rental, Wholesale Broadband Access/Bitstream/Naked DSL, Number Portability and Access to the Telephone Directory Data Base.

Carrier Selection allows Cyta subscribers to choose an alternative national carrier for call distribution by dialling the carrier code. The choice of national carrier by Cyta subscribers is on a per call basis. Carrier Pre-selection enables Cyta subscribers to choose another national carrier for the distribution of national and/or international calls without the need to dial a special code per call.

Wholesale Line Rental lets national carriers lease the voice zone of the frequency range of the subscriber's telephone line. This product is offered with Carrier Pre-selection on PSTN, ISDN-BRA and ISDN-PRA telephone lines. Subscribers receive a single bill for the line and calls from the national carrier.

Wholesale Broadband Access enables national carriers to offer broadband services to their customers via Cyta's broadband network.

Number Portability lets subscribers keep their telephone number when they change provider.

Access to the Cyprus Telephone Directory Database gives national carriers providing Directory Enquiries Services access to Cyta's Cyprus Telephone Directory Database. The database contains basic information (full name, address and telephone number) on the fixed and mobile telephony customers of Cyta and other national carriers. Each national carrier is obliged to add to the database information on its own subscribers who have asked to be included.

Infrastructure access and leasing portfolio

The Infrastructure Access and Leasing Portfolio includes Local Loop Unbundling, Building & Duct Collocation.

Local Loop Unbundling lets national carriers lease Cyta's copper access network in order to provide voice and broadband services to their subscribers. The national carrier's network is connected either at Cyta's main distribution frames or cabinets.

Collocation on Premises and in Ducts enables national providers to lease Cyta's infrastructure (buildings, forecourts, cable ducts) for the collocation of their equipment.

International market

In 2011 we continued to offer high quality international wholesale products and services under the Cytaglobal sub-brand to internal and external customers such as local and international carriers, business customers and other partners. We signed bilateral agreements for the provision of wholesale international telephony products for physical and virtual international private leased circuits, Internet access, leasing and concession of international network infrastructure and other services, offering the necessary uninterrupted customer support. The portfolios of international wholesale products and services are analysed below:

Cable and satellite interconnection portfolio

We provide cable interconnections including indefeasible right of use or lease of cable capacity to local and international carriers, interconnection of international capacity via national networks as well as extended international capacity from its cable landing stations to equipment collocation premises of licensed national carriers. Additionally, products for the resale of space segment capacity, satellite links and facilities are offered. These include the provision of specialised satellite links, international satellite telephony, satellite monitoring and maintenance services, satellite links for the large-scale provision of Internet and data services, collocation and VSAT services and radio/TV programme relay products.

Internet and data portfolio

We provide business and wholesale customers with high quality end-to-end solutions for international Internet access and data transfer.

Through links to nodes on Cyta's networks in Cyprus or those of our partners abroad, we provide wholesale customers and Internet Service Providers with high quality protected access to the global Internet by the use of a variety of technologies and routing protocols and with backup capacity availability in the form of bandwidth-on-demand.

Via the CytaWorld.Net platform based on state-of-the-art technology and nodes in Nicosia, Athens and London and other international extensions, we offer International Virtual Private Circuits (MPLS-VPN) as well as International Ethernet-over-MPLS (EoMPLS) circuits via a reliable cable infrastructure with full network and equipment protection. Products are offered as point-to-point and point-to-multiple points while voice, data and image transfer are enabled via different classes of service, guaranteeing a plethora of applications and solutions adapted to our customers' needs. We provide 24-hour technical support while high quality is guaranteed through Service Level Agreements.

We also offer business and wholesale customers international interconnections for data transfer at guaranteed speeds via Frame Relay products at access speeds from 64kb/s to 2Mb/s and via ATM products from 2Mb/s to 155Mb/s. These products are available through special collaborations between Cyta and international providers of Frame Relay and ATM services.

Additionally, we offer International Private Leased Circuits which are ideal for applications requiring transparency of capacity without using a protocol for reliable and fast data transfer. International Private Leased Circuits are usually provided via submarine fibre optic cables at speeds ranging from 64kb/s to 1Gb/s with SDH-TDM interfaces or Ethernet-over-SDH (EoSDH). The extensive international cable network and the multiple landing stations of Cyta and its associates guarantee interlinkability and total protection. Transparency of capacity, which is available to every customer, is always guaranteed for exclusive use, enabling the interconnection of different

types of terminal equipment for the transmission of voice, image and data to multiple applications. Customers receive personal service, through a business consultant, and 24-hour technical support.

Wholesale international telephony portfolio

We offer products for international outgoing traffic to fixed and mobile telephony networks in most international destinations. They are offered on a wholesale basis to internal customers, to satisfy Cyta's retail customers and for resale to licensed providers in Cyprus. For the provision of international outgoing telephony, Cyta maintains direct connections with more than 60 telecommunications organisations worldwide, guaranteeing competitive terminal charges and top quality alternative routing. With automated processes and specialist software, we support multiple routing to international softswitch exchanges. In this way we achieve optimum routing for quality and price with the aim of offering excellent quality international telephony at competitive prices. At the same time, we provide international correspondents with termination of incoming traffic on the fixed and mobile networks of Cyprus as well as international and universal freephone call products for business customers who wish to receive free calls from abroad.

Additional services portfolio

We provide specialised and personalised products which add value and support to a broad range of international telecommunications products. These services include support consultancy services to business customers and international correspondents, international telephone traffic statistics and forecasts, international media restoration services, telephone traffic management services, consultancy services for the administration of submarine cable systems and signalling services for international roaming facilities for mobile telephony.

FACILITIES TO THIRD PARTIES

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 Nicosia Flight Information Region (FIR).

The support provided serves the needs of the Department of Civil Aviation which are based on international standards and the 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, ILS, DME and DF at Larnaca and Paphos airports.

Services to the Department of Merchant Shipping

We 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 Joint Rescue Coordination Centre 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, mainly for the preparation and distribution of Weather Forecasts and Flight Plans.

Services to the Joint Rescue Coordination Centre (JRCC)

In the framework of providing technical support for the JRCC, we successfully undertook its relocation from Larnaca Airport to its own new premises in Larnaca. At the same time we proposed a new cooperation agreement which is due to be examined in 2012.

Subsidiary
companies

Digimed Communications Ltd

Digimed Communications Ltd is a wholly-owned subsidiary of Cyta, which was created with the aim of realising the strategy for the vertical and horizontal expansion of the Organisation's activities in Cyprus and abroad.

The pressure of increased competition in the local and international markets, together with the slowdown in business activity as a result of the global financial crisis, make Digimed's contribution to the Organisation's response to the challenges of today's telecommunications business environment a necessity.

The alignment of the subsidiaries with the Organisation's strategic and business objectives of expanding abroad and completing its portfolio of products in the local market, through the coordination and support of its subsidiaries in collaboration with the relevant management unit of Cyta, remains Digimed's top priority, along with creating synergies among Cyta's subsidiaries.

Providing support to Cyta Hellas SA, which represents Cyta's most significant investment to date in Cyprus and abroad, remains the company's main objective.

Cyta Hellas SA

2011 marked a turning point for Cyta Hellas, firstly because during the first two months of the year it completed its planned entry into the Attica region market which is the biggest and most competitive market in the whole of Greece, and secondly because in the middle of the year it started offering services in twelve major cities (Chalkida, Karditsa, Trikala, Ioannina, Corfu, Kilkis, Serres, Drama, Kavala, Xanthi, Komotini and Alexandroupolis),

thereby covering the majority of the large urban centres in mainland Greece.

As a consequence of this expansion, Cyta Hellas grew even faster in 2011 than in 2010, with the number of customers increasing from 127,500 to 237,200 (a rise of 86%) despite the fact that its competitors already had a commercial presence in the new areas of activity. Customers' trust in Cyta Hellas was clear from the very low rate of customer churn compared to the rest of the market and from the fact that from the second quarter of the year and afterwards, the company attracted by far the greatest number of new customers compared with its competitors.

Cyta Hellas was a pioneer in the area of new products and was the first to introduce to the Greek market:

- Cyta Communicator, an Internet telephony product linked to the customer's 2play bill,
- an integrated 2play product based on VDSL2+ technology (pilot operation, December 2011) and
- SIP Trunking (telephony for businesses with IP exchanges) for the business market.

By December 2011, the company's own optical network was some 2.500km in length and there were 331 exchanges to cover the services. Investing in a direct relationship of trust with its customers, by the end of 2011 Cyta Hellas had opened 18 Cytashops and two franchise stores, and it had a large number of technicians in all areas of its activity ready to provide the best possible service to its subscribers.

During 2012 a large number of exchanges will be activated in the Attica region together with 13 large exchanges in rural areas through which it will cover almost 68% of the country's available telephone lines.

Furthermore, the company plans to extend its optical network with the objective of covering the greater part of the areas in which it is active mainly via its own infrastructure. In this way the company will, on the one hand, be able to reduce its operating costs with a parallel increase in its value and, on the other, improve the quality of the services it provides.

The company's strategic aim remains that of achieving operating profitability by the end of 2012 and overall profitability (EBIT) during 2013.

Cyta UK Ltd

Cyta UK has its own high-tech telecommunications node, based on the MPLS protocol, using media gateway equipment and housed in London. The node is part of the CytaWorld.Net international network owned by Cyta. It is linked via a Cyta-owned submarine optical ring to similar telecommunications nodes in Nicosia and Athens owned by Cyta and CytaGlobal Hellas SA respectively.

In conjunction with Cyta and Cytaglobal Hellas SA, the company provides international virtual private network leased connections based on MPLS-VPN and EoMPLS protocols to providers and corporate customers in the United Kingdom and elsewhere while it also offers occasional collocation services, local loops and other local interconnections on a resale/leasing basis within the UK via its associates and other subcontractors. The company is also in a position to offer, in conjunction with Cyta, wholesale interconnection services for voice, signalling and Internet traffic.

The company is also active in the provision of fixed telephony services to the UK retail market based on the carrier pre-selection model, and the competitively-priced packages of products that it has developed, specifically Cytatalk and Cytabusiness which are aimed at home and business customers respectively in the Greek-speaking community. The company also provides additional facilities such as leased lines, resale of mobile telephony services, hosted IP Centrex-PBX and others, while since December 2009 it has been active in the provision of broadband services.

Cytacom Solutions Ltd - New activities

We design and manage innovative communication and IT solutions, fully adapted to the needs of every customer. We make the most of our customers' telecommunications infrastructure and state-of-the-art technology in order to offer specially designed solutions to small and large businesses, helping them to benefit from the potential of technology and improve their entrepreneurship.

Our Vision is to be the company of choice for the design and provision of specialized integrated communications and IT solutions to organisations and businesses in the Cypriot market with the following products:

- Cabling in buildings
- PBXs
- Networking equipment
- Project management & consultancy services
- Provision of integrated IT solutions
- One Stop Shop for ICT, together with Cyta

The company's long-term objectives are:

- To maintain its position in the Cypriot market as one of the most outstanding organisations providing integrated solutions.
- Increased turnover and profitability.
- The development of a corporate culture and image and incentives to reinforce personnel faith and dedication.
- Continuous personnel training in new technology so that the company becomes a Cisco, Microsoft and HP Partner. The aim is for Cytacom to have a core team of top engineers with which to serve its customers.
- To support and complement Cyta's new products in the area of Solutions and Convergence Services.

Cytaglobal Hellas SA

Cytaglobal Hellas SA was established in Athens on 5 November 2003 as Cyta Hellas SA. 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.

The company has its own high-tech telecommunications node, based on the MPLS protocol and using media gateway equipment, housed on the premises of Mediterranean Nautilus Greece SA in Athens. The node is part of the CytaWorld.Net international network owned by Cyta and is linked via a Cyta-owned submarine optical ring to similar telecommunications nodes in Nicosia and London owned by Cyta and Cyta UK Ltd respectively.

The company operates in collaboration with Cyta and Cyta UK Ltd for the provision of international virtual leased interconnections based on MPLS-VPN and EoMPLS protocols to providers and corporate customers in Greece and elsewhere while it also offers occasional collocation services, local loops and other local interconnections within Greece on a resale/leasing basis via its associates and other subcontractors. Moreover, in collaboration with Cyta, it is in a position to offer wholesale voice, signalling and Internet interconnection services.

Emporion Plaza Ltd

Emporion Plaza Ltd complements Cyta's portfolio of products and services, offering top quality and competitive integrated e-commerce and online solutions.
- Development and design of e-commerce solutions.
- Design and development of Internet and Intranet portals, Blogs and Forums.
- Content management system (CMSquick).
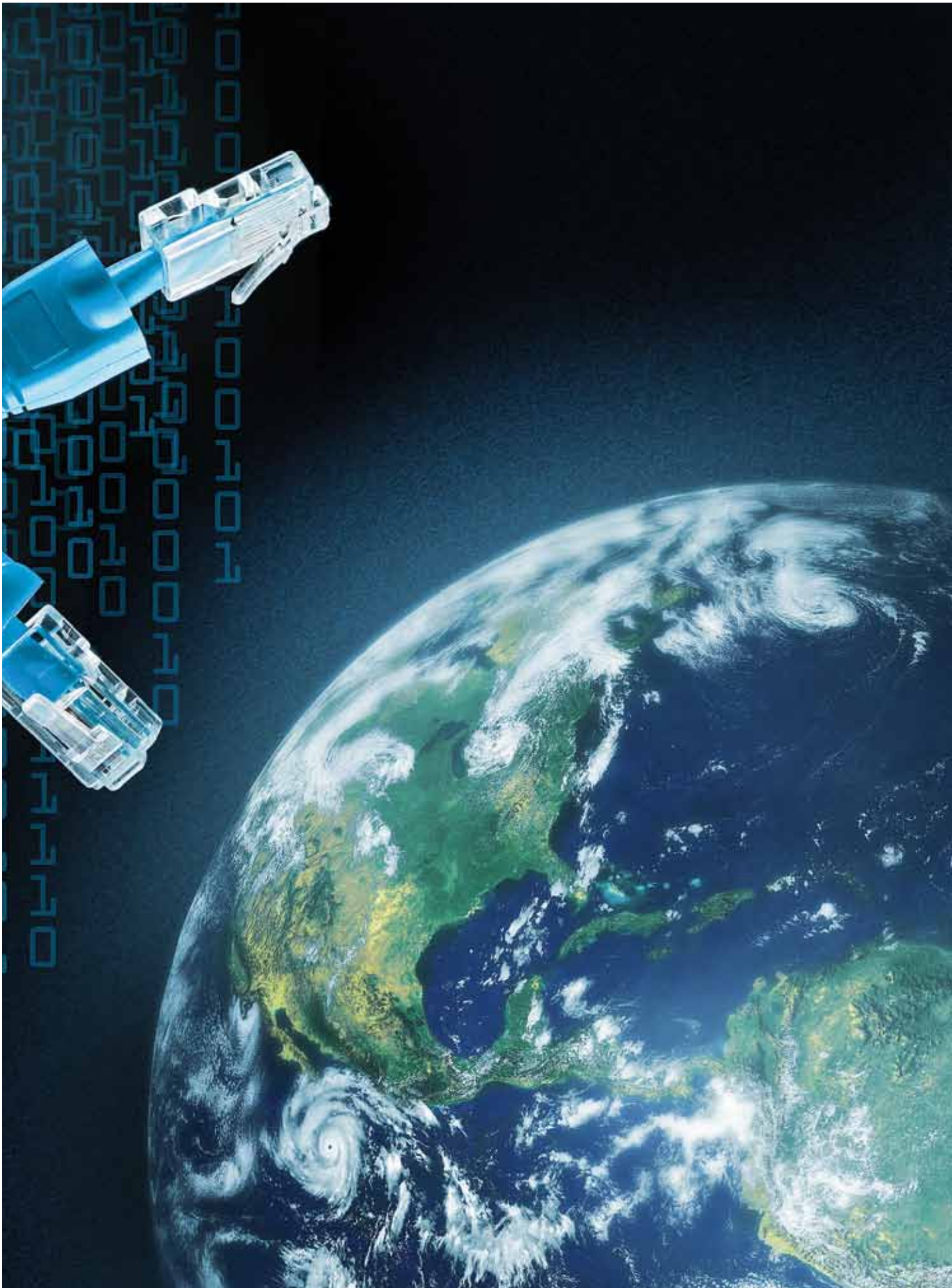
- The webSMS.com.cy service for bulk SMS delivery.
- The prepaidcards.com.cy for the online purchase of soeasy top-up time.
- Dedicated software applications for web solutions via Live Streaming.
- Microsites and mobile marketing.
- Interconnection of Internet applications and IT systems.
- Domain name registration and renewal.
- Web hosting.

The e-commerce solutions service offers the design, development and hosting of the e-shop, consultancy 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. Emporion Plaza Ltd offers e-shops the infrastructure for independent e-shops which are hosted under their own domain name as well as at **www.eplaza.com.cy**

In 2011, the company expanded the dedicated online service for Bulk SMS delivery **(www.webSMS.com.cy)** with scheduled message sending time systems and improved automatic message flow monitoring.

The soeasy top-up service continues to provide fast and easy online top-up services to Cyta subscribers via the Internet portal www.prepaidcards.com.cy

The web solutions service includes end-to-end Internet portal development, including organisation, programming and graphic design, the development of content management systems and web hosting as well as the maintenance and upgrading of existing portals. 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. In 2011 it completed a new extension of the management and organisation potential of the Cytanet Live Streaming application as well as an upgrade to the service through a new promotion infrastructure. Furthermore, a new specialized online application was developed in conjunction with IT systems which will be used as an information system for Cyta's products.

In 2011, Emporion Plaza Ltd began a redesign of its CMSquick content management system in order to create version 2 which is due to be completed during 2012. The CMSquick v.2 content management system aims to be more user-friendly, with a particular focus on issues of access, publishing and security. The system will be compatible with the WCAG 2.0 and W3C guidelines and the Internet portals will be designed simply to enable ease of access to disabled users.

Iris Gateway Satellite Services Ltd

Iris Gateway Satellite Services Ltd provides satellite turnaround of radio and television programmes between Europe, Asia and America from the MAKARIOS Satellite Earth Station.

In addition to satellite connections, Iris also offers services via submarine cable systems in collaboration with Cyta's National and International Wholesale Market Department, providing integrated solutions to customers interested in distributing their services to various locations internationally via a combination of fibre optic cables and satellites.

During 2011, Iris continued to broaden its activities with the provision of new permanent services and occasional television transmissions on a large scale. At the same time, the company provided additional support for Cyta's satellite 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.

Bestelcomms' mission is to support ZTE's internationalisation efforts and to provide integrated telecommunications solutions.

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Network

2011 was a milestone regarding development work on the infrastructure via which Cytavision is provided.

Moreover, during the year we continued to develop the mobile telephony wireless access network, installing new GSM stations to improve coverage and new 3G stations for improved coverage and expansion of the network in rural areas. At the same time we continued to establish new WiFi Hot Spots, taking the total to 161.

We completed the expansion of the broadband network to small rural communities, thereby enabling the provision of fast Internet and interactive TV throughout the whole of the government-held area of Cyprus.

In 2011, we brought into full commercial operation the Cyta-owned ALEXANDROS submarine cable subsystem, with separate optical fibres between Cyprus-Egypt and Cyprus-France, thereby achieving the optimum arrangement for Cyta's business needs and the broader strategic interests of Cyprus. In terms of business continuity, the ALEXANDROS subsystem provides alternative routing to Europe as well as interconnections with all existing and future cable systems between Asia and Europe which use the Suez Canal and land in Egypt.

Finally, in the context of our social contribution, during the year under review we installed and operated a new Internet protection system known as Cleanfeed with the objective of restricting as far as possible access to online content that is considered illegal under the law.

Value added services

During 2011 we completed a number of important development projects, with the aim of providing an expanded range of high-quality and reliable electronic communications services.

2011 was a milestone regarding development work on the infrastructure through which Cytavision is provided. In the course of the year, once new services and facilities had been determined, work began on a full upgrade of the relevant infrastructure which will be completed during 2012. The upgrade is expected to bring a number of improvements and opportunities for Cytavision subscribers such as a more user-friendly environment, faster response and channel changing, high definition broadcasts (HD TV) etc. Moreover, due to the broad acceptance and usage of the Time Shifted TV feature, we upgraded all the existing nodes and extended the overall capability of the system with the addition of a new node. Finally, a new agreement was drawn up for the supply of Set Top Boxes (STBs) to cover increased demand and to replace the Amino STBs which will soon be coming to the end of their useful life.

Most UEFA Champions League and UEFA Europa League matches for the period 2009-2012 are transmitted via Cytanet Live Streaming, which has been upgraded through the introduction of Adaptive Streaming technology (using Adobe Flash HTTP Dynamic Streaming) so that at any moment customers can enjoy the best possible quality on their PC depending on their connection.

In the context of our social contribution, during the year under review we installed and operated a new Internet protection system known as "Cleanfeed" with the objective of restricting as far as possible access to online content that is considered illegal under the law. This

system is deployed for all Cytanet customers and prevents access to websites containing child sexual abuse or content that is obscene or promoting racial hatred.

Core networks

National transmission network

In 2011 we continued to expand the WDM (Wavelength Division Multiplexing) network and to provide high speed services to other networks of the Organisation and to corporate customers whose needs can only be satisfied by this technology. The WDM network, in combination with the SDH (Synchronous Digital Hierarchy) network, can serve the needs of customer networks at transmission speeds from 2Mbps to 10Gbps, with the maximum reliability available today. These networks operate via optical fibres in an arrangement that allows the uninter-rupted provision of service, even when a fault occurs in a particular fibre.

International transmission network

The MAKARIOS Earth Station is an important satellite gateway, providing broadband Internet services to customers abroad through links to large-capacity international circuits. At the same time, Tracking Telemetry & Command (TT&C) services are also provided.

Main projects of 2011:

- Concerning satellite gateways, the required infrastructure was put in place, including buildings, the installation of new satellite antennae or the modification of existing ones and connections with cable capacity for Telenor (to satellite IS-1002 and Thor III) and Avanti (to satellite Hylas-2).

- For Tracking, Telemetry & Command services, we installed new satellite antennae or modified existing ones to service Telenor, Eutelsat and Avanti.

- We offered occasional relay services for sporting events between America, Europe and Asia, of a total duration of 1,500 hours.

- TV coverage of the parliamentary and municipal elections was provided for seven TV stations, with transmissions from eight different locations to their studios.

The MAKARIOS Earth Station is also the centre for the satellite channels and hosts the continuity platform for Cytavision. In 2011, among other things, the ten Nova channels were added to the Cytavision bouquet (a total of 83 channels). Furthermore, the High Definition platform was used with the introduction of channels on a trial basis. A new channel quality monitoring system was also installed which provides the required flexibility and is one of the main preventive diagnostic tools. This system has multiple capabilities for service monitoring and investigating problems.

Cyprus is connected with the outside world for telephony, Internet and leased circuits through three Submarine Cable Stations (SCS) with multiple submarine cable systems and subsystems. Connections are offered at the same time to companies in neighbouring countries.

Main projects of 2011:

- The ATHENA submarine cable subsystem linking Cyprus with Crete, Athens and Sicily via loops with a total capacity of 20Gb/s.

- The submarine cable subsystem TEL-MAR came into operation. This project concerns the implementation of two 1Gb/s connections from Tel Aviv to Marseilles via the ALEXANDROS and LEV cable systems.

- The CADMOS και UGARIT submarine cable systems were upgraded through the installation of new terminal equipment with the capability of transmitting dozens of wavelengths of 10Gb/s or 40Gb/s to Syria and Lebanon.

- SDH equipment was installed on the ALEXANDROS submarine cable subsystem in Marseilles, enabling the provision of low speed (under 10Gb/s) connections while, at the same time, the necessary preparatory work was started for the 2nd and 3rd capacity upgrade of the subsystem.

Packet switched networks

We continued to extend the backbone IP network to upgrade network capacity so as to support the constantly growing needs of our residential and business customers for broadband services. At the same time, a network monitoring system has been brought into operation by Infovista which, among other things, provides business customers of the IP/MPLS VPNs services with statistical information concerning their services. For the needs of the 2011 parliamentary and municipal elections we used the IP/MPLS network to transmit data and TV highlights in real time.

We completed the design and implemented the new solution for provision of the unified DSL Access/Cytanet product. It is based on the PPPoE protocol and provides backup at the BRAS (Broadband Remote Access Servers) level of connections to the IP/MPLS backbone network and the Cytanet network while, at the same time, Network Address Translation (NAT) has been abolished. Customers can thus enjoy the most reliable service available.

We upgraded the Cytanet network in order to offer an improved customer experience. We also successfully completed the design and parameterisation of Cytanet network equipment for the introduction of the Cleanfeed service.

Network monitoring and faults management by the Networks and Services Management Centre

In the framework of improving monitoring activities and network and service faults management, in the middle of 2011 we continued work on upgrading existing Alarm Management, Automatic Service Activation and Quality Management Systems on Cyta's networks. These specialised tools, in combination with continuous staff training, are a basic aspect of achieving the mission of the Network and Services Management Centre.

Fixed and mobile communications networks

Fixed communications network

We separated the IMS systems in Cyprus and Greece which were used for the provision of telephony via broadband access to residential and business customers for the production of call charge archives at a local level, for each country in accordance with the requirements of the relevant Greek law. We expanded the capacity of the system in Greece and completed the system software upgrade in Cyprus.

We also completed with total success the transfer of functionality of international telephony to the softswitch network with the aim of providing high quality international communications and we expanded the capacity of the softswitch network as a consequence of the increased interconnections of Cyta Hellas with other providers in Greece.

Mobile communications core network

The common core 2G/3G network was brought into operation. The new network is based on softswitch technology and affords additional geographical backup capability for both voice and data services. Transfer to

the new network was completely successful and it was followed by the gradual transfer of traffic and signalling.

Interfunctionality checks with the new providers of MVNO mobile services were completed and the network was modified to allow the commercial introduction of the PRBT service. The signalling analysis system was upgraded for fuller monitoring and fault detection on the network.

The upgrade of the prepaid service platform to a new software version was completed, on the basis of which greater data tariff flexibility will be provided.

Software upgrades were completed on the EMM/MSP/RCS/EIR/OSS support systems to modernise their functions and the evaluation of tenders was completed for extending value added platforms for voicemail, SMS and smartcards during 2012.

Mobile communications wireless access network

In 2011 we continued to develop the wireless access network for mobile telephony with the installation of new GSM base stations for improved coverage and new 3G base stations for better coverage and expansion in rural areas. We succeeded in increasing the total number of base stations by 78 (7.25%). Population coverage of the GSM network exceeds 99% while geographical coverage is of 97% of the government-held area of Cyprus. The corresponding coverage for the 3G/HSPA network is now 90% and 62% respectively. We also carried out substantial upgrades to the mobile telephony networks with the aim of updating them and maximizing their efficiency through the use of HSPA+ technology which enables higher speeds for data transfer of up to 21Mbps.

With the objective of satisfying the expected demand for broadband services, we continued the project to link base stations with IP technology via fibre optic cables, while shrinking the shortwave links network and considerably reducing the operating cost arising from radio frequency charges.

During the year we again carried out two series of electromagnetic field tests at every Cyta base station in the framework of fulfilling the conditions under which licenses are issued for the operation of mobile telephony networks. So far we have completed 14 series of tests. The results of the latest tests were no different from those obtained on previous occasions and the highest values recorded in areas where mobile telephony equipment is installed do not exceed 2% of the maximum acceptable exposure levels determined by law.

At the same time, we continued to install new Wi-Fi Hot Spots, increasing the total to 161. We also proceeded to developing larger-scale WiFi mesh network covering the Phinikoudes seafront promenade area of Larnaka and we extended the coverage of the WiFi mesh network in the centre of Limassol which has been developed in collaboration with the Cyprus University of Technology.

Wired access network

In 2011 we continued to develop and upgrade the broadband access network using asynchronous Digital Subscriber Line (DSL) technology.

We continued to install outdoor RMSANs (VDSL2 technology) 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. In this context we completed the expansion of the broadband network to small rural communities, thus enabling the provision of such services to the whole of the government-held area of Cyprus. The percentage of coverage for telephone connections that can access broadband services is now 98%, of which 95% can enjoy interactive television.

We signed a three-year contract for the supply of VDSL2 terminal equipment for the provision of speeds up to 70Mbps and we completed the task of replacing older generation RMSANs equipment with VDSL2.

The strategic Fibre To The Home (FTTH) project has been designed and scheduled and is ready for implementation once the regulations, set out by the Commissioner of Electronic Communications and Postal Regulation in the framework of a public negotiation, allow Cyta to draw up a viable business plan.

Strategic network planning

In the framework of Cyta's efforts to remain at the cutting edge of technology and innovation, it operates a Strategic Network Planning Department. A key activity of the Department aims at the systematic monitoring of technological developments in the telecommunications sector and the distribution of the relevant information throughout Cyta. Using this information as a springboard, new technologies and global trends are studied systematically and in depth, contributing to better strategic decision-making with regard to issues concerning the adoption and introduction of new technologies. These studies contribute to Cyta's long-term network architecture planning with the aim of optimising the network and offering new and innovative high quality services.

Furthermore, as a member of international telecommunications organisations, Cyta is represented on various working committees and participates in conferences. Such organisations are the International Telecommunications Union (ITU), the Association of European Telecommunications Network Operators (ETNO), the Commonwealth Telecommunications Organisation (CTO), the TeleManagement Forum, the Broadband Forum and the European Telecommunications Informatics Services (ETIS).

We continued to take measures to guarantee data security and to prevent and detect telecommunications fraud.

Technological intelligence

The Technological 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 under the best possible circumstances.

To achieve this aim, we developed an online data gathering and evaluation system via which around 40 of the most reliable sources of technological information are monitored on a daily basis. From these, some 300 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 Technological Intelligence System from where it is distributed to interested members of personnel.

Research and development

Cyta is a stakeholder and active member of the European Foundation EURESCOM, which carries out high-level research into and prepares strategic studies on telecommunications and IT issues. Cyta was also an active participant in the EU'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 integrated 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.

Data and network security/ telecommunications fraud

In line with the Vision and Mission of Cyta, the security of its networks and products is an integral part of the quality it provides and together they comprise a competitive advantage for our Organisation.

Cyta keeps its personnel, customers and partners fully up-to-date on issues pertaining to telecommunications fraud with the objective of raising their awareness and vigilance.

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 ISO27001:2005 certification process for selected services/networks, at a corporate level with the aim of ensuring the security of all our main processes, an Information Security Management System (ISMS) is in place with information security liaisons in all departments of Cyta, an Executive Advisory Committee, etc.

Telecommunications fraud management
We 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 cable and satellite network

During 2011, in collaboration with Telecom Egypt, we brought into operation the Cyprus-Egypt section of the new Cyta-owned ALEXANDROS submarine cable subsystem, complementing the Cyprus-France section which came into operation in 2010. The ALEXANDROS subsystem, with separate optical fibres towards Egypt and France, in conjunction with other systems achieves the optimum arrangement for Cyta's business needs and the broader strategic interests of Cyprus. It maximizes interconnection in the Mediterranean and reinforces the robustness and reliability of Cyta's international submarine cable infrastructure. In 2011, a large-scale technical upgrade was carried out on the submarine cable systems CADMOS, linking Cyprus and Lebanon, and UGARIT, between Cyprus and Syria, while a strategic agreement was signed for the development of the ATHENA subsystem with dual loops between Cyprus, Crete and Athens.

There are currently nine international submarine fibre optic cable systems and subsystems landing at Cyta's cable stations as follows: (i) SEA-ME-WE 3, (ii) MED NAUTILUS-LEV, (iii) APHRODITE-2, (iv) CIOS, (v) CADMOS, (vi) UGARIT, (vii) MINERVA, (viii) ALEXANDROS (Cyprus-Egypt-France) and (ix) ATHENA (Cyprus-Greece).

In addition to the above, Cyta has drawn up memoranda of understanding and agreements for the laying of the ALASIA cable system between Cyprus and Syria and the EUROPA cable system between Cyprus and Lebanon, while it is studying and carrying out regular negotiations on the development of, and its participation in, additional submarine cable systems in the broader Eastern Mediterranean region.

Cyta's international systems are complemented by 25 satellite earth stations providing access to major satellite

systems such as Intelsat, Eutelsat, SES, Thor, AsiaSat, ABS and Arabsat, which ensure global connectivity. Satellite communications are developing rapidly and contribute substantially to the reinforcement of Cyta's regional telecommunications hub with VSAT services, relay services for radio and television broadcasts, Tracking, Telemetry & Command services and satellite Internet on a broad scale.

Cyta's uninterrupted cable and satellite services are provided with 24-hour support and, like its other business activities, they have obtained ISO9001:2008 quality certification and given a 5-star ranking by the European Foundation for Quality Management (EFQM).

With its participation in the abovementioned cable and satellite systems as well as in other regional and global cable systems used as extensions of the systems landing in Cyprus, Cyta has established its leading role in the broader region, making Cyprus a significant telecommunications hub in the Mediterranean, providing business opportunities in new markets and excellent service of Cyprus's retail and wholesale international telecommunications needs.

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Financial Report

Summary of results

In 2011, despite the fact that it was a year in which the financial crisis continued and the economy experienced negative growth, Cyta reported a pre-tax profit that was €2,4 million or 2.9% higher than the 2010 figure.

Earnings after tax, which are transferred to reserves, rose to €73,3 million compared to €69,2 million in 2010.

Operating revenue

Operating Revenue for 2011 rose by €7,5 million over the 2010 figure. Operating revenue was affected on the one hand by an expected reduction in revenue from fixed telephony and on the other by an increase in revenue from broadband services and Cytavision.

Total revenue from mobile telephony fell slightly, due to a drop in revenue from international mobile telephony because of reductions made to international roaming charges in order to conform with the relevant European International Roaming Regulation. At the same time there was a significant increase in revenue from national mobile calls.

Operating expenses

Operating Expenses for 2011 rose by €11,2 million or 2,9% compared to 2010 due to increased personnel expenses (€4,8 million) and management expenses (€6,2 million).

Investments in subsidiaries

During the year under review, Cyta continued its investment policy, mainly to enable the expansion of the activities of its subsidiary Cyta Hellas SA in the sector of broadband services in Greece.

Capital expenditure

Capital Expenditure amounted to €72 million compared to €95 million in 2010. It was financed exclusively by Cyta's own funds.

Liquid Funds

Total Liquid Funds in banks amounted to €242,3 million (2010: €242,O million) and in bonds to €39,4 million (2010: €44,7 million). The availability of liquidity funds supports Cyta's development plan and its investments.
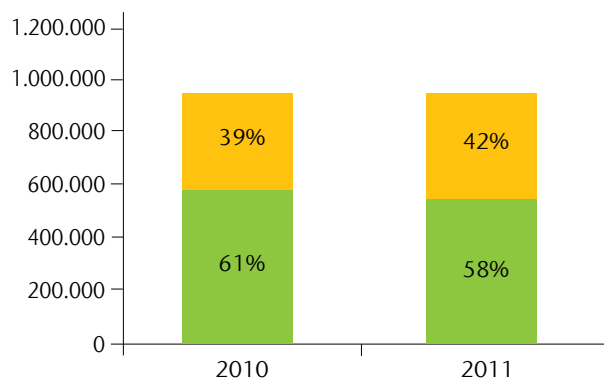
Reserves

The Organisation's Capital Reserves as of 31 December 2011 amounted to €875 million, having been reinforced by a surplus of €73 million but reduced by the dividend of €60 million paid to the Republic of Cyprus.

Earnings before Interest, Tax, Depreciation & Amortization (EBITDA) (€'000)
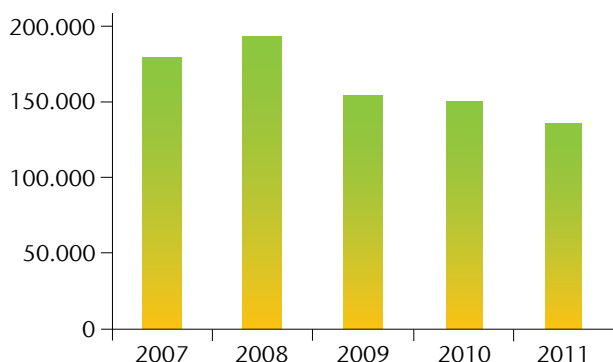
2007	2008	2009	2010	2011
175.149	189.515	149.670	149.019	135.877

Total Assets (€'000)

■ Current assets   ■ Non current assets

	2010	2010	2011	2011
Non current assets	584.690	61%	563.946	58%
Current assets	381.300	39%	403.455	42%

Operating Revenue & Operating Expenses (€'000)
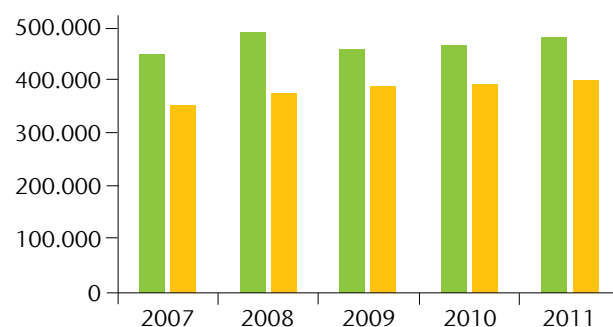
■ Operating revenue   ■ Operating expenses

	2007	2008	2009	2010	2011
Operating revenue	453.600	484.329	463.036	466.470	473.982
Operating expenses	358.823	372.392	388.616	390.569	401.840

Cash Flow from Operating and Investment Activities (€'000)
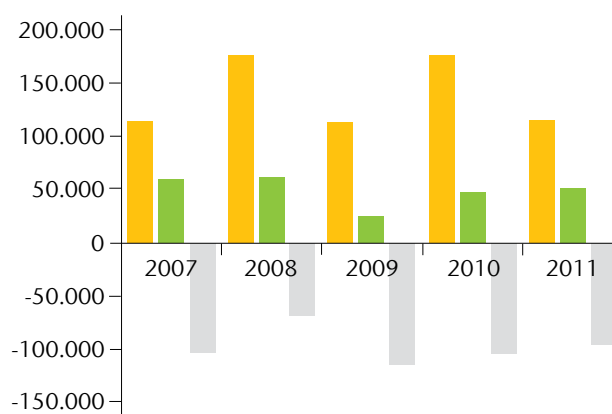
■ Cash flow from operations

■ Revenue from investments, interest and other revenue

■ Development and investment expenses

	2007	2008	2009	2010	2011
Cash flow from operations	119.735	179.757	113.670	131.621	118.991
Development and investment expenses	106.237	75.836	114.154	104.701	95.784
Revenue from investments, interest and other revenue	64.539	65.444	26.709	47.253	48.523

Five-Year Financial Summary

	2007 €m	2008 €m	2009 €m	2010 €m	2011 €m
Operating revenue	454	484	463	466	474
Operating surplus	94	112	74	76	73
Total assets	992	1036	975	966	967
Total liabilities	133	152	104	105	93
Reserves	859	884	871	861	875
Cash flow from operating activities	120	180	114	132	119
Capital expenditure	-42	-10	-87	-57	-47
Dividend paid to the Republic of Cyprus	0	76,9	80	80	60