

Annual
Report

2012

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Message from the Chairman



The year under review was marked by the major financial crisis that affected the country and subsequent efforts to save the situation. The crisis created serious problems for the Cypriot economy which are affecting - and will affect even more as time goes by - every sector and every citizen.

Supporting the country firmly and consistently

From the very beginning of the crisis, we continued our longstanding and uninterrupted contribution to the economy by responding positively to the Government's request for a loan (on two occasions since July 2012) to ensure that the State was not forced to stop essential payments.

We shall do everything possible in order to remain in a position to continue our support for the country and to contribute to resolving the problems that will arise from the deluge of changes that are anticipated.

Cyta has been a basic pillar in the development of the Republic of Cyprus, its economy and society since its establishment. It is a 100% Cypriot company, the turnover and profits of which remain on the island, reinforcing employment and entrepreneurship and, by extension, strengthening the national economy while providing work for thousands of Cypriot citizens.

Thanks to its large investment in infrastructure and in modernising telecommunications, Cyta guarantees Cyprus' long-term prosperity and competitiveness while using its own funds to finance massive investments for the benefit of each and every consumer.

Through Cyta, Cyprus has become a telecommunications hub

The reputation for reliability that our Organisation has gained in global markets has enabled us to sign agreements with internationally respected companies and, thereby, to establish Cyprus as a telecommunications hub in the Eastern Mediterranean.

Last year we brought the Jonas-Ariel submarine cable system linking Cyprus and Israel into operation and contracts were signed for the construction and maintenance of the Alasia submarine cable system between Cyprus and Syria, as was an agreement for providing space to Syrian Telecom on the Alexandros subsystem.

We signed a contract with Radius Oceanic Communications Inc. for the interconnection of the new Poseidon submarine cable system with the Offshore Communication Backbone submarine monitoring system, achieving the convergence of oceanography and telecommunications for the offshore hydrocarbons industry in the Eastern Mediterranean.

Finally, through an agreement with Avanti, the international telecommunications satellite company, and the operation of the eponymous satellite node since November 2012, we have been able to offer services of high quality and availability including high-speed broadband Internet access services to large areas of Africa, the Middle East and Europe.

Modernisation and development

Amid the whirlwind of the financial crisis, we need to move forward and take steps that comply with the provisions of the Memorandum of Understanding (MoU) that we have signed. The MoU identifies imperative issues of change and consolidation in the public and semi-public sectors as part of the country's obligations undertaken in return for financial assistance from Europe. One of the key measures is the privatisation of semi-government organisations, since our partners believe that only by taking such a step can these organisations reduce costs and develop their competitive role.

Cyta views positively the likelihood of structural changes to its framework and its operations and a reduction in the number of employees so as to reduce costs, modernise and become more productive and competitive.

In 2012 we implemented (and continue to do so) a policy that led to a reduction in the number of personnel (over 300 positions have been made vacant). In cooperation with the Organisation's management, we have drawn up a plan for further staff reductions in such a way, of course, that our productivity and dynamism is not affected. We have already reduced the Organisation's annual budget by 10%.

In the framework of Cyta's sustainable growth, in response to the demands of the times, we provide our customers with integrated electronic communications solutions and offer modern telephony, Internet and television services.

Cytavision, with its rich and attractive programme, has increased its subscriber base (in the first half of 2013 it had reached 43.000) and, at the same time, the number of Internet customers, thereby strengthening other services and sections of the Organisation. Cytavision, together with other services provided by our Organisation, has contributed to this successful outcome, of which all of us, employees and Board, feel proud.

Unwavering support for society

As an integral part of Cypriot society, Cyta has clearly demonstrated the social role that it plays. We support lower income groups (pensioners, the low-paid, conscripts, students) through special tariff packages, special arrangements and grants.

We offer vulnerable social groups and those with disabilities specialist communication services and special low tariff packages.

We also offer special low tariff packages for the provision of Internet access and services to schools, institutions, archaeological sites, etc.

We implement a multi-faceted social programme in all areas of Cypriot society from education, culture and technology to the environment, sport, etc.

Cyta Hellas SA

Amid Greece's dramatic financial crisis, 2012 was the year in which Cyta Hellas established itself in Attica, the most competitive section of the Greek market, and in twelve more major cities in Greece (Argos, Nafplion, Tripoli, Sparta, Kalamata, Pyrgos, Aigio, Corinth, Loutraki, Arta and Agrinio).

Regarding its financial results, for the first time there was a significant fall in the company's operating costs and overall losses, which signals the start of the change from the initial stage of extensive growth and investment in infrastructure to a phase of maturation for the company.

In 2012 the company's own optical network in the greater Athens area was completed (total length 4.170km) with the capability of providing high-speed services via optical connections to large enterprises in the Greek capital.

In 2013 the company will expand its optical network with the aim of further reducing operating costs and its dependence on third party suppliers to cover the main requirements of the core network in mainland Greece.

The company's objective for 2013 is to post an operating profit (EBITDA) for the year as a whole.

As a consequence of the above, the number of active customers rose from 237.200 to 296.300, recording an increase of 25% and maintaining the company's first place among all providers regarding the net increase in customers. During the first six months of 2013, Cyta Hellas had around 310.000 customers. In 2012, the company managed to maintain a low rate of customer churn compared to its competitors, an indication of continuing customer confidence.

We shall stay at the top

Our growth strategy will continue so that we remain a profitable Organisation and support the country. We shall also continue, despite all the difficulties and regulatory restrictions that we face, to offer the people of Cyprus advanced, top quality integrated electronic communications services. With no "small print" in the way in which they are presented, with tried and tested products, with transparency in our pricing and with excellent service, we shall stay at the top of the list of options available to customers, way ahead of the competition.

We thank the Government, the Ministries of Finance and Communications & Works, the House of Representatives, the Office of the Commissioner for Electronic Communications and Postal Regulation, the Commission for the Protection of Competition and the Auditor-General of the Republic for their cooperation. We also thank the trade unions and, in particular, our Organisation's personnel for the maturity that they have shown in dealing with unprecedented reversals in their profession, and to the media, both for promoting our achievements and for giving us constructive criticism.



Stathis Kittis
Chairman

July 2013

Message from the Chief Executive Officer



Cyta belongs to the people of Cyprus, which is why the consequences of the country's unprecedented financial crisis have had a serious effect on our Organisation. We spent the major part of 2012 drawing up a strategy for dealing with the crisis.

At the same time, however, we remained true to our Mission which is to provide integrated and reliable electronic communications solutions which improve the way of life and the productivity of our customers and respond fully to their ever-increasing needs.

We are consistently the Cypriots' first choice, despite intense competition and the problems we face due to our obligations under the regulatory framework that governs our Organisation's operations.

2012 Financial Results

We managed our finances with prudence and care in the face of competition and, in particular, the financial crisis which caused severe problems to the country.

Despite negative growth in the economy, Cyta recorded a surplus after tax (transferred to reserves) of €40,3 million, compared to €73,3 million in 2011. A large part of the reduction in profits is due to the €21 million impairment of its investment in Digimed Communications Ltd.

The optimum management of costs is our strategic objective which began in 2012 and continues unchanged. Our efforts have started to bear fruit since operating costs for 2012 were down by 2,2% on the previous year's figure.

We also fought to maintain our customer base with special offers and packages offering benefits for both residential and business customers. At the same time, with a broad range of new products and applications, we gave them an even greater choice through which to satisfy their needs.

Cyta is synonymous with technology

Despite the unfavourable circumstances, in 2012, with the emphasis on improving quality and network reliability and, by extension, the services we provide, we proceeded with various upgrading and development projects.

We developed our services and modernised our network. We continued to upgrade our Business Support Systems, supporting new, innovative products and services and the introduction of new technologies.

We continued to develop the mobile telephony wireless access network, while developing and upgrading the broadband access network using Asymmetric Digital Subscriber Line (ADSL) technology.

We are promoting the IT Transformation project, which entails the Business Transformation of the Organisation.

We succeeded in giving the Organisation a dynamic and especially significant presence on social networks such as Facebook, Twitter and YouTube and we created the Cyta Forum, via which we communicate with our customers and the public via today's technology.

One of our most important construction projects in 2012 was the construction, in collaboration with the Ministry of Communications & Works, of the Meolut Satellite Ground Station, one of three to be established in Europe. The aim of the Meolut system is to detect distress alerts relayed by satellites and locate the person in distress.

Modern advanced technology services

In 2012 we upgraded the Cytavision platform, making the navigation experience easier and faster with a more user-friendly menu and additional interactive services and innovative applications, and we enriched our content by adding popular new channels in various viewing categories.

Cytavision is a service of strategic importance for our Organisation, enabling it to respond to the demands and needs of the modern era and to deal with competition.

According to the results of all the market surveys on customer satisfaction, it is clear that the most significant competitive advantages of Cyta's triple-play service are its rich sports content (football and other sports) and the best children's channels and films, in addition to value-added services such as Time Shifted TV, the Electronic Programme Guide and Pay Per View on Cytavision.

Since Cytavision is such an important criterion in our customers' decision to choose Cyta's triple-play service, we are committed to continuing our efforts to maintain the service on a positive course, while keeping costs down to the lowest possible level.

In collaboration with local and international software developers, we have developed a portfolio of essential software applications for business today. The Cloud Services portfolio comprises a host of reliable and economical IT solutions for Accounting, Payroll Management, Commercial and Credit Information Provision, Retail Sales Management and On-line Meetings.

In December 2012 we upgraded the speeds of our Internet products while introducing new options for higher speeds and, at the same time, we continued to upgrade the Cytanet network's local connections with 10Gbps Ethernet connections. The total capacity of our connections to the global Internet is more than 35Gbps.

During 2012, with the aim of developing broadband access in even more areas, we extended our network to suburban and rural areas. Coverage is provided wherever there exists a developed copper network, both in urban and rural areas.

We offered customers the technologically innovative Broadband Telephony service (BBT Home and BBT Business), enabling them to operate a number of telephone lines on the same premises.

At the same time, our Ethernet Business Networking Services continued to thrive for yet another year, attracting many corporate customers. The two Ethernet networking services (E-Line and EVPN) enable high-speed, low-cost interconnections between two or more points in a business for the transmission of telephone traffic (voice, data and picture).

In the mobile communications sector, we continued to operate in a fiercely competitive environment, affected by broader and global technological developments and the continuing regulation of international roaming services by the European Union.

Spearheaded by our reliability, our seriousness and the emphasis that we consciously place on the customer experience, we remain consistently in first place, way ahead of the competition, when it comes to mobile telephony in Cyprus.

We continued to develop the mobile telephony network, increasing the total number of base stations by 9,6%. Population coverage of the GSM network is more than 99,8% while geographical coverage is 97% of the government-held areas of the island. The corresponding coverage of the 3G/HSPA network is 90% and 63% respectively.

In 2012 we gave more options to our customers, whether pay monthly or soeasy pay as you go. With Mobile Internet and Vodafone Mobile Broadband, a broad range of programmes is available to satisfy all customer needs. Moreover, we introduced Mobile Internet packages for soeasy pay as you go customers as well as the Vodafone Mobile Broadband Holiday Pack. In June 2012, we introduced the soeasy Rewards scheme, with which soeasy pay as you go customers receive a prize each time they top up their account.

Our next aim: to surpass our customers' expectations

It has been our firm strategy in recent years to get close to our customers, placing particular emphasis on strengthening our Sales Network and focusing especially on developing and upgrading our stores in terms of both their appearance and commerciality.

In the framework of the strategic pillar that is the Customer Experience, since July 2012 we have been welcoming customers to the first Customer Experience store in Agias Fylaxeos Street, Limassol. It is a modern space, attractive and innovative, and a model that makes us proud. The overall philosophy and design of the new store is based on a central value of the Cyta brand: Empowerment, which is evident on the customer journey through the store as well as in the new principles of customer assistance in which the personnel have received training.

At the same time, the modernisation of existing stores began, gradually adopting Customer Experience principles, so as to offer customers the journey through the store and the experience of testing the various devices on sale and freely choosing the accessories that interest them. In November 2012, changes to the Famagusta store were completed.

In the business market, with a large variety of options and flexible products, our specialist network of Telecommunications Consultants provides upgraded personal service to large and small-to-medium sized enterprises (SMEs). Our constant aim is to provide integrated solutions that give the businessman autonomy and flexibility in his place of activity and make his business more productive, effective and, by extension, more competitive.

Over and above the personal contact with our customers, in recent years we have placed great emphasis on providing telephone assistance too. Via the Cyta Call Centre we offer high quality service on the islandwide number 132. Customers can obtain information about our products, submit orders, report faults and receive technical support.

For technology buffs we offer assistance from their own place on a 24-hour basis via our corporate website www.cyta.com.cy. Additionally, we set up a Twitter account (@cytasupport), the aim of which is to resolve problems and queries at once. It is available to customers seven days a week.

After-sales service is a key to our success and something on which we work extremely hard. In the year under review, we achieved our targets and we continue to improve the standard of customer service we provide.

We shall emerge from the crisis stronger than ever

The financial crisis has created huge new challenges for our Organisation and has made the need to reduce our operating costs an urgent matter, if we are to deal with the price war that our competitors are waging. In our effort to respond effectively to the new environment and the needs of our customers, we have taken a number of measures in a courageous and responsible manner.

Our personnel have once again become the spearhead of our Organisation. They have faced our needs in a serious and sensible way, showing their affection for, and devotion to, Cyta and Cyprus.

Given the ongoing consequences of the financial crisis, our aim remains that of maintaining our leading position and continuing to make a crucial and substantial contribution to the economy and society. An essential prerequisite is our effective adaptation to the new realities of the market and the economy. Our aim will be achieved through a comprehensive modernisation plan for the whole Organisation, which is being drawn up, taking advantage of the enormous ability and talent of our personnel.



Aristos Riris
Chief Executive Officer

July 2013

Chairman and Members of the Board



Chairman

Stathis
Kittis
Advocate



Vice-Chairman

Loizos
Papacharalambous
Advocate



Antonis
Antoniou
Architect



Christakis
Antounas
Mechanical Engineer



George
Chari
Electrical Engineer/Consultant

Members



**Antreas
Fantis**
Doctor



**Nicolas
Georgiades**
Economist



**Christakis
Soteriou**
Mechanical Engineer



**George
Tsakkistos**
Sociologist

Legal Advisers
A. C. Hadjioannou & Sons

Auditors
KPMG
Auditor General of the Republic

Management Team



Chief Executive Officer

Aristos Riris

Bsc, PhD



Deputy Chief Executive Officer (acting)

Senior Manager - Administration

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 - Networks

Michalis E. Achilleos

BSc, MSc, MBA

Manager Backbone Networks & Network Management, Networks

Tassos Partzilis

Dott. Ing.

Manager Personnel Services

Marios Carlettides

BSc (Hons), MSc



Manager National & International Wholesale Market, Networks

Ioannis Koulias

BSc (Hons), MSc, MIEEE, MIET, CEng

Manager Regional Line Access Network, Line Access Network

Kyprianos Yianni

BSc, MSc

Manager Support Infrastructure, Support

Christoforos Yiannakou

MSc

Manager Aeromarine Network Services, Support

Christoforos Yiannakou (acting)

MSc

Manager Corporate Marketing, Marketing

George M. Lambrianou

BScEng, MBA, PhD

Manager Communications, Marketing

Rita Hadjiloizou-Karatzia

BScBA (Hons)

Chief Financial Officer

Maria Damalou-Hadjigeorgiou

Bsc (Hons), FCA

Manager Fixed & Mobile Communications Networks, Networks

Chrysis Phiniotis

BScEE (Cum Laude), MScEE

Internal Auditor

Antigone Modestou

FCCA, MBA

Manager, Line Access Network Central Operations, Line Access Network

Michalis Lois

BScEng



Manager Information Technology Applications, Networks

Costas Psillides

BScEE (Hons), MScEE, MBA

Manager Business Support

Demetris Hadjittofis

BSc (Hons), MBA

Secretary & Manager Administrative Services

Petros Hadjiantoniou

BSc (Hons), MSc

Manager Information Technology Infrastructure, Networks

Sophocles Hadjisophocleous

BSc Electronic Computer Systems

Manager Innovation and Service Development, Marketing

Michalis A. Papadopoulos

BScEE, MScEE, MBA

Manager Human Resource Development, Resourcing and Performance Management, Personnel Services

Efy Christou-Pouri

BScEcon (Hons), MScIR&PMgt, MBA

Manager Retail Sales Network, Customer Services

Costas Mantis

BScEE, MScM

Manager International Networks Planning & Operations, National and International Wholesale Market, Networks

Iordanis Pallikaras

BScE (Hons), MScEE&E



Manager Corporate Market, Customer Services

Georgios Malikides

Dipl. Eng NTUA, CEng, MBA

Manager Buildings' Infrastructure, Support Infrastructure, Support

Charalambos Makris

BSc in Civil Engineering (Hons)

Manager Fixed Telephony & Cytanet, Marketing

Alexandros Alexandrou

BEng, MEngEE

Manager Business Development, Customer Services

Kikis Kyriacou

BScEE, MScEE, MBA

Manager Backbone Networks, Backbone Networks & Network Management, Networks

George Arestis

Dipl. Eng NTUA

Manager Subsidiaries' Support

Christos Limnatitis

Dipl. Eng NTUA, CEng, MBA

Customer Care Manager, Customer Services

Nicos Charalambous

BScEE, MEngEE, MBA

Manager Planning & Development, Aeromarine Network Services, Support

Loizos Kyprianou

BSc (Hons), MSc



**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 a good and adequate telecommunications service in the Republic of Cyprus for the Government, public organisations and the general public,
- 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 issued by the State through the Minister of Finance, 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 Acting 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 & Indirect Advertising, Rewards & Incentives and Investments.

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

Finally, Members of the Board, together with the Deputy 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, having been reviewed by Corporate Risk Management Service, are 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 hold 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.
- Risk Management for the Network and main IT systems, as part of our compliance with a relative directive from the Regulator.

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 seven 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 response 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 proposed in the

framework of examining the effectiveness of Cyta's Internal Control Systems.

- 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.

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.

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.

**Corporate
Social
Responsibility**

OUR APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

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.

To some enterprises, CSR is a matter of how they allocate part of their income for social or environmental purposes which are often unrelated to the company's activities. Although such actions are beneficial to society or the environment, they do not contribute to the competitiveness and long-term sustainability of the business. This practice is therefore not viable in the long term or when the company faces financial difficulties such as the present crisis. Other businesses use CSR activities as a straightforward marketing tool and sometimes to conceal their bad business practices in other areas.

For us at Cyta, CSR mainly concerns how responsibly we behave as an organisation in every single one of our business activities and in our relationships with all those whose lives we affect in some way. We are aware of the fact that we are an integral part of the society in which we operate and that through our business activities we may make a positive contribution but we may also have a negative impact on it. We also recognise that CSR can be a source of innovation and contribute to the long-term sustainability and competitiveness of our Organisation, while benefiting our stakeholders and society as a whole.

For Cyta, CSR is the voluntary management of the social, environmental and economic affects – 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 effects that we may have on the three dimensions of CSR – social, environmental and financial – as well as on all stakeholders, i.e. all those who are affected by – or who themselves affect – Cyta. The Organisation's main stakeholders are its customers, partners and suppliers, the whole of society and the State as its owner.

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. The Sustainability Charter was replaced by ETNO's Corporate Responsibility Charter in 2012.

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.

In accordance with the National Action Plan on Corporate Social Responsibility, drawn up by the Planning Bureau, non-financial indicators – i.e. CSR indicators – are included for the first time in this 2012 Annual Report. In this way we wish to give a more complete picture of the Organisation's performance regarding the three dimensions of Corporate Social Responsibility: financial, environmental and social.

FINANCIAL PERFORMANCE

Cyta is one of the largest organisations in Cyprus and, as such, has made an undeniable and notable contribution to the economy. The financial aspect of Corporate Social Responsibility concerns the positive and any negative impact that the Organisation has on the financial situation of its stakeholders and on the country's economy.

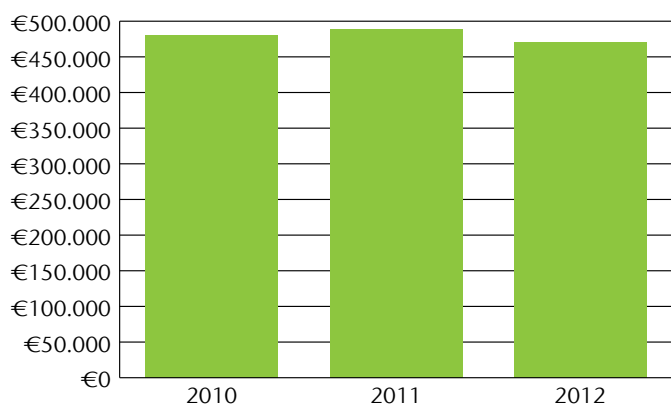
Cyta has a direct financial effect on the economy through the provision of jobs, the purchase of products and services from its suppliers, the sale of products and services to its customers, and the payment of taxes and a dividend to the State.

The financial statistics below illustrate the direct financial contribution of the Organisation to society through its payments to its employees, suppliers and the State.

Direct financial value

Direct financial value is created from the revenues that Cyta earns from services, which are its main source of income. A small percentage of its income (3-4%) is from funding and other sources of revenue.

Direct Financial Value (€'000)



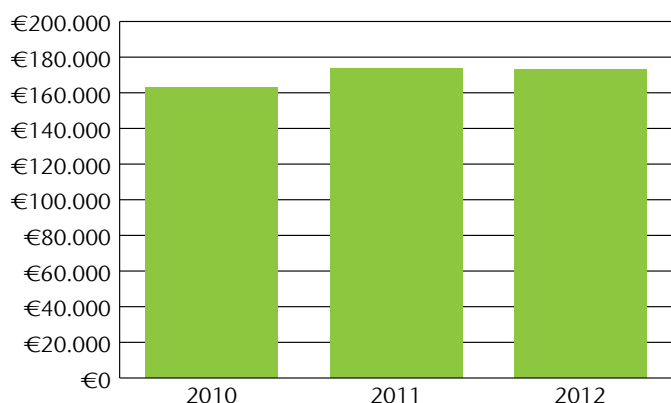
Distributed financial value

The financial value distributed by Cyta includes payments made outside the Organisation, including its operating costs, salaries and other payments to employees, the dividend given to the State and payments to government bodies.

Operating expenses

The operating expenses declared here, for the purpose of referring to the distributed financial value, include content licences, service use licences, maintenance costs, rents and payments to associates and staff training costs. They do not include salaries and staff benefits (which are presented separately), stamp duties, write-offs and provisions for bad debts.

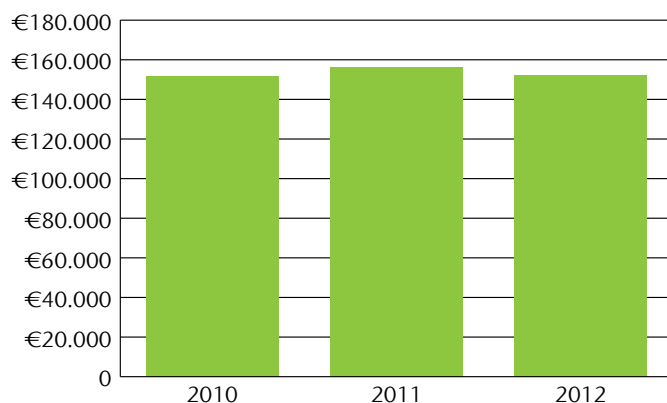
Operating Expenses (€'000)



Employees' salaries and contributions

Employees' salaries and contributions include the Organisation's total outflows for its personnel, such as salaries and pensions, social security, healthcare and insurance. They do not include staff training costs (which are included in the operating expenses).

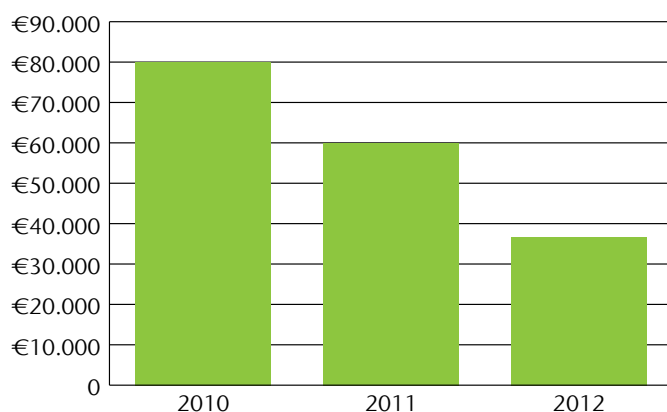
Employees' Salaries and Contributions (€'000)



Dividend to the State

Cyta pays a dividend to its owner, the Republic of Cyprus, the amount of which is determined, according to the law, by the Council of Ministers.

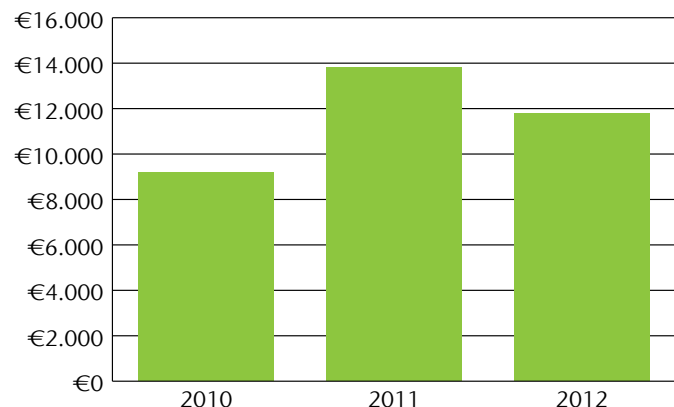
Dividend to the State (€'000)



Payments to government bodies

Payments to government bodies include all paid taxes and fines, including stamp duties.

Payments to Government Bodies (€'000)



Indirect financial value

The indirect financial value created by Cyta is much more difficult to measure and includes the broader effects on the economy due to its existence and operation. Cyta's products and services play a catalytic role in improving the productivity and competitiveness of Cypriot businesses and in the education and development of society. By purchasing products and services from suppliers in Cyprus, we reinforce job creation and the viability of Cypriot businesses. Through the payment of salaries to our personnel, we strengthen their purchasing power, the local market and the economy.

CUSTOMERS

Our customers, as the main stakeholders, are at the centre of our business strategy and their satisfaction is an important indicator of the strategy's effectiveness.

Evaluating customer satisfaction

We implement various practices for the evaluation and maintenance of customer satisfaction. Market research is carried out to measure customer satisfaction at every point of contact, i.e. in Cytashops, with Technical Crews, the Cyta Call Centre and the Complaints Management service. This research is done via telephone interviews with customers with recent experience at each point of contact. Statistics are gathered on a monthly basis and the results are collated every quarter.

Additionally, surveys are carried out at Cytashops using the Mystery Shopper method to monitor customer service

procedures. Regarding business customers, market research is carried out to measure their level of satisfaction with the service provided. This survey is carried out once a year through personal visits to customers.

Apart from measuring customer service satisfaction, market surveys are also carried out to discover the level of customer satisfaction with every service we provide, i.e. Mobile Telephony, Fixed Telephony and Internet (Double Play), Fixed Telephony, Internet and Television (Triple Play). These surveys take place once a year in telephone interviews with customers of each service.

Furthermore, market surveys are carried out to discover the reasons why customers terminate their Cyta service and/or transfer to another operator. These surveys take place once a year in telephone interviews with customers who have terminated their service or transferred to a competitor.

In addition, on behalf of the Complaints Management service, telephone surveys are carried out every two months by the Cyta Call Centre among customers who have reported a complaint during the previous two-month period. The aim of the surveys is to measure the level of satisfaction with the way their complaint was dealt with by the Complaints Management service. Also, monthly telephone surveys are carried out by an external partner with the aim of evaluating the level of satisfaction with the complaints reporting process, which concerns the channels by which complaints are submitted (Cyta Call Centre, Cytashop, Website) and with the way in which complaints are handled, which concerns the Complaints Management service. Results are sent to us every quarter.

Mechanisms giving customers the opportunity to comment

Cyta views any complaints submitted by customers as a wealth of information and their careful examination is seen as an essential ingredient of continuous improvement. Our ultimate aim is to align the services we provide with the constantly increasing demands of our customers, which we handle with full awareness of our responsibility to the consumer.

Customers have the opportunity to make comments or submit complaints, either online, in person by visiting any Cytashop, by telephone with a call to the Cyta Call Centre or by mail. Comments, thanks and complaints are recorded by the electronic complaints system managed by the Complaints Management service.

At the same time, social networking applications are being

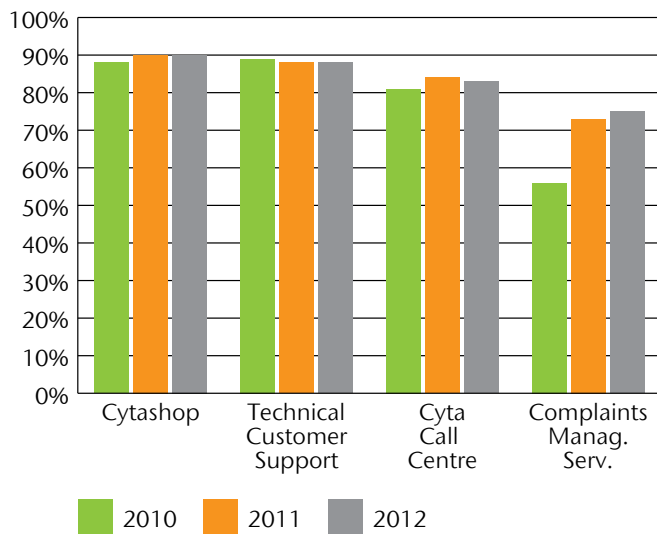
used to develop additional and more modern channels of communication with our customers. Indicatively, it should be noted that we created a Twitter account and a Forum providing technical and other support to customers. This means that customers are served without having to wait in line and the replies provided by Cyta are permanently available for the whole community of users to see.

Below are some of the results of the market research on customer satisfaction:

Customer satisfaction with contact point service

Customer satisfaction with service at Cytashops and Technical Customer Support is at a high level, something that does not appear to have changed significantly over the last three years. Customer satisfaction with the Call Centres is at a satisfactory level. Customers are less satisfied with the management of their complaints but this may be due to the fact that the particular customers did not perhaps obtain the desired result from the specific process.

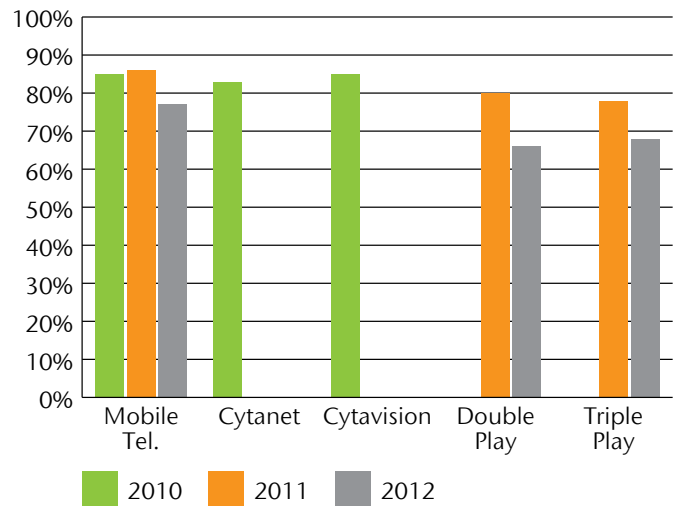
Customer Satisfaction with Contact Point Service



Overall customer satisfaction by service

It appears that customer satisfaction with Cyta's services fell compared to 2011. This decrease is mainly due to reduced satisfaction with pricing issues and less with other issues that determine satisfaction. Price and special offers are now the most important aspect affecting satisfaction and the choice of provider in mobile telephony, network and television services.

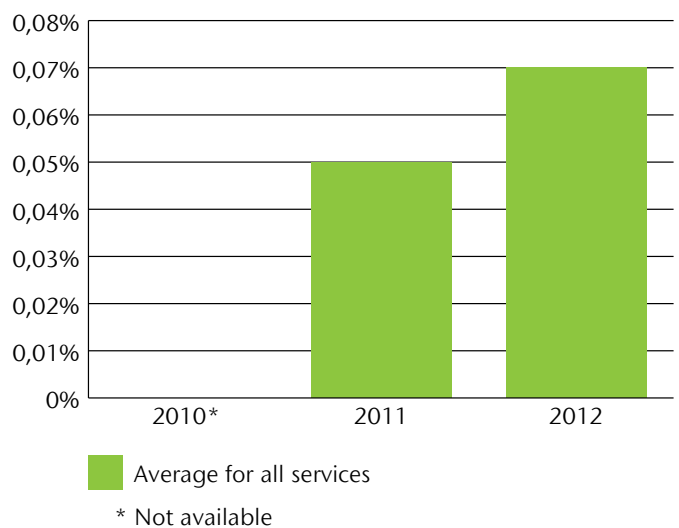
Overall Customer Satisfaction



Average number of complaints per 100 customers

Considering the number of active customers, a very small percentage of them ever submits an official complaint. In case of a problem, customers tend to contact the Cyta Call Centre or a Cytashop for support and assistance. In 2012 there was a much greater influx of official complaints, which shows that customers have started to become more demanding and, as a result, there is a small rise on the indicator.

Number of Complaints / 100 Customers



Responsibility for products and services

Cyta, as a responsible organisation, takes full responsibility for its products and services, keeps informed on any issues that may arise and promotes their safe use while protecting its customers from possible dangers. Two examples are our actions to promote safe Internet use, especially among the vulnerable child population, and the recycling of phones.

Safe Internet use

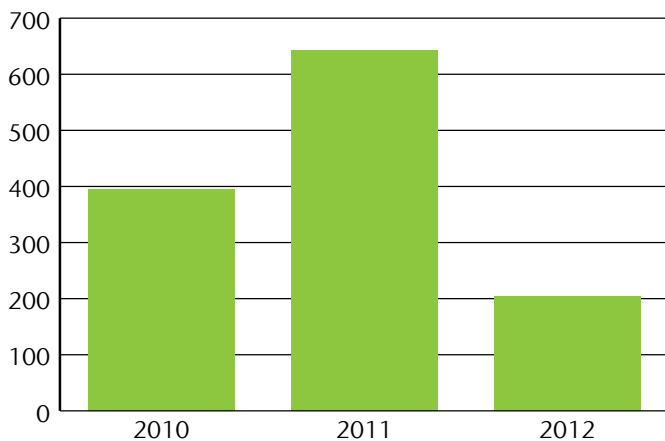
Since 2001, Cytanet has been giving presentations in primary, secondary and technical schools, as well as in private schools, entitled "The Internet: A Tool for All". Through these presentations, pupils have a chance to get to know the main services available online and the advantages and weaknesses 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 2011-2012 academic year, some 108 visits were made to schools where 14.453 pupils and teachers attended the Cytanet presentations.

Additionally, Cyta offers Safe Internet For Home free to all residential customers of Cytanet, and Safe Internet For Schools to all state primary, secondary and technical schools. Every year, Cytanet takes part in international events to mark Safer Internet Day.

Recycling/Re-use of mobile and fixed phones

Cyta's project for the recycling and re-use of mobile and fixed telephones and related accessories began in 2010 and was the first of its kind in 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. Through the project we encourage our customers and the general public to return mobile and fixed phones that they no longer need to Cytashops or stores on the Cytamobile-Vodafone Sales Network. Collection bins are placed at various events held by associations, schools and companies. Proceeds from the recycling project are donated to various charities.

Mobile & Fixed Phones and Accessories Collected (Kg)



More details about products and customer service are given in the chapter on Products and Customer Service.

PERSONNEL

As a responsible, good employer, Cyta manages and makes the best of its personnel through the implementation of management systems and development/support programmes which assist them in their professional as well as their private lives, as part of its work/life balance policy. 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 psychosocial support services to its personnel through the institution of social workers, as well as financial assistance to needy employees, pensioners and employees' widows and orphans. Cyta also offers student and housing loans and holds social activities for members of staff and their families.

Our workforce

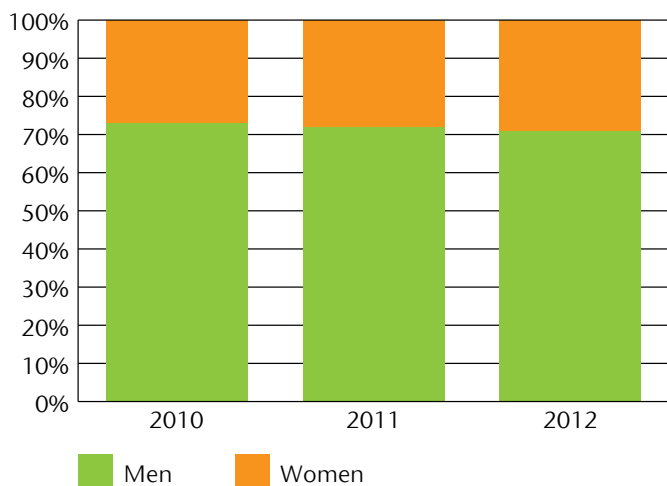
The size of our workforce is an indication of the amount of influence Cyta has on labour issues and on society in general. Our workforce includes permanent members of staff, regular hourly-paid employees and a small number of associates on fixed-term contracts. The tables show the size of the workforce based on the type of work done and are analysed by gender.

Workforce

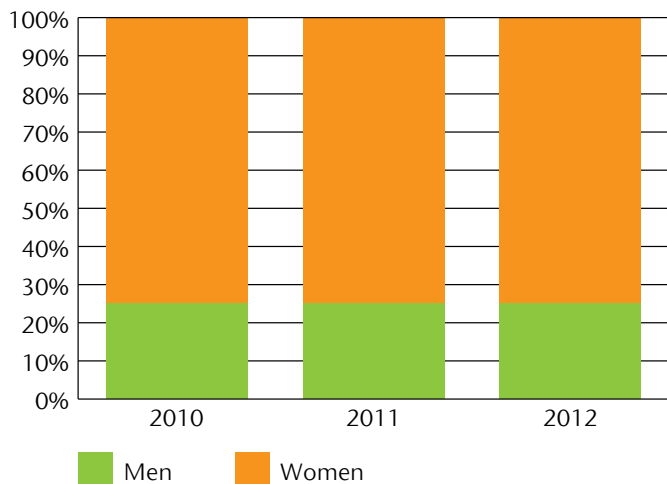


Workforce According to Gender

Monthly Paid



Hourly Paid



Associates



Health and safety in the workplace

The health and safety of our employees is one of our top priorities. The main indicators of the level of staff health and safety are the number of accidents and the number of days taken as sick leave per employee. In 2012 no employee died as a result of a workplace accident or work-related illness. The number of accidents appears to have stabilised over the past two years, while a small rise has been observed in the number of workplace accidents, due mainly to the fact that following a directive from the Work Inspection Department, all traffic accidents involving private vehicles travelling to and from work in which there were injuries should be classified as workplace accidents.

Accidents



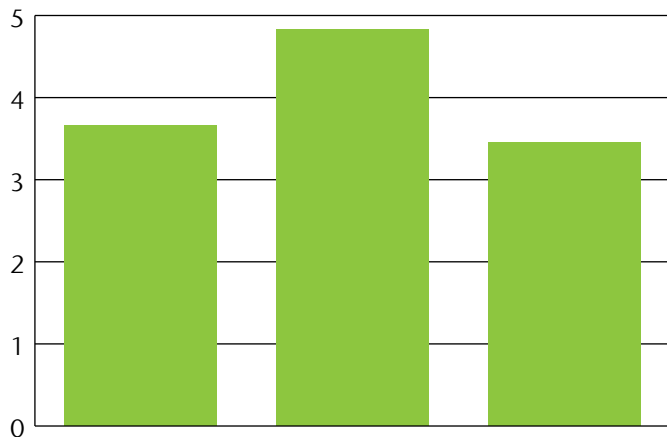
Sick Leave



Personnel training

Cyta provides significant opportunities for training, development and learning, 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, teamwork, communication, leadership and being customer-oriented etc., as well as technology and IT.

Man Hours Spent on Training per Employee



Industrial relations

Cyta, as a responsible employer, respects the right of its employees to trade union membership and, for this reason, 100% of our staff – permanent monthly- and hourly- paid personnel – are covered by agreements based on collective bargaining. (See also Management > Human Resources > Industrial Relations).

Evaluation of employees' performance

Performance evaluation contributes to the personal development of employees. At Cyta all permanent members of staff receive an official evaluation of their performance for each year. Some 70% of our front-line hourly-paid workers (Call Centres) are evaluated with the aim of maintaining the quality of customer service at the highest possible level.

Voluntary work

Cyta employees are sensitive to social issues and they make their own contribution to society. For some years now, 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 offer assistance to colleagues and their families

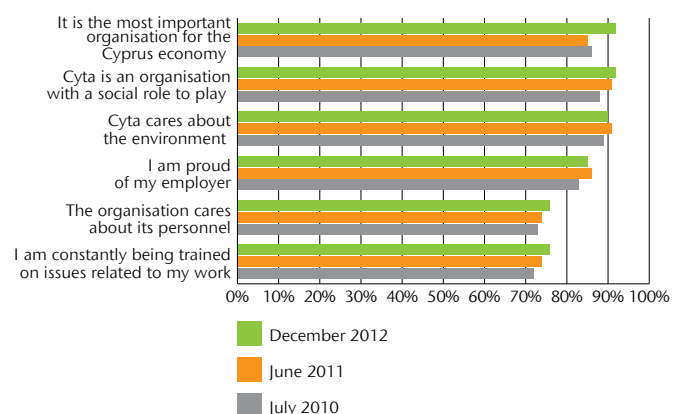
who are facing particular problems. They also organise charity fundraising events from time to time.



How Cyta's personnel views the Organisation

Cyta views its employees as a very important and crucial element in the achievement of its business strategy. For this reason it is continuously developing channels of communication and dialogue with its personnel. Among other things, and in the framework of measuring its brand value, it carries out frequent surveys to find out the views of its employees. Below are the results of these surveys for indicators related to the Organisation's Corporate Social Responsibility.

How Cyta's Personnel Views the Organisation



Other related activities are described in Management > Human Resources.

ENVIRONMENT

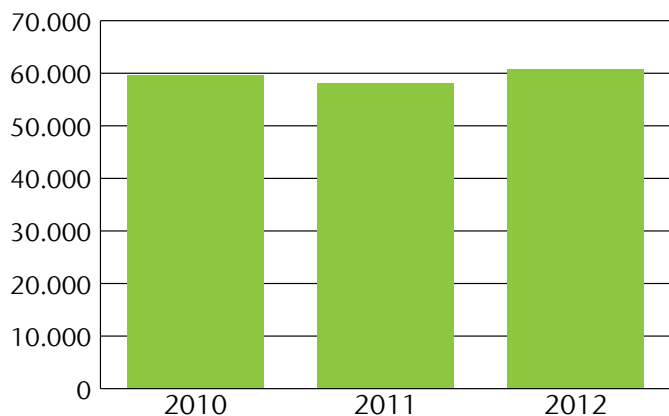
While recognising its positive contribution, Cyta is also aware of the possible negative impact that its activities, products and services can have on the environment and, for this reason, it has been active in the sector and it formulated its Environmental Policy in 2001. Through this policy, the Organisation is committed to offering products and services that contribute to sustainable development and to working to minimise the negative effects of its operations on the environment.

The most significant environmental aspects of Cyta's operations, products and services are the use of energy, in the form of electricity and fuel, the production of waste (mainly electric and electronic waste) and the consumption of other resources such as paper and water.

Electricity consumption

Cyta uses electricity to power its telecommunications equipment, as well as heating/cooling wherever it is installed (around 70%) and its offices. In 2011 there was a small reduction in consumption since, due to the accident at Mari, backup generators were used for a time as part of broader efforts to relieve the Electricity Authority of Cyprus (EAC) grid.

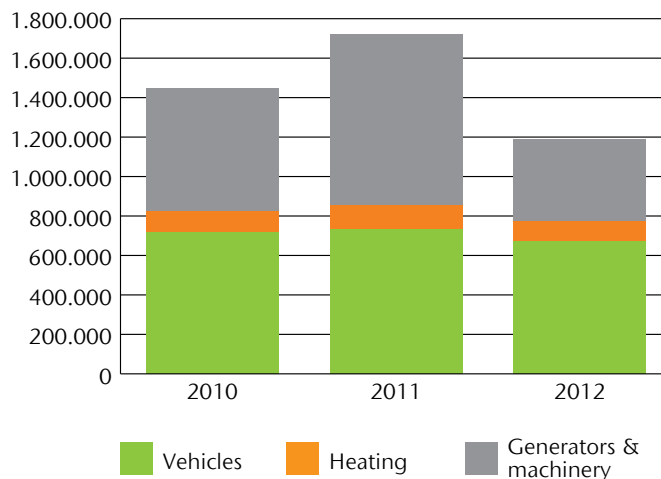
Electricity Consumption (MWh)



Fuel consumption

Fuel is consumed at Cyta by its fleet of vehicles, for the heating of offices in winter, for generators and various other types of machinery. In 2001 there was a significant increase in fuel consumption since, due to the Mari accident, we brought our backup generators into operation as part of a broader effort to relieve the EAC grid, as noted above. In 2012 we promoted ways of reducing fuel consumption by reorganising our fleet, reducing the number of vehicles, renewing the fleet with more energy-efficient vehicles and implementing a vehicle fleet telematics system.

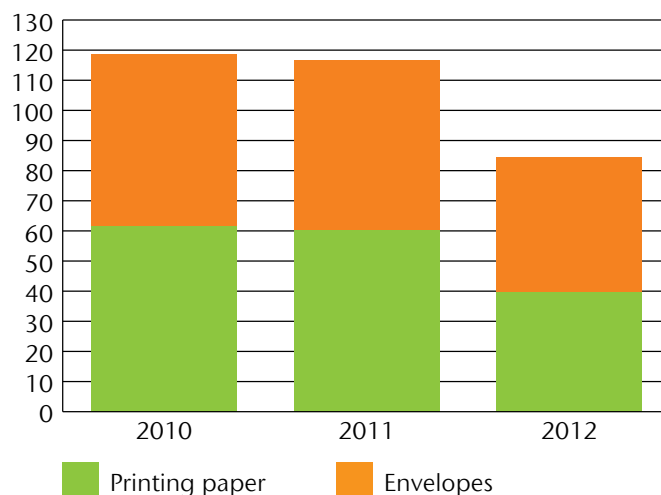
Fuel Consumption (litres)



Discontinuation of itemised bills - Saving paper

With the aim of reducing the consumption of resources, in November 2011 we discontinued the sending out of itemised bills for Fixed Telephony and Cytamobile-Vodafone Mobile Telephony. This initiative, with the help of our customers, led to a substantial saving of the amount of paper needed for the printing and mailing of itemised bills. As a consequence, in 2011 two tons of paper were saved in comparison with 2010 while in 2012 we saved 32 tons compared to 2011. This saving will be a permanent one.

Paper for Customer Bills (tons)



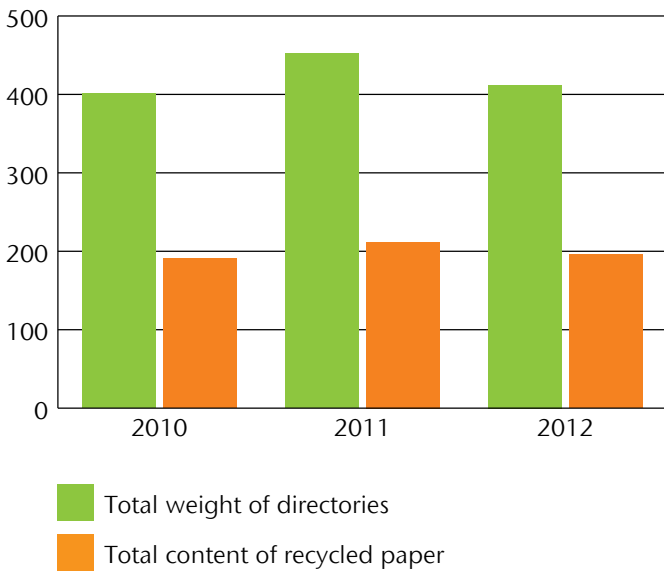
Use of recycled paper

Our environmental policy commits us to marketing environmentally friendly products. Since 2010, the Cytavision magazine has been printed on 100% recycled paper. Since 2011, the Telephone Directory and Yellow Pages have been printed on 40% recycled paper while the Business-to-Business Guide and the Tourist Guide use 100% recycled paper.



At the same time, in our effort to cultivate public awareness of the need for environmental protection, we urge people to recycle their old telephone directories through the recycling programmes of Green Dot Cyprus, with which we cooperate.

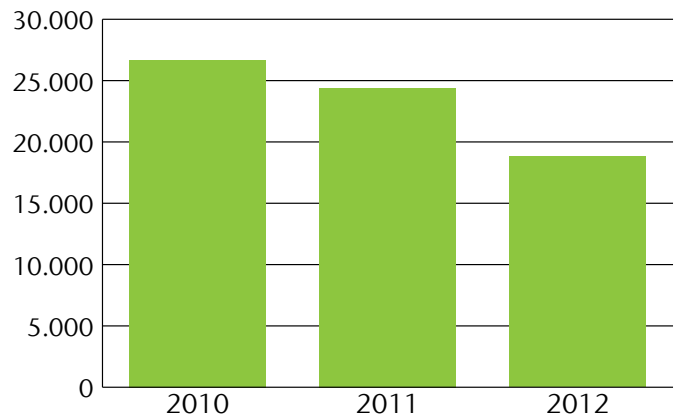
Paper for Directories (tons)



Water consumption

At Cyta we do not consume large amounts of water since its use is precisely the same as domestic use, i.e. in the Organisation’s restrooms, canteens and gardens. However, we view the use of water as an important aspect of our environmental impact since the country frequently suffers from drought and a lack of adequate amounts of water. For this reason, we have long promoted various measures that aim to save this precious resource. These include using water from boreholes (where they exist) for the watering of gardens, placing water-saving filters on taps, using dual-flush toilets and automatic flushing sensors on urinals in new and refurbished buildings.

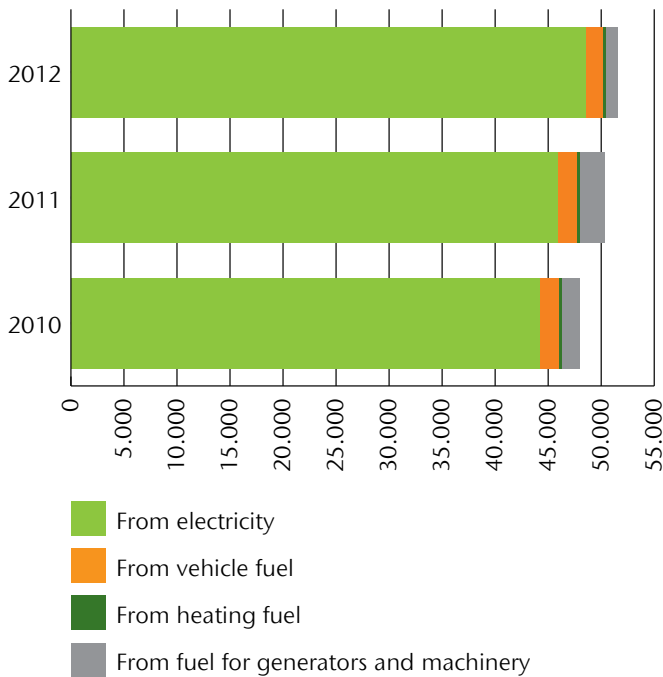
Total Water Consumption (tons)



Carbon dioxide emissions

Carbon dioxide (CO₂) emissions are caused either directly by the burning of fossil fuels by our fleet of vehicles, for heating our buildings, in generators and machinery, or indirectly through the use of fossil fuels on the part of the EAC to generate the electricity that we consume. To calculate the CO₂ emissions from our electricity consumption we have used a conversion factor provided by the EAC. To calculate the CO₂ emissions from fuel we used the conversion factors of the Greenhouse Gas Protocol.

Carbon Dioxide Emissions (tons)



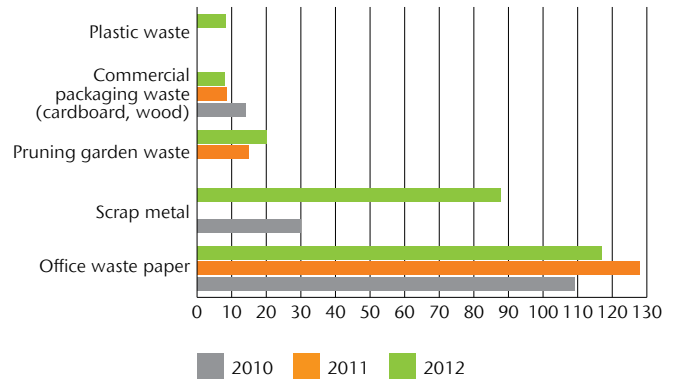
Waste management

The reduction, re-use and recycling of our waste is one of the commitments contained in our environmental policy. Cyta was one of the first – if not the very first – organisations in Cyprus to start the regular recycling and re-use of its waste.

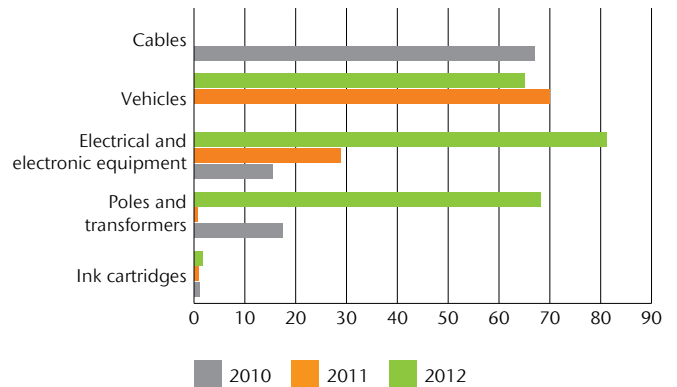
The first types of waste to be recycled were old cables and iron fittings, obsolete telecommunications equipment, old telephone directories and office waste paper. Today we also recycle or forward for re-use plastic waste, old vehicles, electric and electronic equipment, batteries, transformers, packaging waste and ink cartridges. Pruning and garden waste are sent for composting. Domestic waste packaging (cans, plastic bottles, etc.) from our administrative offices are separated from refuse and collected for recycling by Green Dot Cyprus Ltd.

On our Sales Network and in our administrative offices, we promote a project for the recycling and re-use of mobile and fixed phones and accessories and we collect used household batteries from the public and our personnel which are taken for recycling by Afis Cyprus Ltd.

Waste (tons)



Waste (tons)



SOCIETY

Cyta recognizes that it is an integral part of the society in which it operates and with which there is a mutual influence and involvement. As a public benefit organisation, it was established to serve and, for more than five decades, it has made a huge contribution to the development of Cypriot society and the economy.

In addition to its direct effect on society, by providing electronic communications products to its customers and employment to its personnel, by purchasing products and services from its suppliers and by paying a dividend and taxes to the State, Cyta serves broader society in a multiplicity of ways and at every opportunity. Below are some of the most important ways in which we supported society in 2012.

Cyprus Presidency of the Council of the EU - Cyta Platinum Sponsor

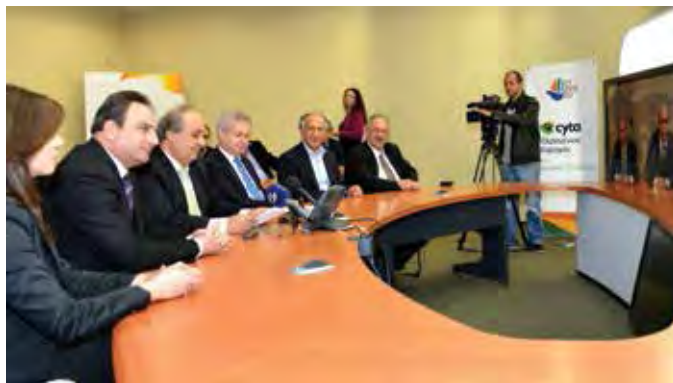
2012 was an important year for the whole country since, during the six-month period from July-December, Cyprus held the Presidency of the Council of the European Union. In the framework of the work of the Presidency, as Platinum Sponsor we provided all the necessary telecommunications services and products for a successful Presidency.

In close cooperation with the Secretariat of the Presidency and the Press & Information Office, we created all the necessary prerequisites for the provision of all the essential modern telecommunications services demanded by the Presidency and by the presence of foreign media representatives who were in Cyprus to cover its work.



Among other things we provided the high-speed interconnection network and telepresence equipment which facilitated high-quality, high-definition videoconferences between Brussels, the Presidential Palace, the Conference Centre and Cyta's Head Offices.

It is worth noting, moreover, that we developed a specialist infrastructure for the hosting of the official website of the Cyprus Presidency, while our subsidiary Emporion Plaza, as a major sponsor, undertook all the work regarding the software applications of the official Cyprus Presidency website.



Health and welfare

On the subject of health, for the eighth consecutive year we supported the Centre for Preventive Paediatrics. We also provided all the equipment (computers, software programmes and services) for the creation of a Trauma Archive and contributed in the development of an organ transplant management technology application.

The application, developed in cooperation with HS DATA, under the supervision of Cyta's IT Applications Service, was installed in Nicosia General Hospital, making the allocation of organs from donors after death totally transparent and creating a new situation in the country's organ transplant field.

Following the publication by the Medlook website of the "Anthology of Short Messages About Health and Quality of Life", we supported a second publication dealing with leukaemia and cancer.

Cyta and road safety

In 2012, Cyta continued to demonstrate the special interest that it has developed over the years, with significant and regular action, in Road Safety, an issue of concern to the whole of Europe and to Cyprus in particular.

Cyta has consistently honoured with action its signature and commitment to the European Road Safety Charter (ERSC) to contribute to reducing the number of road deaths and for yet another year it focused its main efforts on cultivating road safety awareness through special training, mainly among young people who make up a large percentage of the victims of traffic accidents in Cyprus. To this end, Cyta continued to hold special road safety seminars for young people and, in particular, conscripts serving in the National Guard. Since 2004, it has provided training to more than 70.000 young people all over Cyprus.

Additionally, having succeeded in reducing the number of accidents involving service vehicles by 50% since 2003, Cyta continued to invest in training its employees and in the safety of its service vehicles. Regarding its fleet, it should be noted that Cyta ensures that all the vehicles it purchases are not only fully compliant with EU specifications but feature every available passive and active safety system. All vehicles undergo preventive maintenance, thereby ensuring the highest levels of protection not only for our staff but for every user of the road network. It is worth noting that in 2012 Cyta began installing a GPS fleet management system in all its service vehicles for the gathering of data that can contribute to road safety and the best possible management of its fleet.

Furthermore, Cyta supports various programmes of the Ministry of Communications & Works and the Police aimed at reducing traffic accidents on the island. One such activity is the offer of free cycle helmets to children visiting the Police Road Safety Park for instruction.

An event that stands out from October 2012 was the successful initiative by Cyta and the Cyprus Police to gather, with the support of the Ministry of Education & Culture, more than 1,000 children at the Police Road Safety Park, all wearing their cycle helmets and setting a record recognised officially by Guinness World Records™.

Cyta's contribution to road safety is presented on the website of the European Road Safety Charter website: <http://www.erscharter.eu>



Education

On the occasion of World Telecommunication and Information Society Day, we gave children a leading role and asked them to use their imagination to adapt well-known stories from mythology, literature and fairytales, as well as stories featuring their favourite characters, to today's world, incorporating elements of the tools that modern technology gives us. The first competition was online and was aimed at secondary and technical school pupils, students and National Guardsmen while the second competition was for 5th and 6th year primary school pupils. A judging panel examined the entries and the winning pupils were presented with prizes at a special ceremony.



Environment

Our Organisation wishes to contribute to cultivating and strengthening environmental awareness among the Cypriots as part of its social contribution through various projects and activities.



In June 2012, on the occasion of World Environment Day, we presented the 2nd Environment and Recycling Festival of Green Dot Cyprus in Nicosia and the 1st Green Energy Festival in Limassol. Both Festivals were of an informative, educational and entertaining nature and aimed at informing young people and adults about environmental issues and cultivating environmental awareness. Members of the public attending the Festivals learned about issues, products and services contributing to environmental protection and recycling. Cyta had its own stall at which it promoted its environmental work, urged people to return their old mobile phones for recycling, handed out gifts and, through an interactive game, informed young visitors about the recycling of mobile phones.

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. This year the competition was announced during an Environmental Seminar at which the main speaker was Greek MEP Kriton Arsenis.

We were also an official sponsor and islandwide partner in the first “Let’s Do It Cyprus” clean-up campaign which was part of the “Let’s Do It World!” campaign that takes place in 94 countries. Its objective is to rid the island’s natural areas of rubbish in the space of a day.



Culture

In 2012, for the 5th year running, 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.

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. We support the creation and/or the development of websites by organisations and bodies such as the Karaiskakion Foundation, the Ministry of Defence, etc.

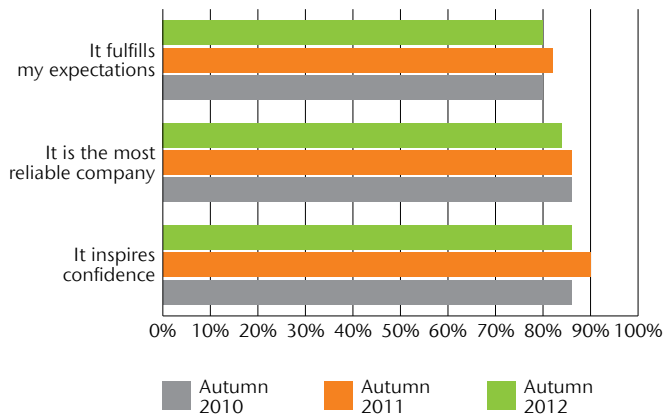
Wishing to encourage young people to take up technology, for the second time at a special ceremony we awarded prizes to all outstanding Lyceum and Technical School graduates who had excelled in IT studies. We also gave prizes to the top students in IT at all the universities in Cyprus.

How society views Cyta

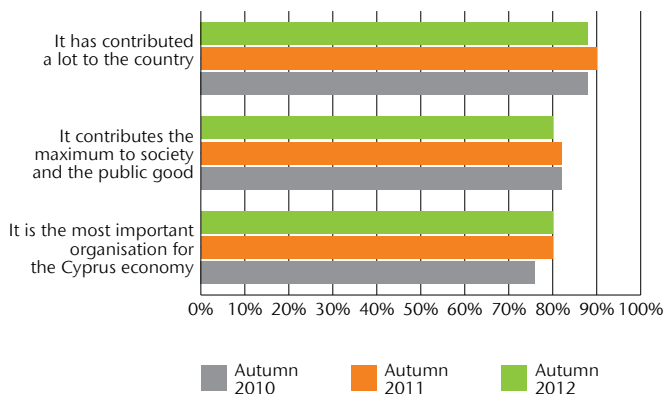
As with other groups of stakeholders, our Organisation maintains close relations and two-way communication with representatives of society so as to be in a position to know and respond to people's changing expectations and needs.

Among other things, through market research we regularly measure the Organisation's performance regarding the social, environmental and financial aspects of CSR. In order to have a means of comparison and to know where Cyta stands compared with other organisations, we also measure the same parameters regarding the image of similar large organisations operating in Cyprus.

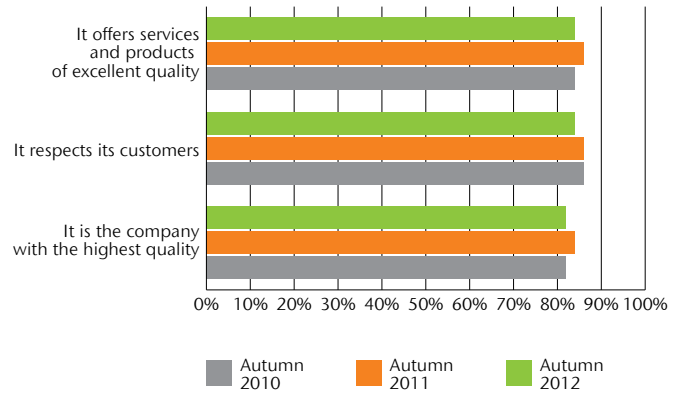
Fulfilment of Expectations, Reliability and Trust



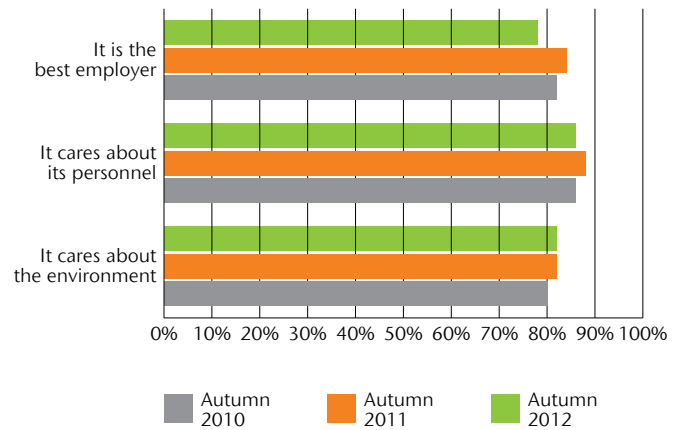
Contribution to the Country, Society and the Economy



Quality of Products & Services and Respect for Customers



As an Employer, Taking Care of Personnel and the Environment





Management

Cyta's interest in the welfare of its employees continued in 2012 through the institution of the Occupational Physician and Social Workers, support for employees facing problems and events organisation.

Further strengthening our internal communication, as an important aspect of our brand communication strategy, we set up "e-communication", an informative online newsletter/blog in an effort to set aside the printed "Telecommunications Street" publication in response to today's demand for online information and as part of the Organisation's broader environmental policy to conserve resources such as paper.

Cyta maintains a dynamic and significant presence on social networks such as Facebook, Twitter and YouTube and it also created the Cyta Forum.

Finally, an important new construction project in 2012, carried out in conjunction with the Ministry of Communications & Works, was the MEOLUT Satellite Ground Station, one of only three such stations in Europe. The aim of the MEOLUT system is to detect distress alerts relayed by satellites and locate the person in distress.

HUMAN RESOURCES

Personnel welfare

The institution of Occupational Physician continued in 2012 with the provision of primary healthcare, examinations for 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. In 2012 these programmes specifically targeted employees in certain categories such as climbers, airport staff and shift workers and they included a broad range of clinical laboratory tests.

Additionally, we further strengthened our commitment to the social welfare of our personnel through the services of two Social Workers. Moreover, we continued our annual staff social and financial schemes with the creation of a third Volunteer Group in the Famagusta district and the continuation of the two single parent groups in Nicosia and Limassol respectively. At the same time, we organised cultural and social events for personnel and their children, we awarded prizes and scholarships to outstanding students and we held a retraining seminar for pensioners and 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. We also held fire safety seminars with the Fire Service and completed the replacement of First Aid equipment.

Training

In the context of our policy of encouraging life-long learning and the systematic development of our employees, in 2012 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 49,1% of staff participated in training schemes and programmes in 2012 and the corporate index of training days per employee was 3,04 while human resource development as a percentage of payroll was 1,89%. 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, together with the Certified Manager programme for clerks, accountants and engineers holding management positions.

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. Furthermore, we introduced the digital library, giving members of staff immediate access to e-books dealing with issues of professional and personal development.

Industrial relations

Maintaining good industrial relations through regular meetings with the trade unions 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

In 2012 vacancies were announced for hourly-paid staff: Sales Assistants and Call Centre Assistants. It was the first time that such vacancies were announced together,

following the creation of a single, unified recruitment process. The number of applications was unprecedented - 4.191 for the position of Sales Assistant and 3.408 for the position of Call Centre Assistant. The first stage of the evaluation process, a written examination, was completed and the results were posted on Cyta's website. Additionally, in 2012 vacancies were announced for hourly-paid Cleaning Staff and 754 applications were submitted. Due to the freezing of recruitment, the above procedures have been halted temporarily.

The process to fill vacancies for Technicians (grade 3), IT Technicians (grade 3), Engineers (grade 2), IT Office Staff (grade 2) and Accountants (grade 2) that were announced in 2011 has also been halted due to the freezing of recruitment.

COMMUNICATION POLICY

In 2012 we further strengthened the Organisation's position in the market as the leading provider of integrated electronic communications solutions. By providing reliable solutions in a simple, smart and secure manner, Cyta has contributed significantly to improving its customers' way of life and their productivity.

Through its work, Cyta has confirmed its commitment to reliably offer its stakeholders freedom of choice, movement, expression and potential.

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 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 Management and Executive 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 correct them.

Crisis communications management is an integral part of communications management. In collaboration with external consultants, 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 our Organisation's continued success.

Media relations

With the aim of providing timely and reliable information to

the public, we continued to issue regular Press Releases which were distributed to the media throughout 2012. 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.

"Telecommunications Street"

Until October 2012 we continued to publish Cyta's monthly Information Bulletin "Telecommunications Street" which was distributed to all current and former members of staff and to third parties, including the media. At the same time, we speeded up the creation of "epikoinonoume" ("e-communication"), the informative online newsletter/blog in an effort to set aside the printed "Telecommunications Street" publication in response to today's demand for online information and as part of the Organisation's broader environmental policy to conserve resources such as paper. "epikoinonoume" arrived at a time when improving the Organisation's internal communication is one of its primary aims.

Websites and online presence

Our benchmark corporate website www.cyta.com.cy, is modern and functional, featuring user-friendly navigation and searching. 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, via the corporate website, visitors can access other useful Cyta sites such as the Yellow Pages and Telephone Directory, the Cyta Sales Network and the websites of the

Organisation's subsidiary companies. They can also find information about Cyta, Cytashops, Calls for Tenders, Press Releases, Annual Reports, etc.

Cyta maintains a dynamic and significant presence on social networks, such as the following:

- Facebook - www.facebook.com/cytamobile
- Twitter - [@cytacyprus](https://twitter.com/cytacyprus), [@cytasupport](https://twitter.com/cytasupport)
- You tube - www.youtube.com/cytacyprus,
www.youtube.com/cytamobile
- Forum - www.cyta.com.cy/forum

Keeping up with the trends of the times, Cyta uses its presence on social networking sites to provide its customers with a continuous flow of information about new services, products and the latest special offers, competitions, events and draws, and as a channel of two-way communication with subscribers.

Within the Organisation we continue to operate our own intranet which has been upgraded to an Intranet Portal and is a fast and reliable means of internal communication and information exchange.

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

QUALITY AND STRATEGY ISSUES

In 2012 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.

A total of 335 ideas were submitted by 7% of personnel to the idea.click Staff Suggestions Scheme in 2012.

IT APPLICATIONS

The effectiveness and implementation of the Organisation's strategy undoubtedly depends on its IT systems and applications. Through studies and IT and technology upgrading projects, we propose and implement IT systems to ensure essential business flexibility and lower costs.

We continued to upgrade our Business Support Systems, in support of the provision of new, innovative products and services and the introduction of new technologies (e.g. VDSL2, Cytavision HD, etc.). Our aim is to fully automate all processes and to support service staff with modern and flexible tools.

We unified the Organisation's various websites in order to provide a better Customer Experience with greater self-service options. Our new portal is being developed with new generation tools and is hosted on high-availability, high-performance servers.

We support and we are extending Enterprise Resource Planning (ERP) to cover the full range of the Organisation's financial management activities, having unified the internal human resource and financial management processes. At the same time we continue to develop applications that support internal activities, thus fulfilling the increased needs of our internal customers.

We are extending our Business Intelligence applications in order to provide the appropriate information and knowledge to various organisational levels with the aim of providing maximum support for and monitoring of the Organisation's activities. To this end we use modern, multi-dimensional business intelligence and data warehouse tools which draw upon information on all the Organisation's activities and transform it into useable knowledge.

As we search for ways of simplifying tasks through the use of modern systems and making Cyta more efficient and flexible, we are promoting the IT Transformation project, which is an updated version of the Organisation's Business Transformation.

FINANCIAL MANAGEMENT ISSUES

The robustness of an organisation is, to a significant degree, based on prudent financial management, correct planning and the proper evaluation of financial results.

Financial information is based on International Financial Reporting Standards and best practices are applied to financial systems. At the same time, we ensure the proper costing and charging of products while international practices are implemented so as to maintain possible risk at low levels.

In 2012, following the introduction of Enterprise Resource Planning (ERP), we made intensive efforts to increase productivity and reduce operating expenses by redesigning and automating processes. These efforts covered a broad range of activities such as the entering of supplier invoices and the settling of amounts owed, the preparing of financial statements and the monitoring of payments of bad debts. The results were especially significant and satisfactory since processes had been speeded up and financial information upgraded, thus providing better service to our partners and customers.

REGULATORY ISSUES

During 2012, Cyta participated in public consultations concerning the regulation of electronic communications and the analysis of specific markets 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, electromechanical installations, vehicles and mechanical means as well as security, fire protection and guarding systems.

Buildings infrastructure

During 2012, we continued to plan new buildings and to carry out the upgrading, antiseismic reinforcement and extension of existing buildings all over Cyprus. One of our most important construction projects in 2012 was the construction, in collaboration with the Ministry of Communications & Works, of the MEOLUT Satellite Ground Station, one of three to be established in Europe. The aim of the MEOLUT system is to detect distress alerts relayed by satellites and locate the person in distress. The project was designed and is now under construction within the framework of extremely tight deadlines. As for the upgrading of existing buildings, it should be noted that in January 2012 anti-seismic work began on the Electra Building in Nicosia and is due to be completed within 2012. In the context of developing the Cytashop network, work was completed on the Agias Fylaxeos Cytashop in Limassol which was the first to be designed in accordance with the Customer Experience philosophy. Additionally, in collaboration with our consultants, we proceeded to redesign the Lycavitos Cytashop in Nicosia with a view to

reducing costs. Regarding the chain of “Telefone” stores, we completed all three phases of work in the stores of all three types.

In the framework of the support services that we provide to Cyta Hellas, we designed and prepared tenders for the stores in Ioannina and Evosmos, Thessaloniki.

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.

In 2012 we managed to reduce rental costs by €114.084 per year, by giving up the 5th floor of the KEMA building (Nicosia) and returning the National Wholesale Sales service to our own 40 Spilia building and by negotiating a reduced rent on the Sophocles Kyprianou building (Nicosia) and the Agii Anargyri Cytashop (Larnaca).

Electromechanical services infrastructure

During the year under review we continued to implement the Islandwide Fire Protection System and the Organisation’s vehicle fleet telematics system.





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. At the same time we continued to provide support services to Cyta Hellas.

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 (CUT) and, at the same time, took various measures to reduce electricity consumption.

Security infrastructure

In 2012 we upgraded the Monitoring and Security Management Centre with the installation of a big screen which significantly enhanced its functionality. Additionally, it will now be in a position to operate as a backup for the Network and Services Management Centre.

We also installed servers for the mass storage of the CCTV recordings. This project will be completed in 2013 with the installation of the necessary software.

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 2012, the Organisation's Central Stores continued to send materials and equipment abroad for repairs and to receive, store and distribute materials and equipment.

The successful implementation and development/upgrading of the new purchasing and supplies management software continued. 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**

In 2012, the number of customers of the new, technologically innovative Broadband Telephony service (BBT Home and BBT Business) continued to grow at a fast rate, giving them the chance to use many telephone lines on the same premises.

In the mobile telephony sector, in June 2012 we introduced the soeasy Rewards scheme, by which soeasy pay as you go customers win a prize each time they top up their account. Additionally we introduced new Mobile Internet packages. Specifically, we increased the speeds of our Internet products and, at the same time, introduced new options of even higher speeds.

We proceeded to upgrade the Cytavision platform, making navigation easier and faster, with a more user-friendly menu and additional interactive services and innovative applications, and we enriched our content with new popular channels in various viewing categories.

Since July 2012 we have been welcoming customers to the first Customer Experience Cytashop in Agias Fylaxeos Street, Limassol, which is a model store.

Finally, in June we successfully brought into operation the second Mobile Virtual Network Operator (MVNO) via Cyta's mobile telephony network.

RETAIL MARKET

FIXED TELECOMMUNICATIONS 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 continued our strong promotion of the Talk & Save discount schemes that were introduced in 2011 and increased their use. 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.

At the same time, in cooperation with the Cyta Call Centre, we carried out campaigns to promote the 1018 service to specific customer segments so as to satisfy our customers' increased demands. With its low call charges (national

and international), Fixed Telephony offers an economical communications option.

In 2012, the number of customers of the new, technologically innovative Broadband Telephony service (BBT Home and BBT Business) continued to grow at a fast rate, giving them the chance to use many telephone lines on the same premises and enabling each family member to have his/her own personal number at significantly lower cost. Broadband Telephony customers can make voice or video calls from a telephone, from a computer equipped with a camera and headset or from IP telephony devices.

CYTAMOBILE-VODAFONE

In the mobile telephony sector, we continued to operate in a fiercely competitive environment which is also affected by broader technological developments seen worldwide and by the European Union's continuing regulation of international roaming services.

Spearheaded by our reliability, our seriousness and the emphasis that we consciously place on the Customer Experience, we remain firmly ahead of all the competition as the first choice when it comes to mobile telephony in Cyprus.



Regarding our services, we focused on the innovative MakeYourOwn plan which was introduced in October 2011. We enhanced the plan with additional options, in response to market demand and customers continued to choose it, stating that they were extremely satisfied with it.

In June 2012 we introduced the soeasy Rewards scheme, with which soeasy pay as you go customers win a prize each time they top up their account.

Additionally we introduced new Mobile Internet packages with the aim of satisfying the ever-increasing demands of our customers in this area.

We continued to enrich our content services portfolio with a range of new services such as Team which is aimed at football fans and, at the same time, gives football teams a chance to enjoy additional financial benefits.

We continued to improve our customers' ability to use their mobile phones when abroad, regarding voice calls, text messaging and Mobile Internet, through more international roaming agreements. We implemented new regulated charges from 1 July 2012 for the sixth consecutive year in accordance with the provisions of the European regulation on international roaming. Vodafone Passport continued to be the choice of many customers who travel frequently and make long-duration calls from abroad.

CYTANET INTERNET SERVICE

Acknowledging our responsibility as the biggest Internet Service Provider in Cyprus, we continued to thrive in 2012, 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 proceeded with a number of upgrading and development projects. Specifically, in December 2012 we increased Internet product speeds and, at the same time, introduced new options for even higher speeds.

We also continued to upgrade the Cytanet network's local connections with Ethernet 10Gbps connections. The total capacity of our connections to the global Internet is now in excess of 35Gbps.

During 2011, with the objective of expanding broadband to even more areas, we proceeded to further extend our

network in suburban and rural areas. Coverage is provided everywhere with a developed copper network, in both urban and rural areas.

- **Other special offers**

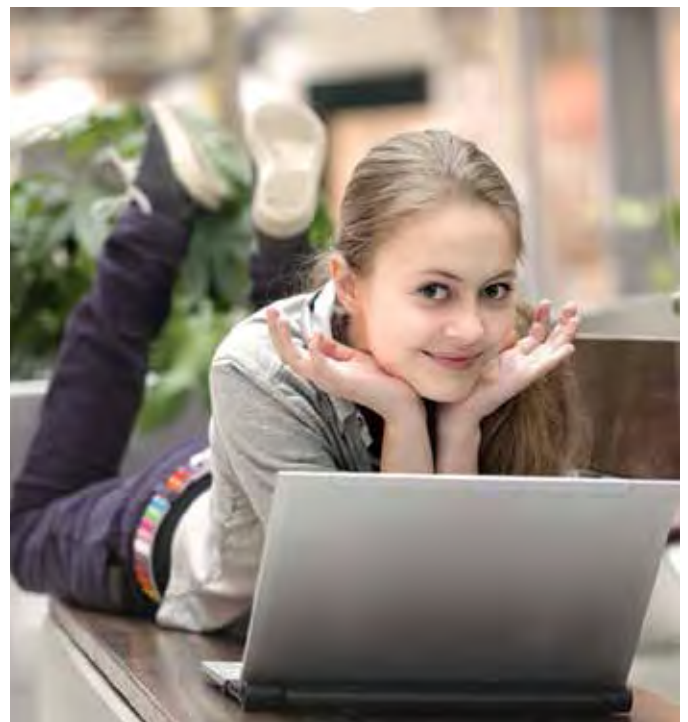
In 2012 we enriched our special offers to broadband customers and with a one-year contract the 12th month's subscription is free.

- **Expansion of the Cytanet Wireless Zone**

2012 was the year when we operated more than 130 Wi-Fi Hotspots around the island. We expanded our network to more open public spaces, thereby making the Internet more accessible outside the home.

- **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 & Culture. During the 2011-2012 academic year, 108 visits were made to schools where 14,453 pupils and teachers attended the presentations. In total, since the 2001-2002 academic year, 688 schools have been visited and 77.638 pupils and teachers have attended the presentations.



CYTAVISION SUBSCRIBER TELEVISION PLATFORM

Cytavision is the most complete subscriber television platform in the Cyprus market. With dozens of popular channels in all viewing categories and a broad range of interactive services, it offers the ultimate in daily entertainment and information, 24 hours a day.

Our main priority is to share rich, top quality content with our subscribers, in conjunction with new innovative applications and services at competitive prices. And all this with a commitment to the provision of the very best in service.

According to the results of customer satisfaction market surveys, Cytavision is a key criterion in people's choice of Cyta's triple-play option (fixed telephony, Internet, television).

We are constantly investing in new content, new innovative applications, new services, new options and new collaborations that add more value for our subscribers and our partners.

This is why, during 2012, we proceeded to complete a range of projects that serve the two pillars of our strategy, i.e. content range and quality and innovation, which enabled us to increase the number of Cytavision subscribers:

- **Enhancement and enrichment of channels**

Throughout the year, in response to the TV needs of our subscribers, we enriched our content with popular channels in various viewing categories. Specifically, in April we completed the Discovery portfolio with the addition of the world-famous Investigation Discovery

(ID) and Animal Planet channels. Additionally, on 1 May 2012 we added Trace Tropical, Trace Urban and Trace Sports while the year ended with the provision of the Greek-language version of the Euronews channel and World Fashion which replaced Fashion TV.

- **Technical upgrade of the Cytavision platform**

We proceeded to upgrade the Cytavision platform, making navigation easier and faster, with a simpler, more user-friendly menu and additional interactive services and innovative applications. During the period of the upgrade, some 24.000 Amino set-top boxes were replaced with newer ADB boxes free of charge. The transfer of subscribers to the new platform took place in stages and was successfully completed.

- **Attractive packages for telephony, Internet and television for residences with limited use**

In summer 2012, we launched attractive packages with pre-set use of the telephony, Internet and television for residences that are used only occasionally, such as holiday homes. More specifically, customers have the flexibility to disconnect and reconnect their services according to their own needs for up to six months, paying only a small monthly charge.

- **New High Definition experience**

In December 2012, we enhanced the Cytavision bouquet of channels with new High Definition options:

1. The Cytavision Sports HD channel which broadcasts, among other things, UEFA Champions League and UEFA Europa League matches, Italian, Dutch and Brazilian football games, Ice Hockey and other European sports in High Definition. The



channel is available to Full Pack and Public Pack subscribers.

2. The Cytavision HD bouquet which includes various popular HD channels and is available to subscribers of all the family packages and to Cytavision Public Pack subscribers.

All the HD options are available to Cytavision subscribers, provided that they fulfil certain technical requirements.

- **New agreements for live sports broadcasts**

During the course of the year we signed important agreements for live broadcasts of top matches from European football, basketball, volleyball and other leagues in response to the needs of subscribers who are sports fans.

- **New framework of cooperation with local football teams**

In June 2012 we presented a new proposal to the teams we sponsor and its implementation began in the 2012-2013 season. The action plan includes commercial activities, specialist services and promotional activities, with the ultimate aim of creating a closer relationship between football fans and Cyta, its products and services.

- **Advertising sales**

With the start of the 2012-2013 football season, in collaboration with Sigma TV, we made available competitive advertising packages on the five dedicated Cytavision Sports channels which guarantee reaching the target audience of sports fans. Through advertising sales, we aim to add value in relation to the cost of the service, which is expected to gain ground in the subscriber television market.

NATIONAL PRIVATE LEASED LINES

In 2012, 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

In 2012 we enhanced our telematics solutions (cloud services) portfolio with new, economical solutions such as Logistics, Payroll Management, Commerce & Credit Information, Commercial Management and Points of Sale, Online Meetings, Security and Alarm Systems. The provision of as many software applications as possible in the form of subscriber services to SMEs has been broadened, with the portfolio containing dozens of solutions, while at the same time agreements on developing services in new sectors are under discussion.

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.

HOSTING/COLLOCATION SERVICE

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 NETWORKING SERVICES

2012 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.

MANAGED SERVICES

The new Managed Services come to complement the networking services, mainly Ethernet and DSL Access VPN, with supply, installation, operation, management and support services for all the telecommunications equipment located on a company's premises.

With Managed Services, business customers can have a single point of contact for the order, support and management of equipment on their premises and for their networking services. Should technical problems arise, the fastest possible service and the best coordination to resolve them are provided since Cyta is in a position to monitor the network and its equipment from end to end.

The Managed Services that Cyta offers are the most reasonable in terms of initial capital outlay since customers are not burdened with the initial costs of purchasing equipment and they pay less to upgrade and replace it.

CUSTOMER SERVICE

Our unchanging strategy in recent years has been to come closer to our customers, placing particular emphasis on reinforcing our Sales Network and focusing on the development and upgrading of our stores in terms of their appearance and commercialism. In response to customer suggestions, we extended Cytashop opening hours to make them the same as those in the rest of the market.

In the framework of the strategic pillar that is the Customer Experience, since July 2012 we have been welcoming customers to the first Customer Experience store in Agias Fylaxeos Street, Limassol. It is a modern space, attractive and innovative, and a model that makes us proud. The overall philosophy and design of the new store was based on a central value of the Cyta brand: Empowerment, which is evident on the customer journey through the store as well as in the new principles of customer assistance in which the personnel have received training.

At the same time, we started the project to modernise the existing stores, gradually adopting the Customer Experience principles so as to offer customers the journey through the store and the chance to try the devices and to freely choose the accessories they are interested in. In November 2012, the makeover of the Famagusta district Cytashop was completed.

In the framework of our strategy of providing excellent customer service across a broad and effective Cytashop network, we also maintain a strong and reliable network of sales partners. They have organised networks of stores in all districts, and have the right knowledge and experience to serve our customers in a responsible manner and to provide the full range of our products and services. An important part of these partnerships is the distribution network that makes the products of the soeasy prepaid mobile telephony service available across a large network of points of sale throughout Cyprus.

As regards the business market, thanks to a large variety of options and the flexibility of our products, our specialist network of Telecommunications Consultants provides an upgraded personal service to large companies and SMEs. The Telecommunications Consultants assist each enterprise in selecting the ideal and, at the same time, most economical solution to its particular requirements, always with the quality that is expected from Cyta. Moreover, specialist consultants contact smaller businesses and self-employed professionals by telephone in order to deal with issues of concern to them. Our constant aim is to provide integrated solutions that arm professionals with autonomy and flexibility in the area in which they are active and make their business more productive, efficient and, by extension, more competitive. The development, strengthening and maintenance of long-term relationships of mutual benefit with our customers are the key components of our approach: In the words of our slogan, we "get closer" to businesses and the professionals so as to "touch the world" together. To this end we ensure that our people have a

high standard of know-how and advanced technology tools at their disposal so as to respond to the demands of our customers.

Over and above the personal contact with our customers, in recent years we have placed great emphasis on telephone service and assistance. From the Cyta Call Centre we offer our customers top-quality assistance on the islandwide number 132. Customers who call can obtain information about our products, submit orders, report possible faults to their services and receive technical support. The Cyta Call Centre also provides assistance to customers of Cyta Hellas and thus plays an active role in the successful expansion of the company's activities into the Greek market. The Directory Enquiries service on 11892 operates in an intensely competitive environment but it remains the leading service of its kind in Cyprus. Through the provision of simple and practical facilities, it gives customers fast, reliable and inexpensive assistance with their enquiries.

Developments in the area of telephone assistance, changes to services and competition require the ability to constantly adapt to new circumstances and more demanding customers. The support of our personnel must be continuous and aimed at reinforcing the culture of providing a unique customer experience. With this in mind, in 2012 we implemented a new personnel management system, codenamed "Care". Care for our staff and, by extension, for our customers. Roles and responsibilities have been redefined for Mentors, Assessors and the Quality Team. "Care" is personalised and provided on a weekly basis. Each member of staff has his/her own "Coach" who undertakes to exclusively mentor that person, to transfer knowledge and experience, to support and grow him/her from the first day

of employment. The aim, on the one hand, is to exploit the personal competencies of each individual, placing him/her in the right position with the right duties and, on the other, to lose any weaknesses and to enable employees to grow with the help of the right training programmes. The ultimate target, of course, is the customer and the experience that we provide.

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. Additionally, customers can resolve any queries or talk about issues related to our services and technology on the discussion forum.

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.

Recognising that our customers give considerable importance to the speed of technical support provided to resolve problems, our technical staff have new work management and vehicle fleet management systems at their disposal in addition to new, upgraded equipment. We naturally place particular emphasis on continuous training. By undertaking pre-emptive checks on the quality of the services we provide, both on Cyta's network and on our customers' premises, we obtain the highest possible levels of uninterrupted service and, by extension, we affect our of



customers' work positively too. In 2012, great emphasis was also placed on the development of professional service skills and the enhancement of the Technical Service staff with additional hourly-paid personnel.

With improved content and all the latest information on companies and individuals, in 2012 the printed editions of the Yellow Pages and Telephone Directory, the Business-to-Business directory and the Cyprus Holiday Guide were published. Thanks to the amount of information they contain, these publications are unique search tools and, at the same time, effective means of promoting businesses, their products and services. With information that is updated daily, the Yellow Pages and Telephone Directory are also available online at www.cytayellowpages.com.cy

WHOLESALE MARKET

NATIONAL WHOLESALE MARKET

In 2012 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:

Mobile Communication Interconnection and Services Portfolio

The Mobile Communication Interconnection and Services 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 networks. It is achieved through interconnection with predetermined nodes on Cyta's networks and allows for 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 allowing 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 develop their own mobile telephony services via Cyta's network. Cyta offers alternative access arrangements to Service Providers, Enhanced Service Providers and Mobile Virtual Network Operators. 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.

Infrastructure Access and Leasing Portfolio

The Infrastructure Access and Leasing Portfolio includes Local Loop Unbundling and 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 cables enables national providers to lease Cyta's infrastructure (buildings, forecourts, cabling) for the collocation of their equipment.



INTERNATIONAL WHOLESAL MARKET

In 2012 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

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 with nodes in Nicosia, Athens and London and other international extensions, we offer business and wholesale customers 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, virtual connections are offered as point-to-point and point-to-multiple-point, 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 also offer international interconnections for data transfer via Frame Relay products at guaranteed access speeds from 64kb/s to 2Mb/s and via ATM products from 2Mb/s to 155Mb/s.

Additionally, we offer business and wholesale customers 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. Customers receive personal service, through a business consultant, and 24-hour technical support.

International Wholesale 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 56 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 all over the world.

Additional Services Portfolio

We provide specialised and personalised products which add value and support to a broad range of international telecommunications products and services. These additional 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.

SERVICES 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.

In the framework of harmonisation with the programmes of the European Civil Aviation Organisation EUROCONTROL and due to the termination of the LEFCO project, we are proceeding to upgrade the backup air traffic control data processing system in support of the existing Nicosia Area Control Centre. Furthermore, an agreement has been signed which provides for the upgrading and transformation of the backup system into a main one during 2013, something that will contribute to improved quality and better use of the Department of Civil Aviation's capabilities.

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, infrastructure work started for the MEOLUT project which provides for the establishment in Cyprus of a satellite ground station for the SAR/GALILEO search and rescue services which are part of the GALILEO satellite programme being developed by the European Union.





Subsidiaries

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

2012 was the year in which Cyta Hellas established itself in Attica, the most competitive section of the Greek market. Although Attica was a key target of the company for 2012, emphasis was nonetheless placed on developing its commercial presence in the other large urban areas of the

country. So during 2012, Cyta Hellas started making its services commercially available in twelve more major cities in Greece (Argos, Nafplion, Tripoli, Sparta, Kalamata, Pyrgos, Aigio, Kiato, Corinth, Loutraki, Arta and Agrinio).

As a consequence of the above, the number of active customers rose from 237.000 to 296.000, recording an increase of 25% and maintaining the company's first place among all providers regarding the net increase in customers, despite the fact that in the new areas of activity the competition already had a commercial presence and in spite of the broader crisis besetting the Greek economy and its effect on people's purchasing power. In 2012, the company managed to maintain a low rate of customer churn compared to its competitors, an indication of continuing customer confidence.

Regarding its financial results, for the first time there was a significant fall in the company's operating costs and overall losses, which signals the start of the change from the initial stage of extensive growth and investment in infrastructure to a phase of maturation for the company.

Regarding new products, Cyta Hellas was a pioneer, being the first to present IP Centrex, a virtual digital telephone exchange for business, to the Greek market. Furthermore, MPLS-VPN and VPN/IPLC were introduced for business customers with various points of presence both inside and outside Greece, as were the Hosting Collocation and Physical Collocation services on the premises of the company's Data Centre at Metamorphosis in Attica.

In 2012 the company's own optical network in the greater Athens area was completed. With this section of the optical



network now in place, the company has the capability of providing high-speed services via optical connections to large enterprises in the Greek capital.

By December 2012, the company's optical network was 4.170km in length and provided services to 352 telephone exchanges. Investing in the direct relationship of trust with its customers, Cyta Hellas was operating 22 Cytashops and four franchise stores while a large number of technical staff in all areas where the company is operating are ready to cater for the requirements of its subscribers with the best possible service.

In 2013 there will be a small expansion of the areas in which Cyta Hellas operates, mainly in centres within Attica. The company will focus on maintaining the customer base that it has already gained.

Moreover, the company will expand its optical network with the aim of further reducing operating costs and its dependence on third party suppliers to cover the main requirements of the core network in mainland Greece.

The company's objective for 2013 is to post an operating profit (EBITDA) for the year as a whole.

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. Additionally, Cyta UK recently obtained new-generation SDH equipment which enables the parent company Cyta to offer international connections using Ethernet over SDH (EoSDH) to cater to the needs of business customers as well as of other providers and partners.

The company is active, in conjunction with Cyta and its subsidiary Cytaglobal Hellas SA, in the provision of international virtual leased interconnections 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 within the UK on a resale/leasing basis via its associates and other subcontractors. Also, in collaboration with Cyta, the company is in a position to

offer voice, signalling and Internet interconnections on a wholesale basis.

The company also provides fixed telephony services to the UK retail market based on the carrier pre-selection model, and the competitively-priced packages of products that it was developed, specifically Cytatalk and Cytabusiness which are aimed at home and business customers respectively in the Greek-speaking community.

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
- Single 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 has 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.

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.

The e-commerce solutions service offers e-shop design, development and hosting, 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.

In 2012, the company expanded the dedicated online service for Bulk SMS delivery **www.webSMS.com.cy** with new facilities and means of connection that respond to the increased needs of our customers to connect their system interface with **www.webSMS.com.cy**, and with an improved automatic message flow monitoring system.

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 2012 we completed the upgrade to the Cytanet Live Streaming service, improving its management and the online payments system. In 2012, Emporion Plaza Ltd redesigned its CMSquick content management system to create version 2. The CMSquick v.2 content management system is 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.

The new CMSquick infrastructure was used with great success for EE **www.cy2012.eu**, the official website of the Cyprus Presidency of the EU Council. The site's functionality, ease of use and design, combined with use of essential IT software programmes and interactive multimedia, all contributed to the achievement of the Cyprus Presidency website's objective as the main information tool for the media and for the people of Europe.





IRIS GATEWAY SATELLITE SERVICES LTD

Iris Gateway Satellite Services Ltd provides satellite turnaround of radio and television programmes between Europe, Asia, Africa 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 Services, providing integrated solutions to customers interested in distributing their services to various locations internationally via a combination of fibre optic cables and satellites.

During 2012, 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.



Network

2012 was a milestone for Cytavision, since installation was completed of the new digital television platform which brought a range of improvements and new possibilities for subscribers. It also marked the commercial introduction of HD TV packages.

During the year, Cyta undertook the development of the necessary infrastructure for hosting the website of the Cyprus Presidency of the Council of the EU, a project of national importance.

Expansion continued of the new generation SDH network which, in conjunction with the WDM network, is capable of serving the needs of the networks of Cyta and external customers at speeds between 2Mbps and 10Gbps and the highest possible level of reliability.

Additionally, the Jonas-Ariel submarine cable system linking Cyprus with Israel came into operation and agreements were signed for the construction and maintenance of the Alasia submarine cable system between Cyprus and Syria, and for the leasing of spare capacity on the Alexandros sub-system to Syrian Telecom.

Finally, an agreement was drawn up with Radius Oceanic Communications Inc. for the interconnection of the new Poseidon submarine cable system with the Offshore Communication Backbone submarine monitoring system, thus achieving the convergence of oceanography and telecommunications for the offshore hydrocarbons industry in the Eastern Mediterranean.

VALUE ADDED APPLICATIONS

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

2012 was a milestone for Cytavision. Installation was completed of a new, modern digital television platform, which was brought into commercial operation during the last quarter of the year, as was the smooth transfer of all customers of the old platform. The new platform brought a number of improvements and opportunities for Cytavision subscribers such as a more user-friendly environment, faster response and channel changing, high definition broadcasts (HDTV), etc. At the same time, we began replacing the older Amino set-top boxes (STBs) with new-generation ADBSTBs. 2012 also marked the long-awaited commercial introduction of High-Definition (HD) channel packages, following the implementation of a host of technical, procedural and commercial prerequisites. The introduction of the service offers Cytavision subscribers the advantage of an even crisper picture.

This was the year in which we undertook the great responsibility for developing the necessary infrastructure for hosting the website of the Cyprus Presidency of the Council of the EU and broadcasting various meetings live and via on-demand streaming.

It was a project of national importance, viewed from the outset as hugely challenging, enterprising on a grand scale and with great demands due to its particular requirements:

- The time available for the implementation of the whole project was very limited and naturally had a fixed deadline. The starting date of the Cyprus Presidency was set and the project had to be finished before that date, with a suitable amount of time available for the introduction and enhancement of content.
- It was a high-risk project, due to the anticipated organised, malicious attacks that it would be subjected to by specialist and hostile hackers, due mainly to the Cyprus problem but also to other groups (e.g. Anonymous). Any technical problems or successful attacks would have automatically exposed Cyprus but they would also have struck a severe blow to our Organisation's technical adequacy and reliability.

It is broadly accepted that the project was crowned with success, since it served the Cyprus Presidency superbly well and there were no problems. The infrastructure and the security network developed for the specific project were unprecedented for Cyta. The experience and know-how that we gained were invaluable and they will be evaluated for the further improvement of the security of our infrastructures and services.

CORE NETWORKS

National transmission network

In 2012 we continued to expand the WDM (Wavelength Division Multiplexing) network, which is the backbone of Cyta's networks, providing high speed services to other networks of the Organisation and to corporate customers whose needs can only be satisfied by this technology. We also continued to expand the new-generation Synchronous Digital Hierarchy (SDH) network for the provision of circuits of various speeds. The WDM network, in combination with the SDH network, can serve the needs of Cyta's networks and those of external customers at transmission speeds from 2Mbps to 10Gbps, with the maximum level of reliability available today. These networks operate via optical fibres in an arrangement that allows the uninterrupted provision of service, even when a fault occurs in a particular fibre.



We completed the installation and operation of new-generation SDH equipment on the nodes of Cytaglobal Hellas in Athens and CytaUK in London.

International transmission network

We once again proceeded to implement significant satellite and cable systems, reinforcing our role as a telecommunications hub in the broader Eastern Mediterranean region.

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. The main projects of 2012 were the following:

- We completed the project to provide satellite telecommunications infrastructure and international cable connectivity to Avanti and we began the project for an alternative satellite earth station location at Pera.
- We successfully completed the upgrade to the existing 15,5 metre satellite dish for the provision of monitoring services for the Hylas2 satellite.
- We made progress within the timeframe on the MEOLUT project which concerns the operation of satellite node on the European search and rescue system.

The Makarios Earth Station is also the centre for the satellite channels and hosts the continuity platform for Cytavision. In 2012, we redesigned the production of the permanent

sports channels, following an agreement reached with LTV, Antenna and Sigma TV. Furthermore, we took advantage of the High Definition platform to transmit a number of channels in HD.

Cyprus is connected with the outside world for telephony, Internet and leased circuits through three submarine cable stations with multiple submarine cable systems and subsystems. Connections are offered at the same time to companies in neighbouring countries. The main projects of 2012:

- We brought the Jonas-Ariel submarine cable system into operation, linking Cyprus and Israel.
- We proceeded to make preparations for the Poseidon submarine cable system which is due to operate in 2013, providing special services to the hydrocarbons exploration/extraction. At the same time, work continued on the Alasia submarine cable system as an addition connection between Cyprus and Syria.
- We completed the 2nd and 3rd capacity upgrade of the Alexandros submarine cable subsystem with equipment from Alcatel and Infinera respectively.

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 as well as the needs of Cytavision.

At the same time, we brought into operation a faults management and network services activation system which, among other things, enables the monitoring of faults on the IP/MPLS network and of services provided via the network, as well as activation of the L2 and L3 VPN Ethernet services.

For the needs of the Cyprus Presidency of the Council of the European Union, we provided interconnection with the official website while, at the same time, we provided security against malicious attacks (using special equipment and a backup mechanism).

We began the gradual transfer of customers to the new unified DSL Access/Cytanet network. It is based on the PPPoE protocol and provides backup at the BRAS (Broadband Remote Access Server) level of connections to the IP/MPLS backbone network and the Cytanet network. Once transferred, customers receive a much more reliable service. Furthermore, we successfully completed the increase in speeds for all broadband customers.

At the same time, we replaced the BRAS equipment serving business customers using Internet Office (based on DSL technology) so as to support the new IPv6 address protocol and to provide an improved and more reliable service to customers.

We upgraded the Cytanet network at both routing and connection levels in order to offer an improved customer experience. Additionally we successfully completed the plan to provide the Cytanet WiFi Zone via Ethernet access.

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 2012 we continued work on upgrading existing systems and introduced new 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 Networks and Services Management Centre.

FIXED AND MOBILE COMMUNICATIONS NETWORKS

Fixed communications network

We started and almost finished implementing total geographical backup for the IMS system in Cyprus, which is used to provide broadband telephony to residential and business customers.

We expanded its capacity in order to cover the requirements of the BBTbusiness and SIP Trunking services and work

began on the switch from the fixed communications network using traditional PSTN/ISDN technology to end-to-end VoIP technology, taking advantage of the IMS system infrastructure.

We further extended the capacity of the softswitch network as a consequence of the increase of Cyta Hellas connections with other providers in Greece and we upgraded the Juniper routing software on the softswitch network.

Finally, we upgraded the Intelligent Network platform since the old one was operating with outdated hardware and software, while maintaining the services with their existing features and, at the same time, obtaining a significant reduction in the annual cost of technical support from the supplier, ZTE.

Mobile communications core network

With the transfer of telephone traffic from the fixed communications network and that of alternative providers to the new 2G/3G core network, we completed the introduction of the new mobile communications network based on softswitch technology and affording geographical backup capability for both voice and data services. At the same time, we brought into operation a new testing centre based on softswitch technology like the rest of the core network, for checking and developing new services. We connected a second Mobile Virtual Network Operator (MVNO) to the mobile communications network.

We completed the project to improve SIM card security and protect mobile telephony customers from the possibility of having their cards cloned.



We carried out a software upgrade on the GPRS network to a version compatible with 3GPP specifications. At the same time, we proceeded to upgrade various systems such as the prepaid service for greater flexibility in data charges, the roaming services platform and the roaming control system, and the text messaging (SMS) system.

Wireless access network

In 2012 we continued to develop the mobile telephony 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 9,6%. Population coverage of the GSM network exceeds 99,8% while geographical coverage is 97% of the government-held area of Cyprus. The corresponding coverage for the 3G/HSPA network is now 90% and 63% respectively. We also extended the coverage of HSPA+ to 15% of the network.

With the objective of satisfying the expected demand for data 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 16 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 Hotspots, increasing the total to 186.

Wired access network

In 2012 we continued to develop and upgrade the broadband access network using Asymmetric Digital Subscriber Line (ADSL) technology.

Specifically, 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 high-speed broadband services. We have already started connecting customers with VDSL2 technology for the provision of access

speeds of up to 70Mbps. Coverage for DSL Access and Cytavision is provided wherever there is a developed copper network in both urban and rural areas.

At the same time, we upgraded the broadband network quality monitoring system and added functionality, taking advantage of the customer terminal equipment monitoring system, thus enabling the support of new technologies and the automation of broadband provision and support for customers.

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, taking into account the country's new economic/financial circumstances.

TECHNOLOGY INTELLIGENCE

With the purpose of carrying out the systematic monitoring of technological developments in the telecommunications sector and forwarding all relevant information to Cyta, we developed an online data gathering and evaluation system via which around 60 of the most reliable sources of technological information are monitored on a daily basis. From these, some 500 news items are automatically generated every day. These are assessed and a selection is made of the most important that are of interest to Cyta. The selected information is then classified according to its content and entered into the Competitive and Technology Intelligence System from where it is distributed to interested members of personnel.

RESEARCH AND DEVELOPMENT

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.

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.

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 and the Broadband Forum.

INFORMATION SECURITY AND NETWORK/ 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.

At a corporate level with the aim of ensuring the security of all our main processes, an Information Security Management System (ISMS) based on ISO27001:2005 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, a specialist team using dedicated technology works in conjunction with various services within and outside the Organisation. In the framework of its social responsibility, Cyta has expanded its activities aimed at preventing and stopping fraud aimed at its customers so as to protect them from malicious acts.

INTERNATIONAL CABLE AND SATELLITE NETWORK

During 2012, contracts were signed for the construction and maintenance of the new Alasia submarine cable system between Cyprus and Syria and for the provision of capacity on the Alexandros subsystem to Syrian Telecom. Moreover, negotiations progressed with the Lebanese Ministry of Telecommunications for the laying of the new Europa cable system between Cyprus and Lebanon and the provision of cable capacity on the Alexandros subsystem.

In 2012 work was completed on the Athena cable subsystem which concerns a protected cable connection linking Cyprus, Crete, Athens and Italy and this increases the robustness and reliability of Cyta's international submarine cable infrastructure and maximises the potential for interconnectability in the Mediterranean.

We also drew up an agreement with Radius Oceanic Communications Inc. For the interconnection of the new Poseidon submarine cable system with the Offshore Communication Backbone (OCB) monitoring system, thus achieving the convergence of oceanography and telecommunications for the offshore hydrocarbons industry in the Eastern Mediterranean.

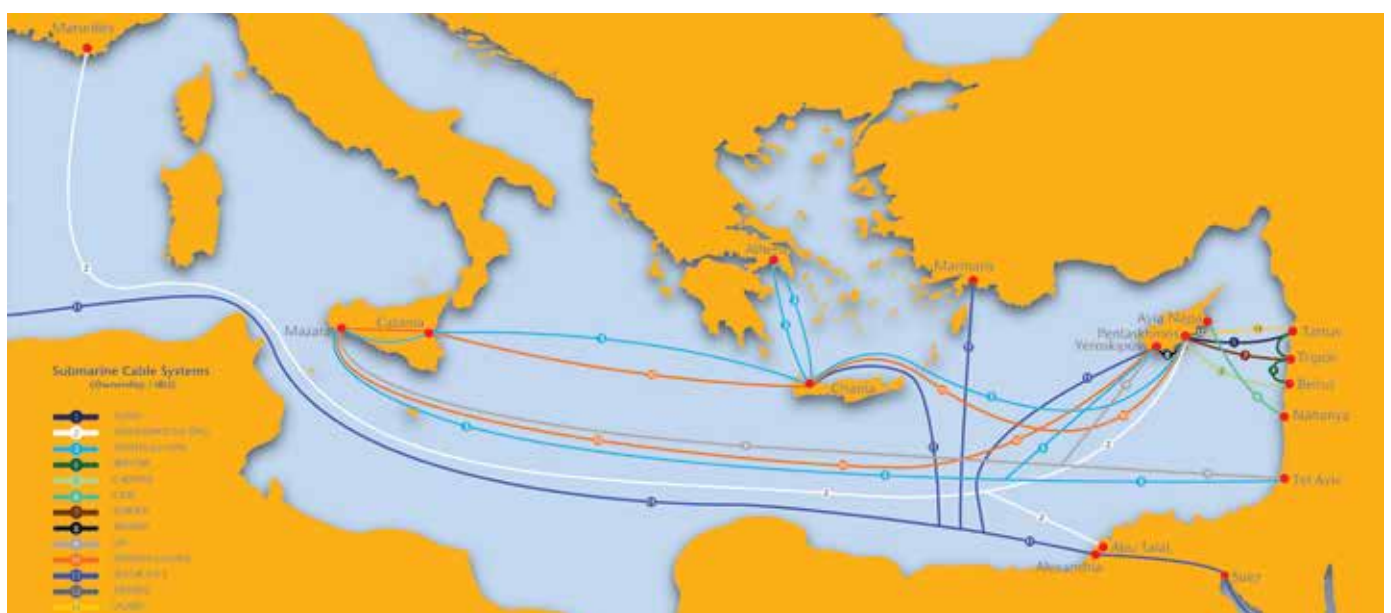
There are currently eight international submarine fibre optic cable systems and subsystems landing at Cyta's cable stations as follows: (i) SEA-ME-WE 3, (ii) Med Nautilus-Lev, (iii) Cios, (iv) Cadmos, (v) Ugarit, (vi) Minerva, (vii) Alexandros (Cyprus-Egypt and Cyprus-France) and (viii) Athena (Cyprus-Greece-Italy).

Cyta's international systems include more than 30 satellite earth stations providing access to major satellite systems such as Intelsat, Eutelsat, SES, Hylas, Thor, AsiaSat, ABS and Arabsat, which offer 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 have been 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 an extremely important telecommunications hub in the Mediterranean, providing business opportunities in new markets and excellent service of Cyprus's retail and wholesale international telecommunications needs.



Financial Report

SUMMARY OF RESULTS

In 2012, despite the fact that it was a year in which the financial crisis continued to be acutely felt and the economy experienced negative growth, Cyta reported a pre-tax profit of €47,6 million compared to the 2011 figure of €81,7 million.

Profits after tax, which are transferred to reserves, amounted to €40,3 million compared to €73,3 million in 2011.

The reduction in profits after tax has mainly been affected by the impairment of the investment in Digimed Communications Limited which amounted to €21 million.

OPERATING REVENUE

Operating revenue which for 2012 fell by €22,2 million was affected on the one hand by an expected reduction in revenue from fixed telephony and on the other hand by an increase in revenue from broadband and other services.

The drop in total revenue of mobile telephony corresponds to the reduction of revenue of international mobile telephony as a result of the reductions made to international roaming charges in order to conform with the relevant European International Roaming regulation. In addition, there was also a reduction in revenues from national mobile calls.

OPERATING EXPENSES

Operating expenses for 2012 reached €393,1 million which corresponds to a reduction of €8,7 million or 2,2% compared to 2011. The reduction in operating expenses has been achieved due to the policy implemented by Cyta to manage its expenses.

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 €64,7 million compared to €72 million in 2011, and was financed exclusively by Cyta's own funds.

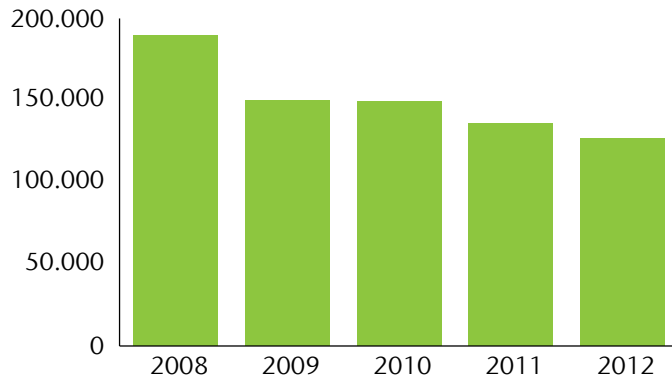
LIQUID FUNDS

Total **liquid funds** in banks amounted to €161,3 million (2011: €242,3 million) and in bonds to €42 million (2011: €39,4 million). An amount of €100,7 million has been placed in a 13-week government bond.

CAPITAL RESERVES

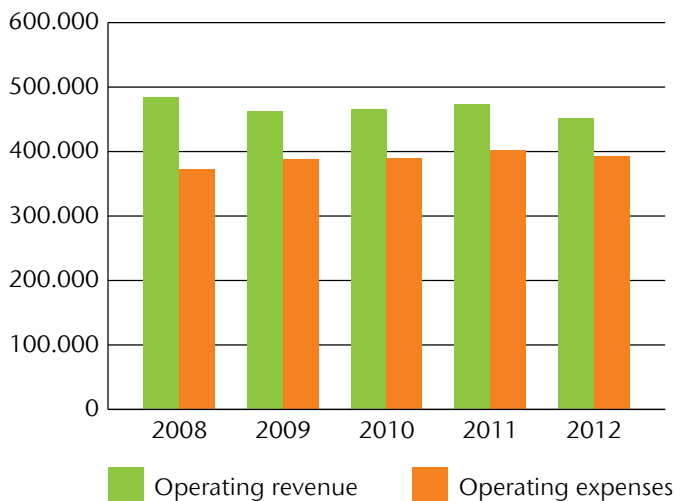
The Organisation's **capital reserves** as of 31 December 2012 amounted to €876 million, having been reinforced by a surplus of €38 million but reduced by the dividend of €37 million paid to the Republic of Cyprus.

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



2008	2009	2010	2011	2012
189.515	149.670	149.019	135.877	126.550

Operating Revenue and Operating Expenses (€'000)

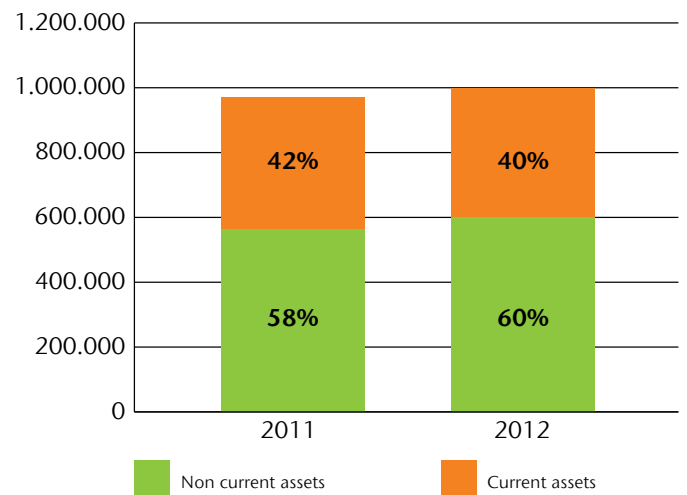


	2008	2009	2010	2011	2012
Operating revenue	484.329	463.036	466.470	473.982	451.763
Operating expenses	372.392	388.616	390.569	401.840	393.113

Five-Year Financial Summary

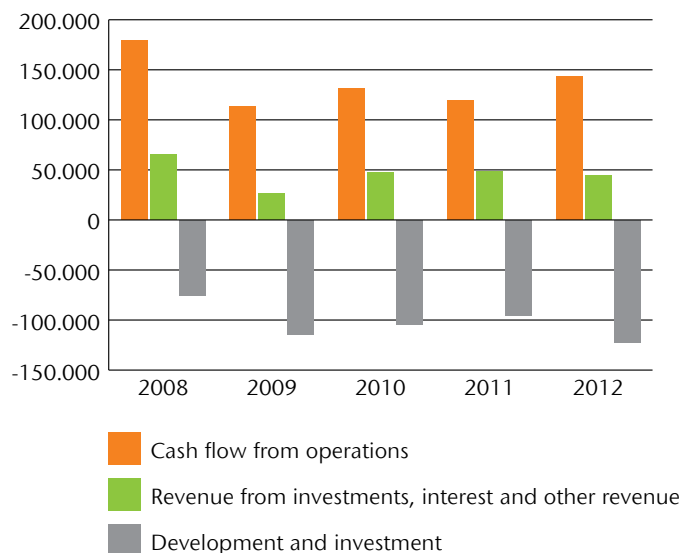
	2008 €mil	2009 €mil	2010 €mil	2011 €mil	2012 €mil
Operating revenue	484	463	466	474	452
Gross profit	112	74	76	73	59
Total assets	1.036	975	966	968	991
Total liabilities	152	104	105	93	114
Reserves	884	871	861	875	876
Cash flow from operating activities	180	114	132	119	143
Capital expenditure	-10	-87	-57	-47	-79
Dividend paid to the Republic of Cyprus	76,9	80	80	60	37

Total Assets (€'000)



	2011	2011	2012	2012
Non current assets	563.946	58%	590.710	60%
Current assets	404.491	42%	399.803	40%

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



	2008	2009	2010	2011	2012
Cash flow from operations	179.757	113.670	131.621	118.990	142.877
Development and investment	75.836	114.154	104.701	95.784	122.744
Revenue from investments, interest and other revenue	65.444	26.709	47.253	48.523	44.606