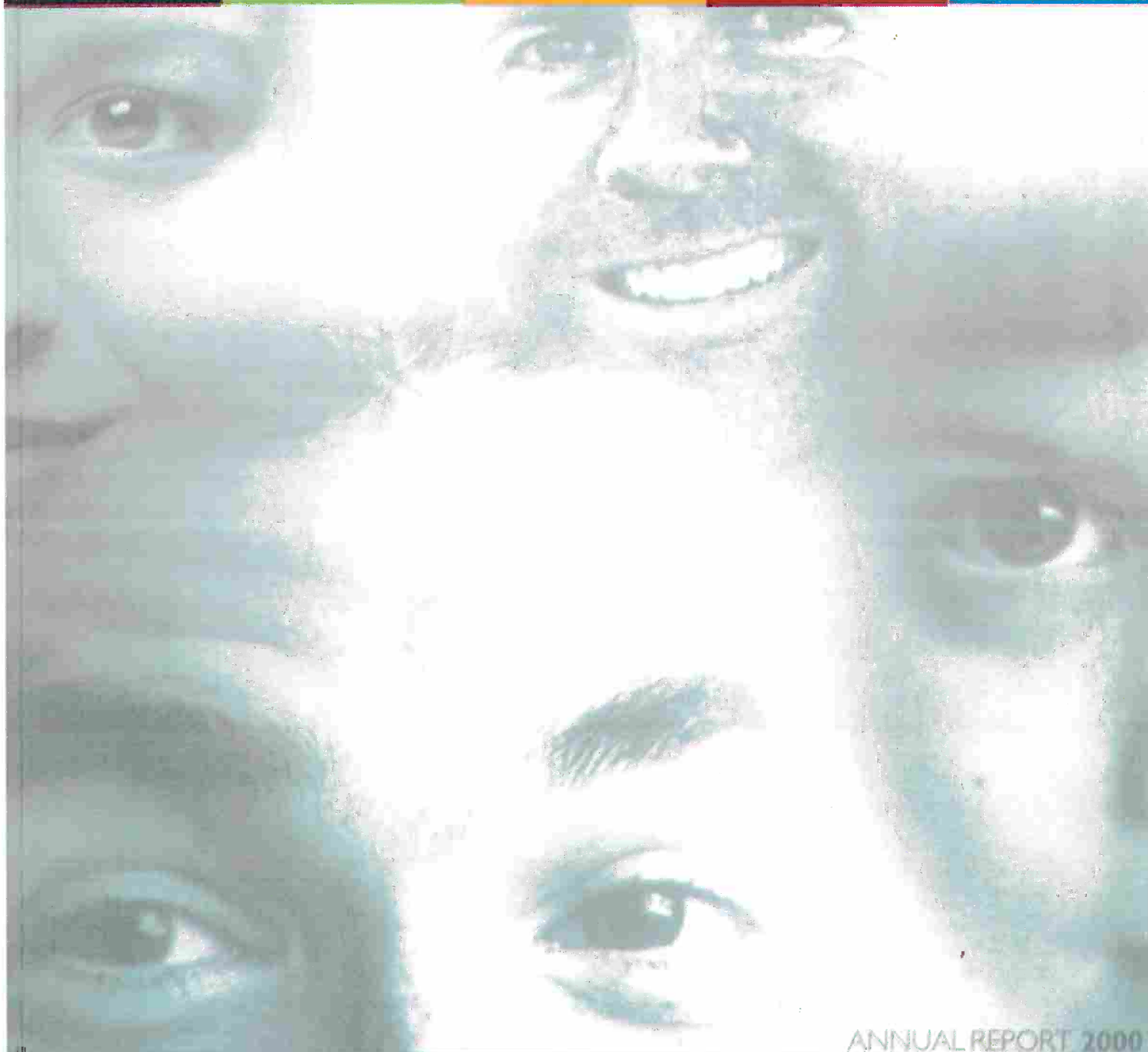


YOU... OUR CUSTOMERS REFLECT OUR SUCCESS!



ANNUAL REPORT 2000



CYTA



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The Customer is our mirror, both metaphorically and literally. The expression of customer satisfaction, our simple yet substantial communication with him or her, the horizons that we open to the customer show our orientation and are fundamental incentives for development.

YOU OUR CUSTOMERS REFLECT OUR SUCCESS

In the customer's face we want to see the New Face of CYTA, new technological applications, sensitivity. We want to play a significant role in the customer's plans. From his or her needs and desires, we wish to draw strength, so that CYTA remains a point of reference in the development potential of Cyprus towards a united Europe.

Focus on the Consumer

Rapid technological developments in the information technology and telecommunications sectors, as well as the globalisation process and free market competition have created a new society. The demands of the new competitive era which is emerging before us require

a continuous technological and qualitative upgrading of the services provided to consumers, as well as greater business flexibility enabling us to adapt to the constantly changing competitive environment.

MESSAGE FROM THE CHAIRMAN

At CYTA we are facing the new, rapidly changing environment with dynamism and we are resolutely looking forward with a sole aim: to win the battles of adaptation and competition. Determined to win these battles, everyone at CYTA - staff, management and directors - realises that consumers are growing ever more demanding and that their power lies in their ability to choose.

Our aim is for CYTA to become a highly competitive business enterprise in this new environment, providing impeccable service to the Cypriot consumer, while being recognised as a model business in our sector, both inside and outside Cyprus.

CYTA's Preparations

CYTA is already preparing at a rapid pace. As part of this essential preparation, we are training our staff, increasing productivity and focusing our attention on the customer. We are making the slogan "Quality in Everything" a way of life.

And that is not all. CYTA is entering the game of modern business activity as a dynamic player, adopting flexible structures and new ways of thinking. We are boldly facing the challenges of the future in an organised fashion, enriching our network and services and rebalancing and adjusting our local call rates which for over ten years had remained fixed well below

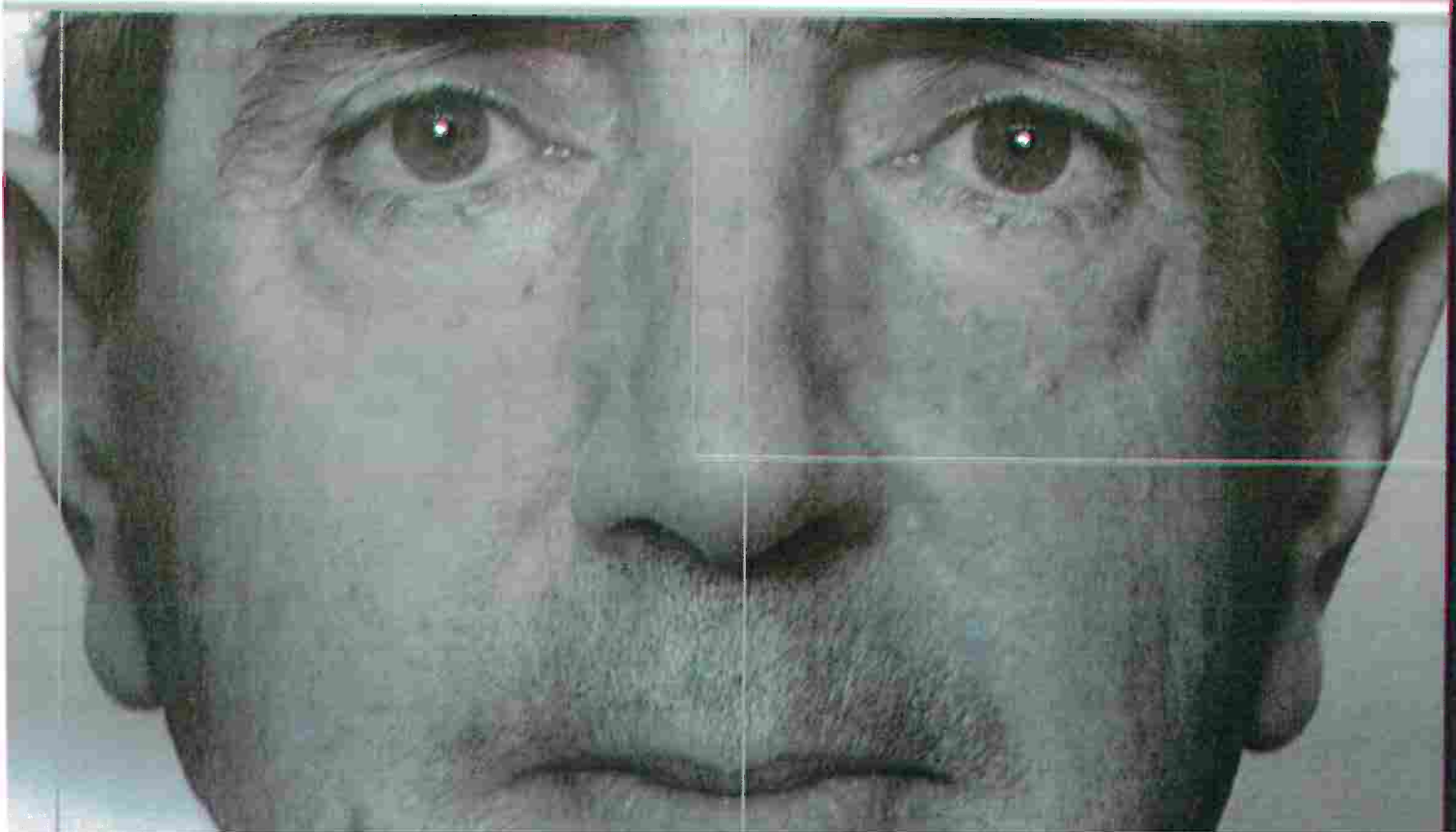
cost, thus creating the need for enormous cross-subsidisation. At the same time we have lowered international call rates becoming much more competitive. We have decreased these rates four times in the past three years with levels of reduction approaching 80%.

The achievements of year 2000

Looking back over last year, one can recognise from CYTA's achievements that we have succeeded in enhancing the image of the Organisation in the eyes of the consumer.

Among the main achievements were the upgrading of the prepaid mobile telephony

Yesterday's Achievements, Tomorrow's Challenges!



service under the new brand name "soeasy" to serve a new customer base, the introduction of the CYTAW@P service and our return to retail sales of telecommunications terminal equipment, enabling us to provide total customer service from a single point of sale at our Customer Service Offices.

We have maintained our first place regarding the Internet access service, with the CYTANET products continuing to serve the largest number of customers in Cyprus. At the same time, CYTANET has extended its activities to Lebanon and Syria, serving both Internet Service Providers (ISPs) and businesses.

In 2000 we introduced on a commercial basis ATM/Frame Relay high-speed data transmission services which were quickly taken up and we upgraded the Yellow Pages and Telephone Directory, for which a sales network operated with great commercial success.

A significant change to the Organisation's operations has been brought about by the extension of the servicing hours at Customer Service Offices and the Customer Technical Assistance units in which the staff now have enriched jobs: correcting faults, installing subscriber lines and even providing terminal equipment for the customer's office and home.

There was a dramatic improvement in customer service via the Directory Enquiries 191 and 192 services and the 132 Call Centre. This improvement was mainly due to the utilisation of part-time staff, the hiring of whom was a result of an excellent cooperation between the unions and management.

The road to corporatisation

During 2000 significant steps were taken towards changing CYTA's legal and regulatory framework which will give the Organisation administrative autonomy and business flexibility. The transformation of CYTA from a public corporation into a state-owned company will enable it to proceed *with dynamism into a new era.*

A draft law has already been submitted to the House of Representatives for the Transfer of Assets and Business of the Cyprus Telecommunications Authority. The basic provisions of the draft law are that CYTA will form a Limited Company (CYTA Ltd) to which all the movable and immovable property, assets, liabilities and business of the present Authority will be transferred.

The Organisation's staff will have the option to choose either to continue their service with the new company (with the right to purchase shares in CYTA Ltd) or choose early retirement with a compensation package or to continue their service with the Authority (without the right to purchase shares). In any case, the jobs, duties, rights and terms of employment are secured, in accordance with current regulations and collective agreements.

Of particular significance was the parliamentary approval in April of 2001 of the Law on the Appointment, Powers, Establishment and Operation of the Office of the Commissioner of Telecommunications and Posts. The Law, which came into force on May 4, 2001 will lead to the appointment of a Commissioner of Telecommunications and Posts and the establishment of the Commissioner's Office.

The Commissioner will be responsible, inter alia, for granting, revoking and modifying general and individual licences for telecommunications services and networks, for setting the framework for charges, for administering the national numbering scheme and for advising the Minister of Communications and Works on telecommunications issues.

While the Law has come into effect, certain provisions related to the powers and duties of the Commissioner will not be effected until January 2003. The Law abolishes all CYTA's regulatory authorities and assigns them to the Commissioner.

*The developments and challenges of this new era that is emerging are moving at dizzying speed. In the sector of telecommunications in particular, where technology plays a leading role, tomorrow is never very far away. **The future is increasingly merging with the present.***

*This is why CYTA is not complacent. Now, more than ever, we are aware that we have to stay ahead of developments. Yesterday's achievements form the basis which will bring even greater success tomorrow. Our excellent staff, our superb network and the modern services we provide are the guarantee that **CYTA will maintain its dynamism in the new telecommunications environment.***



Stathis Papadakis, Chairman

Nicosia, June 20th, 2001

The New Era

Today we are witnesses and, at the same time, participants in the transition from the industrial era of the last two centuries into the Information Society of the 21st century. The changes currently taking place are major ones, characterised by increased activity on all levels: people, products and information. Information Technology, telecommunications and new technologies, such as biotechnology,

with growth rates of least 5% higher than other sectors, are leading these changes and creating a decisive effect on the development and transformation not only of the economy, but also of the whole of society. Digital technology and today's global networks, spearheaded by the omnipresent Internet, are rapidly transforming basic economic activities, increasing productivity and changing our daily lives in an unprecedented way.

MESSAGE FROM THE GENERAL MANAGER

The Information Society also affects the business model, as we know it today, creating new business conditions. Liberalisation of the market has created a dynamic and competitive environment, while at the same time the consumer is growing more demanding and exhibiting ever-increasing needs. In the new environment, inflexible and slow-moving state or private enterprises and organisations have no hope of survival.

Success depends entirely on the degree to which an enterprise can adapt to the new situation. The demands of the new era require a constant technological and qualitative upgrading of the products and services offered to customers, as well as greater flexibility so that the business can adapt to the constantly changing competitive environment.

The modern business

We, at CYTA, have listened to the signals of the times and in recent years we have begun the process of adapting to the new situation. Today's challenge is that of the future of us all. For this reason we, too, are facing it boldly, with determination and in a systematic and organised way. We are proceeding with dynamism, only looking ahead. We are changing our structures and our mindset. We are becoming flexible, we are increasing productivity, we are becoming extrovert and customer-oriented.

Our objective is clear: to become a modern and competitive corporation in the new competitive environment, a model company in our sector. Only in this way will we win the battle of competition.

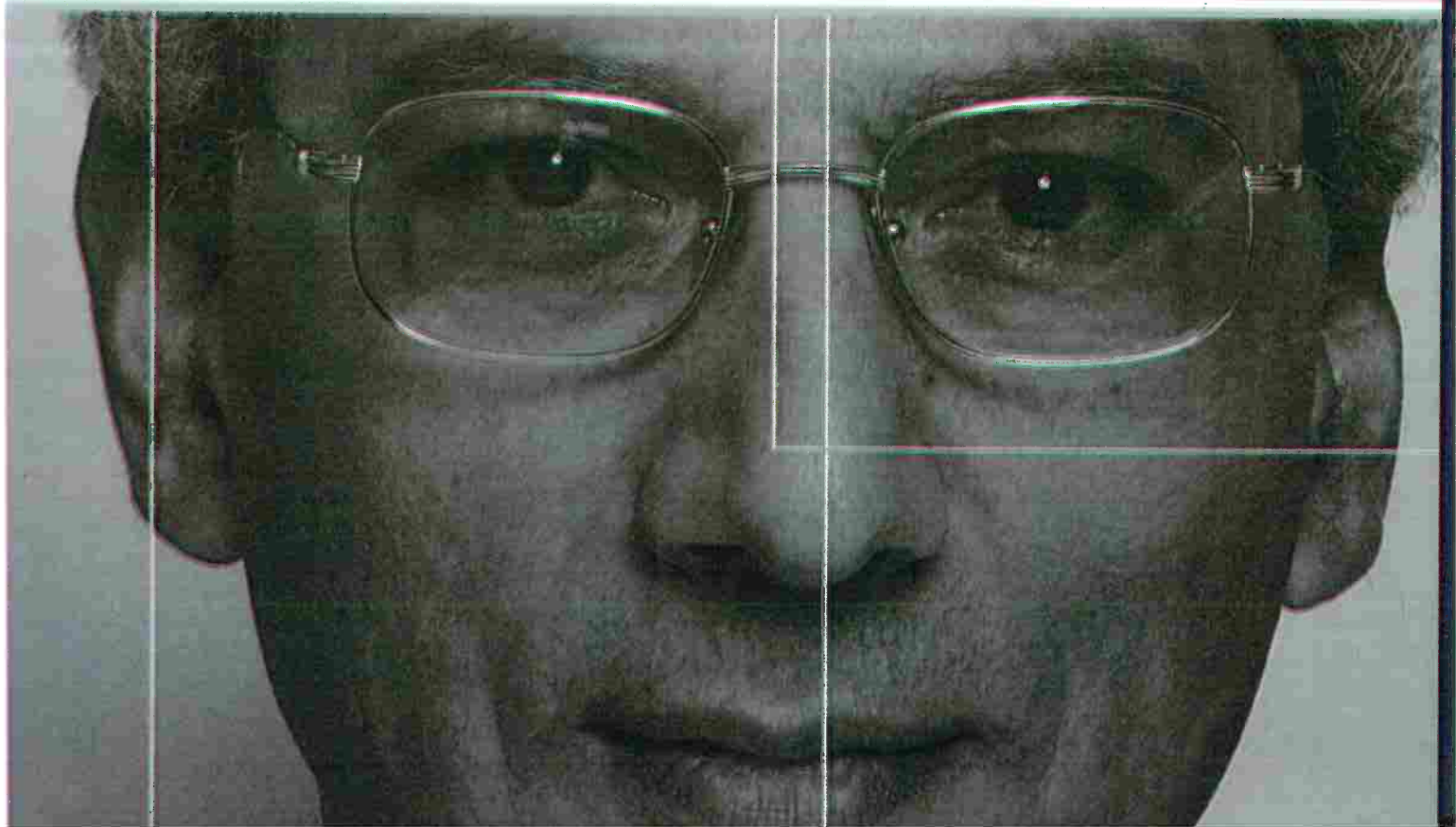
A productive year

Looking back over 2000, one may discern with certainty the significant progress we have achieved. By raising productivity and increasing the number of new services we offer, CYTA has succeeded in making drastic cuts to its international telephone rates while achieving better financial results over the previous year.

Implementing a Balanced Scorecard and self assessment using the Excellence Model of the European Foundation for Quality Management (EFQM), we took significant steps forward in those business areas which determine our medium and long term strategic health:

- in the provision of new services and products and in customer service

CYTA... A Dynamic Presence in the New Era!



- in improving working conditions, personnel competencies and job satisfaction.
- in our social contribution
- in improving our business processes
- in better utilising our human and non-human resources
- in our strategy and procedures and
- in the quality of our leadership and management at all levels.

These crucial steps were taken, despite all the difficulties and problems caused by the present legal and regulatory framework and frequently against established currents and interests.

Market research has shown that while Cypriot consumers are becoming more and more demanding, we have managed to satisfy them to a greater degree than ever before. This is due, to a great extent, to the fact that we are continuously redesigning and improving the way in which we carry out our work, laying great emphasis on effectiveness, efficiency, quality and, above all, on customer needs and demands.

Our business plan for 2001

We are proceeding methodically with the implementation of our ambitious business plan for 2001, building on the foundations laid in previous years.

Our business plan has set ambitious goals including:

- the enhancement of our GMM mobile telephony service with the introduction of GPRS and a mobile portal.
- offering total solutions that include structured cabling and modern customer premise terminal equipment

- enriching our broadband services portfolio to serve the needs of both business and residential users
- introducing a variety of Intelligent Network services
- transforming our mainly circuit switched core network to a packet switched one and
- offering superior customer service.

Another basic focus of our business plan is the further development of value added services including the provision of enriched content, distance learning, tele-medicine and e-commerce.

Our objective is to be omnipresent, catering for and satisfying all our customers' needs in electronic communication.

An international perspective

CYTA is today on a dynamic course. The abolition of its monopoly status, the liberalisation of the market and the banning of cross-subsidies are imminent. These changes will lead to losses in market share and revenue. Consequently, CYTA has an obligation to find alternative sources of income by offering new products and becoming active in new markets. At the same time, we must create the conditions that will enable us to maintain as much as possible of our current customer base. All of these factors create the need for alliances and partnerships both locally and abroad in order to achieve economies of scale as well as enhance our know-how and competencies.

This is why, on the international level, CYTA's strategy aims at:

- strengthening its position in the Eastern Mediterranean where it operates as a regional telecommunications hub,

- continuing its active participation in Mediterranean submarine fibre optic cable systems,
- providing international turnaround services and
- developing itself into an active telecommunications player in the Commonwealth of Independent States (CIS), the Balkans and the Middle East.

To this end, CYTA has already forged a number of international partnerships.

Year 2000 saw the continuation of the operations of the subsidiary company IRIS Gateway Satellite Services (GSS) Ltd, which mainly provides turnaround satellite services between Western Europe and the Far East. CYTA and a British company each have a 50% stake in IRIS GSS.

In January 2001, CYTA and a major Chinese manufacturer of high-tech telecommunications equipment jointly established BesTel Communications Ltd in Cyprus, which will promote and sell solutions in the telecommunications sector and the management and operation of telecommunications networks. The new subsidiary signals CYTA's entry into a completely new business sector in a market of over 50 million people. In parallel, another company has been jointly established together with a high tech telecommunications software company with the objective of offering specialised solutions to network operators.

In May 2001, CYTA and OTE of Greece signed a Memorandum of Understanding. This collaboration concerns the laying and maintenance of submarine fibre optic cable systems in the Eastern Mediterranean and the undertaking of major projects in the Balkans and in Central and Eastern Europe. It aims at creating economies of scale and a new telecommunications balance in the region,

since both Greece and Cyprus are already strategically placed: Greece for the Balkans and Cyprus for the Middle East.

Our vision

Our vision is to transform CYTA into the most competitive enterprise in Cyprus – so as to provide impeccable service to the Cypriot customer, to continue to provide the country with a modern electronic communications infrastructure which will enable Cyprus to become a prosperous Information and Knowledge Society in an acutely competitive, globalised environment, to be viewed as a model business in our sector both inside and outside Cyprus and to make a substantial contribution to the creation of a modern, European Cyprus.

Finally, I should like to recall one of the great truths of our time, that success is the outcome of teamwork. CYTA's successful progress has been achieved thanks to the conscientious contribution of the 2400 people who comprise our Organisation.



Nicos M. Timotheou, General Manager

Nicosia, June 20th, 2001

CHAIRMAN AND MEMBERS



Chairman

Stathis Papadakis (tel: 994 1180287)
Businessman

Michalakis Zivanaris (tel: 994 1172830)
Businessman

Vice-Chairman

Markos Orakos (tel: 994 1182004)
Chartered Accountant

Marios Markides (tel: 994 1102225)
Businessman

Members

Dr Stelios Himonas (tel: 994 1182185)
Director of Telecommunications
Ministry of Communications and Works

Doros Ktorides (tel: 994 1102230)
Manager "Liki Asset Finance"

Marios Markides (tel: 994 1102225)
Businessman

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Director of Centre of Applied Research,
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Professor of Computer Science,
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Pavlos Theodotou

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Pan-Cyprian Co-operative Confederation

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President of the Cyprus Women's Co-operation Body
President of the Cyprus Federation of Business &
Professional Women

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Andreas Demetriades (tel: 994 1182221)
Economist/Businessman

Gregoris Diacou (tel: 994 1102254)
Economist

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Doctor

Petros C. Kythreotis (tel: 994 1102250)
Businessman

Melita Rolandi (tel: 994 1102220)
Businesswoman

Legal Advisers

A.C. Hadjioannou & Sons

Auditors

- KPMG Peat Marwick
- Auditor General of the Republic



MANAGEMENT OF CYTA

General Manager

Nicos M. Timotheou

Dipl. Eng NTUA, CEng, FIEE, SMIEEE, MIMgt,
MCPEA

Deputy General Manager

Photios Savvides

BSc, MSc, CEng, MIEE, MIM, AMIPD

Assistant General Manager - Operations

Christos C. Chappas

BEng, DIC, PhD

Assistant General Manager - Administration

Michael I. Economides

Dipl-Ing

Manager Customer Services

George Tillirides

BSc, ACGI

Manager Network Services

Charalambos Pericleous

MSc, MBA, CEng, MIEE, MRAeS, MASQ

Manager Telecommunications Infrastructure

Sebouh Gorgorian

BSc

Manager International Commercial Services

Constantinos A. Michaelides

Dipl-Ing

Manager Informatics Services

Panicos Kallenos

Dipl. Eng NTUA

Manager Support Infrastructure

Cleanthis Soleas

BScEng (Hons), CEng, MIEE

Manager Financial Services

George Koufaris

ACA Chartered Accountant

Secretary, Manager Legal Services & Public Relations

Nicos Malecos

Diploma in Law (Athens University)

Manager Internal Audit

Eleftherios Koudounas

BA (Econ) (Hons)

Head Materials Management

Ioannis Loizou

Chartered Certified Accountant, FCCA, AIIA

Head Business Management Support

Glafkos Houtris

BSc

Head Personnel Services

Ioannis Souroulas

BScEng (Hons)

*New technologies, elusive new
electronic applications and
unprecedented automation reveal
the human factor as the key to
every developmental achievement
at CYTA.*



*There is an indisputable human imprint on our every move
which surprises with its pioneering inspiration. A system of
detection and telecommunications needs in constant readiness, a
logic of thought and a sensitive heart reveal the human factor
that 'hides' behind everything.*



The Human Factor Behind Everything!




If we are to come closer to our external customers we need to understand and satisfy the needs of our internal customers, i.e. our staff. For this reason, during 2000 we continued to emphasise the human factor, with the constant aim of increasing our productivity and competitiveness.

By applying modern communications methods, including a variety of electronic information systems, we further adapted our communications activities to the demands of the consumer.

As part of our efforts to be fully prepared for the forthcoming competition, we proceeded to implement the business plans prepared for 2000-2002. Among other things, we began to measure





productivity indices for basic operations of the Organisation, particularly in areas concerning customers.

We extended our activities in the research sector via numerous collaborations and through our participation in a large number of research programmes into new technology, health and education.

In 2000, our Organisation continued to invest in the most productive utilisation of new technology, in particular information technology, in order to support our customer-oriented policy.

Regarding the environment, we undertook energy-saving projects and studied the optimum use of paper in the Organisation.

In order to protect our customers from various types of telecommunications fraud, which is expected to increase following the full liberalisation of telecommunications in Cyprus, we proceeded to set up a special unit for the prevention, study, detection and restriction of fraud.

THE HUMAN FACTOR BEHIND EVERYTHING

CUSTOMER - CENTRED COMMUNICATIONS POLICY

A basic prerequisite for increasing the Organisation's competitiveness and productivity is the implementation of a modern, strategic internal and external communications policy, a customer-centred policy which, undoubtedly, can play an important role throughout the entire Organisation. In 2000 our efforts were oriented in this direction.

In 2000, CYTA continued to upgrade and properly publicise and promote its corporate image. Among other things, we gradually began to implement modern methods of internal and external communications and we successfully organised exhibitions, international conferences, meetings and other events.

In the context of the continuous upgrading of communications and, more generally, of the relations between the Organisation and the Media, in 2000 we succeeded in providing timely and accurate information for our

customers and the public in general. We issued regular press releases, senior officials took part in radio and TV interviews and debates, interviews were given to the Press, articles were published, press conferences were organised and publicity campaigns undertaken for various topics for which all the necessary material was provided. Moreover, CYTA organised or co-organised conferences, exhibitions and seminars in Cyprus and abroad and, thanks to the participation of foreign experts especially invited to the island, contributed towards raising public awareness on issues concerning modern developments and trends in the broader field of electronic communications. Through these activities, we not only projected the positions and views of our Organisation but, most importantly, we informed the public about new services and other matters of interest, in the context of the correct operation and promotion of an organisation such as CYTA.

CYTA's participation in the Cyprus International Fair was described as the Fair's "main attraction", and visitors found the stand impressive, dynamic and original. Our participation, consisting of a futuristic audio-visual telecommunications multimedia show, was judged as highly innovative. The public showed great interest in our services and this was demonstrated by the fact that many took advantage of the special offers that were being promoted for the duration of the Fair.

Our participation in specialised exhibitions such as OFFITEC 2000, CyServ 2000 and others was equally constructive.

At the OFFITEC 2000 exhibition we presented selected services from our rich portfolio, those which, in particular, provide a new dimension to the way businesses operate. The stand received floods of visitors who were attracted both by the live presentation of our services and by the special offers available for the duration of the event.

We actively participated in CyServ as co-organisers of a number of events for which we provided the technical infrastructure. These



included open debates with the participation of the Greek Minister of National Finance and the Cypriot Minister of Finance.

Furthermore, in 2000 we took part in various fairs with a prefabricated mobile stand, which can be adapted to the specific needs of a particular exhibition.

We also continued to publish our regular monthly internal newsletter, "Telecommunications Street", which enables members of staff to air their views. It is distributed all over Cyprus to all current CYTA employees and retired members of staff as well as to many other individuals, companies and organisations outside CYTA, including the

Media, which frequently utilise its material reproducing news items and articles.

A survey conducted on behalf of the Organisation confirmed the above observations and yielded very positive results.

Electronic data provision is considered very useful nowadays and, in the context of our constant efforts to upgrade our methods of communication with the public and representatives of the Media, we significantly upgraded

Internet users now have access to an archive containing all the back issues since January 2000. Thus, depending on one's requirements, one may read, process and/or print out any news item, article, statistical and other data, as well as any relevant photographic material concerning CYTA or any technical or telecommunications matter.

We have continued to enrich the press release web page and related archive, which includes every press release issued by CYTA since January 1999. The 1998 and 1999 Annual Reports are also on the Internet in Greek and English.

Within the Organisation, we continued to operate our own intranet, which constitutes a fast and reliable means of internal communication and exchange of information both on a formal as well as on an informal personal level amongst the personnel. This intranet contributes to the timely and direct exchange of information amongst members of staff, particularly on controversial issues and, as a result, leads to increased productivity.

our web site on the Internet. The updated web site is attractive, comprehensive and contains impressive graphics. It includes all kinds of information on our products and services, the Telephone Directory and Yellow Pages, country codes and a roaming guide for mobile telephone users. In the course of 2001 it will also include an electronic shop for ordering products and services, presenting customer accounts, purchasing tender specifications and many other facilities and services as well as settling accounts.

It is important to note that in 2000 a newsletter web page was created featuring every new issue of "Telecommunications Street" in chronological order. As a result,

HUMAN RESOURCE DEPARTMENT

As is the case every year, during 2000 relations between CYTA and its staff were well-balanced and a healthy working environment prevailed, which is a basic requirement for the Organisation's development and smooth operation. Within these guiding principles, any problems that



arose as a result of our effort to adjust to market demands were discussed in a spirit of understanding, goodwill and cooperation between Management and Unions and resulted in an improved customer service.

All the provisions of the Collective Agreement, which had expired on December 31st, 1997 and was renewed on November 11th, 1999, were successfully reaffirmed. The collective agreement covered, among other things, the restructuring of staff rankings and salaries.

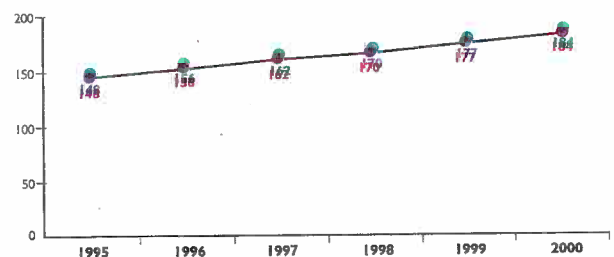


In 2000, 95 new members of staff joined the Organisation, of whom twelve were employed on a part-time basis. In our attempt to attract suitable candidates from the employment market, we adopted new methods of recruitment that aimed to fulfil our immediate needs. More specifically, with the help of external associates, we recruited 43 part-time employees on a six-month contract for the Directory Enquiries Service (191/192) and 15 employees under the same terms of employment for the CYTANET Call Centre. The employment of part-time staff has helped to increase both the quality and the level of

customer service, contributing to the enhancement of our Organisational image.

With the ultimate goal of introducing flexibility in our management systems, we carried out a variety of studies and research regarding the implementation of flexible working hours and benefits, as well as flexible working arrangements (for example teleworking).

Number of Direct Exchange Lines per Employee



With the aim of introducing modern management systems which promote the values of the Organisation and the best possible utilisation of manpower to achieve expected levels of performance, we designed a Performance Management system.

This system includes a Rewards and Incentives Scheme and focuses on the achievement of personal objectives and the identification of the required personal competencies related to the duties and role of each member of staff.

The above systems were implemented in a pilot environment for 143 employees

*"If you think that you have
achieved your aims, you have
already taken a step backwards."*

*In our conscious stock of
unchanging values, this is one
axiom that CYTA does not intend
to re-evaluate.*



*We are a large group of 'workers' who, in the Services and
Customer Assistance sector, challenge our own abilities, all the
time raising the level of our achievements
broken. To search is man's second nature,
only thing that we place above the settled
achievement of a greater one.*

nationally, who provide personal and telephone service to CYTA customers and whose duties include the promotion of our products and services including CYTANET and/or cashier duties.

After the completion of the pilot scheme and the improvements that we may need to implement, the system will be introduced to the rest of the Organisation's departments.

A workshop was completed for the development of a Human Resource (HR) Strategy in order to align our business plan with our needs in human resources and manpower as outlined in the business plan of each department in the Organisation. This Human Resource Strategy is gradually taking shape.

In the context of achieving our HR-related strategic goals, we carried out research in order to raise employees' productivity and, at the same time, to increase job satisfaction. Furthermore, we aimed at revealing behaviours that support the success of our Organisation in a constantly changing environment, both now and in the future.

We have carried out several studies of ways of utilising personnel with special qualifications for whom specific duties have been either terminated or delegated to third parties. The purpose of the studies was to assign new roles to these members of staff, based on real needs in terms of the number and type of personnel. These personnel were either transferred to a different department

or enabled to acquire new capabilities, knowledge and skills.

Candidates for transfer were identified through the above studies, through individual requests for transfer and applications for internally advertised special positions. They were evaluated by the same scientific methods used for evaluating candidates for recruitment. These methods take into consideration not only the traditional elements of academic qualification and professional experience but also a candidate's personal capabilities and characteristics. These individual qualifications and experience are very important, especially in the provision of customer services, either personally or via the telephone, or in the sale of products and services.

The majority of approximately 180 employees who were transferred and those posted after recruitment, have taken up duties related to customer service or of a more specialised technical nature. It was expected that the candidates selected using these methods would be in a better position to meet the whole spectrum of challenges posed to them, rather than just the areas addressed by their particular knowledge and specialised skills.

In the field of safety, we continued to take all necessary measures to educate staff on the subject. With the aim of reducing traffic accidents, seminars were organised for staff members who use CYTA vehicles in the course of their work.

CYTA made available approximately £1 million for low interest student and housing loans to members of staff and pensioners. Additionally, it provided grants of up to £100,000 to children of employees for undertaking studies in Cyprus and abroad.

On the occasion of International Women's Day, a reception was held for our retired female staff at which each received a special memento. An event was also held in honour of the pensioners of the previous years who were awarded special commemorative plaques. Furthermore, prizes were given to those employees, who had never taken sick leave during five, ten and twenty years of continuous service. A number of retired employees were honoured for taking a very small number of days off due to health reasons during their career with CYTA.

Also during 2000, educational seminars were held for pensioners on subjects such as time management, new prospects, financial, legal and medical issues.

In the field of health, we continued to provide health care to our staff, to pensioners and members of their families. The Authority's contribution to the medical fund amounted to £1,7 million.

Regarding staff health and welfare, we prepared a statistical analysis on sick leave or absence due to accident and took measures for the best possible use of the right to sick leave. It is worth noting that during 2000, the

average sick leave per employee was limited to 5,34 days, which is believed to be the lowest in Cyprus.

In the area of training and human resource development, there has been an increase in employee participation in training programmes and seminars in Cyprus and abroad.

The main issues covered during training were directly related to Customer Focus, People Orientation and Productivity, representing some of CYTA's corporate competencies.

On average, every employee committed 6,5 days of his/her working time to training. Total expenditure on training for 2000 was £1,5 million.

During 2000, CYTA offered training programmes to staff from member countries of CTO and INTELSAT as well as to students of the Higher Technical Institute, technical schools and other colleges.

In light of CYTA's focus on external customers, the tailor-made "Customer Care - Value Added Service" training programme was delivered to staff in various Customer Service Departments all over Cyprus.

During 2000 training presentations on the Internet were provided free of charge to the public.

BUSINESS PLANNING

Preparing ourselves better for the liberalisation of the telecommunications market and the anticipated competition, we proceeded to implement business plans prepared for the period 2000-2003.

For the first time, we implemented the "DIAS" Business Planning methodology, which was the result of a business process reengineering project, launched within the framework of the "PROMITHEAS" modernisation programme.

Services and the results were very encouraging. Based on the results of Self-Assessment, specific improvement objectives have been set and implementation plans developed, which are already being put into effect. Following Larnaca's success towards the end of the year the implementation of Self-Assessment was launched throughout the Area Customer Services, in the Access Network, and at the corporate level.

RESEARCH AND DEVELOPMENT



The "DIAS" methodology combines the tools of Balanced Scorecard, the Heslin-Kauri mechanism for objective alignment, and Self-Assessment based on the Business Excellence model of the European Foundation for Quality Management (EFQM). Within the framework of this effort, plans have been put into place for the achievement of the Organisation's corporate and departmental objectives. Furthermore, at all levels we started to set up the mechanisms that will allow the Organisation to measure and follow up the most important aspects of its main Business Fundamentals processes on a regular basis.

Moreover, for the first time Self-Assessment based on the Excellence Model of the EFQM, was undertaken on a trial basis by the Larnaca Customer

Our activities in the field of research have grown through ongoing collaborations, as well as through our participation in new research programmes.

We have continued our active participation in the projects of the European Research Institute, EURESCOM, which deals exclusively with research projects in the telecommunications sector. In December 2000 CYTA completed a two-year trial membership period in the Institute, and during the General Assembly in December 2000, was elected a full member of EURESCOM.

In 2000, CYTA participated in two new EURESCOM projects, and at the same time continued to participate in the BOBAN (Building

CYTA made available approximately £1 million for low interest student and housing loans to members of staff and pensioners. Additionally, it provided grants of up to £100.000 to children of employees for undertaking studies in Cyprus and abroad.

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Also during 2000, educational seminars were held for pensioners on subjects such as time management, new prospects, financial, legal and medical issues.

In the field of health, we continued to provide health care to our staff, to pensioners and members of their families. The Authority's contribution to the medical fund amounted to £1,7 million.

Regarding staff health and welfare, we prepared a statistical analysis on sick leave or absence due to accident and took measures for the best possible use of the right to sick leave. It is worth noting that during 2000, the

average sick leave per employee was limited to 5,34 days, which is believed to be the lowest in Cyprus.

In the area of training and human resource development, there has been an increase in employee participation in training programmes and seminars in Cyprus and abroad.

The main issues covered during training were directly related to Customer Focus, People Orientation and Productivity, representing some of CYTA's corporate competencies.

On average, every employee committed 6,5 days of his/her working time to training. Total expenditure on training for 2000 was £1,5 million.

During 2000, CYTA offered training programmes to staff from member countries of CTO and INTELSAT as well as to students of the Higher Technical Institute, technical schools and other colleges.

In light of CYTA's focus on external customers, the tailor-made "Customer Care - Value Added Service" training programme was delivered to staff in various Customer Service Departments all over Cyprus.

During 2000 training presentations on the Internet were provided free of charge to the public.

BUSINESS PLANNING

Preparing ourselves better for the liberalization of the telecommunications market and the anticipated competition, we proceeded to implement business plans prepared for the period 2000-2002.

For the first time, we implemented the "DIAS" Business-Planning methodology, which was the result of a business process reengineering project, launched within the framework of the "PROMITHEAS" modernisation programme.

Services and the results were very encouraging. Based on the results of Self-Assessment, specific improvement objectives have been set and implementation plans developed, which are already being put into effect. Following Larion's success, towards the end of the year the implementation of Self-Assessment was launched throughout the Area Customer Service, in the Access Network and at the corporate level.

RESEARCH AND DEVELOPMENT



The "DIAS" methodology combines the tools of Balanced Scorecard, the Hoshin Kanri mechanism for objective alignment, and Self-Assessment based on the Business Excellence model of the European Foundation for Quality Management (EFQM). Within the framework of this effort, plans have been put into place for the achievement of the Organisation's corporate and departmental objectives. Furthermore, at all levels we started to set up the mechanisms that will allow the Organisation to measure and follow up the most important aspects of its main Business Fundamentals processes on a regular basis.

Moreover, for the first time Self-Assessment based on the Excellence Model of the EFQM, was undertaken on a trial basis by the Larion Customer

Our activities in the field of research have grown through ongoing collaborations, as well as through our participation in new research programmes.

We have continued our active participation in the projects of the European Research Institute, EURESCOM, which deals exclusively with research projects in the telecommunications sector. In December 2000 CYTA completed a two-year trial membership period in the Institute, and during the General Assembly in December 2000, was elected a full member of EURESCOM.

In 2000, CYTA participated in two new EURESCOM projects, and at the same time continued to participate in the BOBAN (Building

and Operating Broadband Access Networks) project, which started in 1999. The two new projects are "FREEHANDS" and "First steps towards UMTS: Mobile IP-A European Testbed".

The "FREEHANDS" project started in January 2000 as a continuation of BOBAN. It examines the incorporation of wireless broadband access technology in the architecture of network access. It aims at the provision of all kinds of broadband services via a wide variety of access media.

The project "First steps towards UMTS: Mobile IP-A European Testbed", which also started in January 2000, aims at studying the techno-economic viability of mobile Internet services, through IP.

The BOBAN project was successfully completed during the summer of 2000. The aim of the project was to carry out extensive research into the technology required for the development of future broadband services. The network established on a pilot basis for the purposes of this project constituted the basis for new services, which are expected to be introduced during 2001, such as fast Internet access and video on demand.

During 2000, in cooperation with other European telecommunication organisations, CYTA submitted to EURESCOM two proposals for new projects which are expected to start in 2001. The first, "M-Commerce", aims at the development of mobile commerce services, whilst the second, "SALTAMONTES" refers to multiple network protocols (MPLS).

In addition, CYTA has also applied to participate in a third EURESCOM project, "SCORPION",

proposed by Telenor and which deals with IP transmission networks.

In June 2000, after Ministerial approval of a proposal from the Cyprus Research Foundation which aims at offering incentives to civil servants for their participation in research activities of the European Union, CYTA introduced a similar incentive scheme for its staff members who participate in EURESCOM research programmes.

Specifically, participants are granted a small percentage of the total amount of the subsidy



offered by EURESCOM for every project. As in the proposal by the Cyprus Research Foundation, the annual grant for every participant cannot exceed 20% of his/her annual wages and is subject to income tax.

This incentive scheme aims at the encouragement of the voluntary participation by staff in research and development projects, which requires extra working hours as well as work during leisure time.

The incentives increased the interest of the staff, with positive results in CYTA's contribution to EURESCOM research projects. Specifically, as mentioned above, during 2001 we shall be participating in five new EURESCOM projects with 19 officials, which clearly indicates the positive results of this incentive scheme.

CYTA is also a member of the COST (European Cooperation in the field of Scientific and Technical Research) programme and is represented on the technical committee on telecommunications.

CYTA's existing collaboration with the University of Cyprus has expanded into various areas. Both organisations have jointly applied to the Cyprus Research Foundation for the financing of the CARDIO-T research programme into the commercial implementation of telemedicine.



CYTA has also financed, through the provision of telecommunications services, the DITE research programme of the University, which aims at the implementation of a telecommunications program for cancer patients in collaboration with the Pancyprrian Association of Cancer Patients and Friends.

In collaboration with the University of Cyprus and other research centres in Cyprus and in Europe, CYTA has applied for participation in the "E-Minder" research programme in the framework of the Programme for Technological Promotion (PTP) of the 5th Framework Programme of the European Union. This proposal refers to electronic commerce, and has been approved for financing. The project is expected to begin in 2001.

Furthermore, CYTA and the University of Cyprus, made a proposal to the Levantis Foundation for the financing of an "end-to-end performance of wireless information system" research project. The project aims at the evaluation of mobile telephony services in relation to the human factor, services offered, software and telecommunication connections.

CYTA is also a founding and active member of the Cyprus Research Academic Network, which supports the creation and management of a network for the provision of high quality services, aiming at the promotion, development and support of research and academic activities in Cyprus.

INFORMATION TECHNOLOGY TOPICS

The Organisation is taking firm steps towards the consolidation of a customer-oriented culture. The multilevel actions required to achieve this objective necessitate not only the participation of all departments and members of the Organisation, but also the effective exploitation of new technologies with, first and foremost, that of Information Technology.

Information Technology, among other things, supports the customer-oriented policies of the Organisation by enabling the appropriate management of the existing customer base. Furthermore, it supports the provision of products and services offered by the Organisation, it contributes decisively towards the development and promotion of innovative products and services, as well as adding value to both customer-facing and internally oriented processes.

Within this framework, during 2000, we strive to increase our performance across all sectors and concentrated our efforts on the development of the

capabilities of all those who can contribute to the Herculean task of transforming CYTA into a new organisation. An organisation, the primary aim of which is to delight the customer and provide him/her with all the means that he/she needs to develop further in all areas.

For example, we persistently continue upgrading and extending information systems supporting the business as we believe that these constitute the primary contributor in providing an integrated and differentiated service to the customer, characterised by both speed and quality of service.

Cyprus. During the year 2000, important upgrades/extensions were effected to the computer equipment and networks that constitute the Organisation's information technology infrastructure. New state-of-the-art network servers were installed, workstations were upgraded and the network was extended further.

In parallel to all this, at CYTA we study, assess and utilise new technologies as they emerge, transforming them into tangible benefits for our customers. Thus we have embarked on and implemented some very ambitious projects, including the Network Resource Management system utilising Geographical



The functionality that was added to the business information systems during the period under review covers, among others, the identification and allocation of preconnected Direct Exchange Lines that extend from customer premises to the telephone exchanges as well as the automatic dispatch of commands from the Customer Service Centres to the telecommunications exchanges so that fixed telephone lines can be activated instantly.

In this way, the customer is able to receive service as soon as he/she applies for it, a fact that drastically improves the quality of service.

The upgrading of our systems is not limited to the software field alone. The Organisation has implemented and currently operates what is already the biggest operational network of computers in

Information System (GIS) technology, as well as the implementation of a Data Warehouse and relevant information exploitation tools and systems.

Simultaneously, we exploit the Internet to an ever-increasing extent as a means of bi-directional communication with our customers and the public in general. Projects like that of the directory services on the Internet (Yellow Pages and Telephone Directory), the system for accessing customer account details over the Internet and the e-shop that enables the ordering of products and services over the Internet, have either already been implemented or are in the process of being so.

The Organisation's plan for the commercial exploitation of developments in the fields of wideband and data services via wireless communication is an

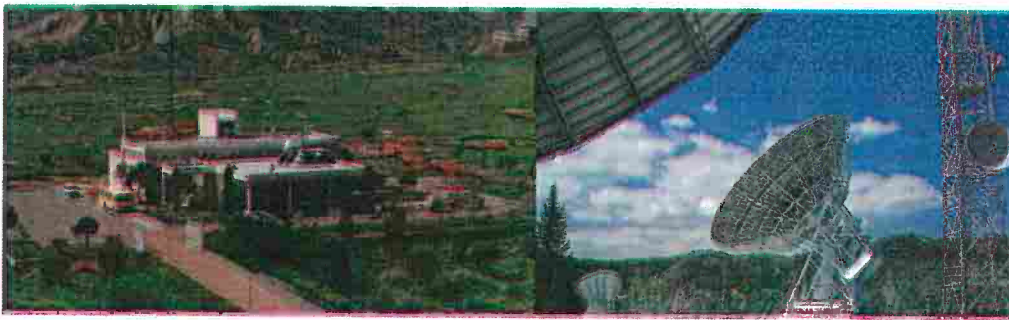
ambitious one. Within this framework, we have laid the foundations for developing a network of **wideband connections**. In parallel, applications have been developed providing for access to information via mobile phones, whilst it is anticipated that more applications utilising the **Short Message System (SMS)** will be offered to the public soon.

SUPPORT SERVICES

A substantial contribution to the Organisation's smooth operations is made by

Customer Service Offices were reconfigured to enable the selling of terminal equipment. The gathering of data for studying the anti-seismic quality of CYTA's main buildings was completed and is continuing for the rest of the buildings.

Innovations were introduced in the buildings' electro-mechanical systems and a major upgrading of CYTA's fleet of vehicles continued with the purchase of 180 new vehicles, equipped with the latest safety and climate control systems. Air-conditioning systems were



the efficient management of its support infrastructure for the full satisfaction of the requirements of its internal customers. This sector deals mainly with CYTA's land, buildings, furniture, roads, electrical installations, electrical equipment, air-conditioning systems, vehicles and machinery, as well as with their constant operation. It also deals with security and fire safety matters.

During 2000, land was purchased for the construction of new telephone exchanges while many other buildings were extended, altered, upgraded or completed. Concrete bases to be used as GSM stations bases or for accommodating prefabricated huts and satellite dishes were also constructed. The

also fitted to older vehicles. New specialised software was developed for more accurate and efficient control of the fleet.

During 2000 CYTA promoted smart and flexible building technology in its new buildings and worked to ensure that its new centralised climate control systems were fully compatible with European standards and specifications for the protection of the environment and the ozone layer.

In 2000, CYTA proceeded with the implementation of the first phase of the Pancyprrian Security System and the Timekeeping System that includes the development of a Control and Surveillance

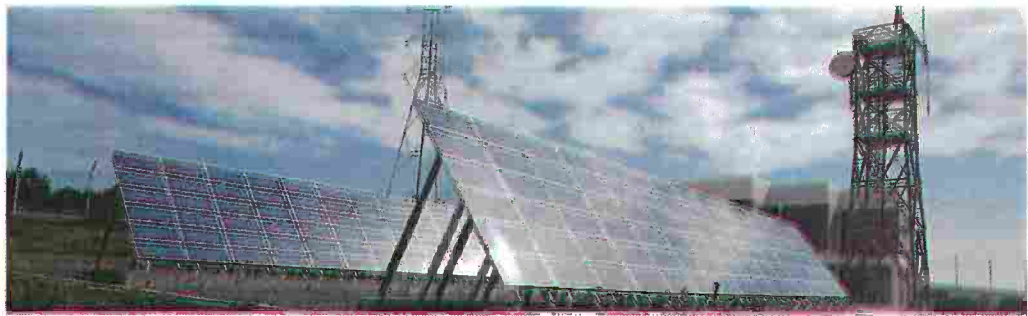
Centre and the installation of equipment in four buildings. Existing electronic security systems at Customer Service Offices were upgraded.

The 24-hour security of the Organisation's buildings was entrusted to guard services from the private sector. At the same time, in cooperation with the Police Force, CYTA deployed an armed guard service for selected buildings. The plan for uniformity in fencing and security entrances for all buildings was completed. The completion of the Earthquake Action

office paper as well as an increase in staff awareness of environmental issues.

In November 2000 we participated in the 3rd European Conference on Telecommunications and the Environment which was held in the United Kingdom.

During the conference, the second ETNO Environment Report was presented, which includes facts and figures about the environmental performance of the signatories of the Environmental Charter (including CYTA).



Plan, codenamed "Engelados" is also considered to be of major importance.

ENVIRONMENT

In 2000 we started a pilot energy-saving project in one of our buildings housing both staff and telecommunications equipment. The purpose of this project is to study and evaluate energy saving measures, which will subsequently be applied to other buildings.

We began implementing an action plan for the rational use of office paper in the Organisation which aims at a reduction in consumption, the reuse and recycling of

TYPE APPROVAL

In 2000 CYTA continued to deal with issues related to the control of imports and sales of Telecommunications Terminal Equipment (TTE) in the private sector and the adoption of technical specifications for telecommunications networks for new buildings.

The first of these aims at regulating the importation and sale of terminal equipment in the private sector by ensuring that it fulfils those specifications considered vital for the smooth, high quality provision of services to customers. To this end, CYTA publishes and implements processes and technical requirements for TTE type approval. The Authority's longstanding policy remains that of

adopting European standards. As from September 1st, new technical requirements have been applied fully aligned with current European procedures.

The second traced aim, first and foremost, is the adoption of regulations and guidelines by which electricians and others working on new installations must abide so that telecommunications networks in new buildings are characterised by uniformity, security/safety and an acceptable appearance.

In 1999, up to August 31st, 712 type approval certificates were issued, while since September 1st, 1,844 type approval certificates were reissued and 536 new ones issued. In addition, 161 certificates of competence and 442 professional licences for electricians and others working on installations were issued.

COMPETITIVE INTELLIGENCE AND FRAUD CONTROL

CYTA, alarmed by the high levels of revenue lost by many telecommunications organisations worldwide through telecommunications fraud and in an effort to better protect its customers, established during 2000 a special unit for the study, prevention, detection and management of telecommunications fraud.

The level and various types of telecommunications fraud are expected to increase after the liberalisation of telecommunications in our country.

Telecom fraud is the illegal and non-authorised access to telecommunications networks for the use of services, or the access to databases

with the intention of obtaining financial benefits, or for other unlawful purposes (e.g. industrial espionage).

In order to fulfil the above goals, CYTA is taking action in the following ways:

- The development of procedures for security and the prevention of fraud in all its products and networks
- The development and application of a corporate security policy and procedures for the use and flow of information, in order to ensure information security and confidentiality
- The detection, prevention and bringing to justice all fraud cases

In the context of the above actions during 2000 by many telecommunications organisations worldwide, CYTA installed and operated appropriate equipment. Also, with the assistance of consultants, CYTA performed security and fraud management audits on all mobile and fixed telephony products, in order to detect and remedy all weaknesses.



S e r v i c e s A b o v e A l l !

In 2000 our Organisation registered a number of major achievements in the field of customer service and the provision of services, in this way we succeeded in coming closer to our customers.

Among these achievements were the start of sales of telecommunications terminal equipment in specially designed areas of CYTA's Customer Service Offices, the extension of customer service hours, and the significant improvement in the services provided by our call centres. Another noteworthy event was the award of ISO 9001 Quality Certification to the Larnaca Customer Services.





2000 was also marked by a reduction in call rates, connection fees and subscription fees to various services. There were notably drastic cuts in international call rates.

*Remaining true to our aim of continually upgrading our portfolio of services, we proceeded with the introduction of the upgraded **soeasy** prepaid mobile telephony service and ATM/Frame Relay services, while completing the installation of the intelligent network platform for the further development of existing services.*

At the same time, we upgraded considerably the quality and speed of the

CYTANET service in the context of a broader effort towards the further development of existing services.

During the year in review, an increase in demand for new services was observed. A typical example is that of the ISDN service, which saw a huge increase in the number of customers.

SERVICES ABOVE ALL!

FIXED TELECOMMUNICATIONS SERVICES

The **telephony service** continues to be the backbone of all our telecommunications services and that is why, in 2000, we continued to place particular importance on upgrading it. It is worth noting that the number of direct exchange lines increased by 16,031 or 3,78% compared with the end of 1999, increasing penetration to 64,75 lines per 100 inhabitants and the

total number of subscribers to 440.091. Particularly impressive is the fact that penetration is now higher than in almost every country in Western Europe. Total telephone traffic in minutes continued to rise, while international outgoing telephone traffic rose by 19,78%.

In 2000, the competent authorities approved the proposal on the rebalancing of tariffs from January 1, 2001, thus enabling us to take a significant step in our preparations for the forthcoming liberalisation of the

telecommunications market in Cyprus. Moving with determination in this direction and responding to customers' needs, in August we reduced our international call charges for the third time since 1999.

The rate cuts were considerable, for some countries as much as 77%, bringing international call charges down to a very low level.



It is important to note that our proposal for a rebalancing of tariffs provides for further reductions to international call charges, accompanied by a parallel increase in local rates so as to put an end to the cross-subsidisation of local calls by international telephony, as imposed by the European Union.

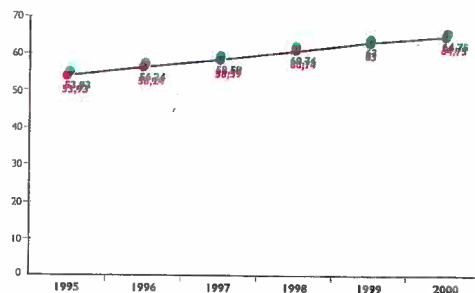
During 2000, the **freephone service** continued to facilitate the work of CYTA's growing number of business customers, enabling their own customers, whether in Cyprus or abroad, to call them at no cost.

Additionally, via the **home country direct service**, we continued to serve our

customers wishing to make calls to Cyprus when abroad. This service enables them to contact CYTA's operators directly and to have their calls charged in Cyprus.

The **universal access service**, has proved to be particularly useful to many business customers. It helps companies which receive a large number of calls from customers daily, because the numbering of the service is very easy to remember.

Wireless Line Charge per 100 minutes



Specifically, it consists of the code 077 followed by a four-digit number for each subscriber. A special feature of the service is the way it enables calls to be received at a single point in Cyprus or at one per district, according to the customer's request.

VoiceMail, which was added to the Organisation's portfolio of services in April 1999, was very successful during 2000. The number of subscribers increased to 37.800, an increase of 29,6% compared with the end of 1999. With VoiceMail, every CYTA subscriber can have his/her own "answering machine" on a 24-hour basis.

Via our digital telephone exchanges, we continued to provide additional telephone facilities such as call waiting, hot line, alarm call, conference calls, etc. For many subscribers, these additional telephone facilities, especially Voicemail and Call Waiting, have become essential additions to their telephone communications, making their life and work easier.

As part of our social contribution, we offered reduced international rates during the Easter holidays, giving customers the opportunity to call their relatives and friends abroad at lower cost.

In 2000 the installation of the intelligent network platform was completed and work on the introduction of intelligent network services began. Via the intelligent network, our Organisation expects to be in a position to offer during 2001 a number of new services such as virtual private network, unified messaging, calling cards, personal number, prepaid fixed telephony, etc. Moreover, existing services will be upgraded, including the freephone service and the universal access service.

The commercial introduction of the ATM/Frame Relay service started in August 2000. By December 2000, 54 customers were connected to the Frame Relay service and 16 to the ATM service.

These services offer a new method of high-speed data transmission based on

frames/cells, making the best possible use of transmission media.

Frame Relay is a data transmission service, offered at speeds of up to 2 Mbps, while ATM is a fast packet-switching service, offered at speeds of 2 and 34 Mbps. Both services allow the transmission of all kinds of information - voice, video and data - via a single high-speed network connection. ATM/Frame Relay services support a wide range of multimedia applications such as telemedicine, teleconferencing, telemarketing, teleworking, video on demand and interactive television. They also allow file and high quality image transfer at high speeds, LAN interconnection and a multitude of other applications.

Due to the varied nature of application supported by ATM/Frame Relay services, users come from all sectors of business, including banking, hotel and catering, education, government, offshore companies, shipping and internet service providers.

The Integrated Services digital Network (ISDN) evolved in 2000 as far as revenues and subscriber numbers are concerned. By the end of 2000, 6,498 customers were connected to the network via basic rate access and 697 via primary rate access.

The increase in the number of customers was the result of a promotional campaign undertaken in specialised seminars and demonstrations of the ISDN service (which enables speed, quality and reliability in the

transmission of voice, picture and data) and was also due to the introduction of new supplementary services that enhanced the ISDN service.

In 2000, the **CYTAPAC** data transmission service, despite the limitations to the bandwidth it can offer (up to 14.400bps), not only maintained its customer base, but actually saw an increase which resulted in 869 customers by the end of the year.

Today the CYTAPAC service serves a few customers with networks all over Cyprus with low speed data transmission needs. For example, the Bank of Cyprus' automatic teller machines network and the Propo network are served by CYTAPAC.

MOBILE TELECOMMUNICATIONS SERVICES

At the beginning of a new era in mobile communications, we proceeded with a customer-oriented strategy to provide competitive mobile telecommunications services that responded to the increased needs of our customers and aimed at offering them the best possible service.

Today, through our continuously upgraded GSM network, we provide our customers with both subscription-based and prepaid mobile telecommunications services. During the year under review significant enhancements were made to both services.

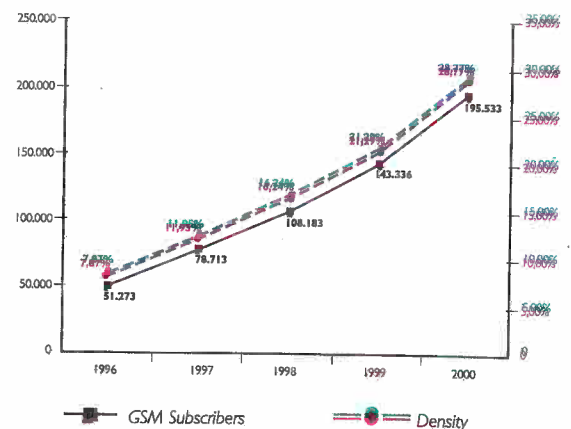
On May 17, 2000 - International Telecommunications Day - we launched the **CytaW@P service**. This new service enables mobile telephony users to easily access information via their mobile phone, utilising WAP (Wireless Access Protocol) technology.

Recognising the current needs of our customers, in 2000 we introduced the **text messages service (SMS)** as well as **call waiting/call hold** facilities. Furthermore, in order to facilitate easy access to Voicemail, we introduced the use of a short code.



It is also worth mentioning that during 2000, we increased our international roaming partners to 180, thus enabling customers to use their mobile phone in 80 countries.

Mobile Telephone Subscribers (GSM) and Density per 100 inhabitants



However, perhaps our greatest accomplishment of the year was the launch of our enhanced prepaid mobile telephony service under the new brand name **Socasy**, on December 11th.

Socasy, which currently addresses the needs of this low-end market, provides the prepaid customer new services such as text messages (SMS) and incoming international roaming.

The upgraded prepaid service offers reduced call rates and three choices of recharge cards worth £20, £10 and £5.

Socasy has been embraced by the public and, as a result, the number of prepaid customers reached 21,593, achieving a penetration of 3.18% by the end of 2000.

Furthermore, the **CYTAGSM** postpaid mobile telephony service continued its upward trend. The number of subscribers increased from 143,336 at the end of 1999 to 155,533 a year later, raising penetration from 21.29% to 28.77% respectively. Total mobile telephony penetration was 31.95% at the end of 2000.

In line with our policy to render mobile telephony even more accessible to the people of Cyprus, we reduced the connection fee from £25 to £20 and the monthly subscription from £10 to £8. We also drastically reduced international rates by as much as 77.6%. At the same time, we introduced lower national rates. More specifically, off-peak hours were extended, while the relevant rate fell from 4.1 cents to 3 cents per minute. However, the rate during peak hours was slightly increased from 5.7 cents to 6 cents per minute.

During the last few years we have adopted a strategy of continuous investment in the mobile telephony network, aiming at improving network quality. In addition, since August 1999 we have been operating a dual band network, 900 MHz and 1800 MHz. During 2000 we extended our network infrastructure further, increasing the number of base stations by 50.89% and calls by 60.94%. By year-end, our GSM services covered 91.7% of the government-controlled area of the island and 99.78% of the population. As a result, communications channels were increased by 60%, thereby significantly improving the quality of service offered to customers.

The **NMT-900** analogue mobile telephony service, which is approaching the end of its life cycle, saw a further reduction in its subscriber base, serving only 1,198 subscribers at the end of 2000.

Demand for the **POCSAG** paging service also fell and its subscribers numbered 2,530 by the end of 2000.

The reduced interest in the paging services is due to the introduction of new services that better satisfy the mobile telecommunications needs of our customers.

In conclusion, we are ready to provide even more complete solutions in mobile telecommunications, and we are planning to introduce technologically advanced data communications and intelligent network services including access to the Internet via mobile units that will offer greater flexibility and meet our customers' changing needs.

VALUE ADDED SERVICES

Since 2000, **CYTANET** service has made access to the Internet available to the wider public by reducing monthly subscription fees by up to 35%. At the same time it has increased its international connections capacity to the Internet from 19Mbps to 27Mbps.

In addition and in the context of promoting the information society in Cyprus, CYTANET offered the business community a number of



“free entry” seminars in all towns. Moreover, a series of lectures and seminars were delivered to secondary schools, academic institutions and other groups.

The CYTANET service has been present in various fairs and exhibitions held in Cyprus and abroad, giving customers the opportunity to find out about new developments in Internet technology and to take advantage of various special offers.

Within the framework of contributing to cultural, social, sporting and other activities on the island, CYTANET sponsored concerts by Greek artists, the Scouts Jamboree, the Cyprus Rally 2000 and others.

Moreover, in order to keep up-to-date with new technological developments, several members of the CYTANET staff participated in international seminars on the subject of the Internet.

CYTA **cardphones** continue to be widely used by the public. In order to improve customer service we have increased the number of cardphones by installing new ones in commonly used public and private areas. There were 2.352 cardphones in operation by the end of 2000.

Together with the increase in the number of cardphones, we further upgraded the quality of service by minimising the extent of faults on public telephone terminals. We succeeded in providing a 98,5% service availability which constitutes an excellent performance by European standards.

Our Organisation has designed, set up and operated **motorway emergency systems** on behalf of the Government, covering all major motorways in Cyprus. The network consists of 216 telephones along the motorways and two control centres, one in Nicosia and one in Limassol.

In October 2000, we introduced the concept of the **advertising phonecard**, which provides the commercial world in Cyprus and abroad with a further mean to promote and project their products and services at competitive prices.

As regards the **Audiotex** service, we have issued a new number prefix to the public - 099 - which is used exclusively for professional services.

NATIONAL PRIVATE LEASED CIRCUITS

National Private Leased Circuits remain the first choice of business customers for data transfer. According to each individual case, they are suitable for transmission of text, images and data. During 2000, they continued to serve hundreds of companies, offering a reliable and financially advantageous transfer of data. Increasing demand was observed in high capacity circuits, since new business

The national TV broadcast service enables live broadcasts from the venue where an event is taking place, via CYTA to the premises of the customer.

MARITIME SERVICES

In the **maritime services** sector, CYTA continued during 2000 to provide a complete range of telecommunications for seafarers and ships at sea.



applications imply the movement from analogue to digital leased circuits.

Our Organisation is leasing digital and analogue circuits, the basic characteristics of which are their exclusive use 24 hours a day, a predetermined charge and their adaptability to a company's specific needs.

NATIONAL RADIO AND TELEVISION BROADCASTS

The **national radio and television broadcast service** gives radio and television stations the ability to cover events via reception and transmission within Cyprus.

These facilities operate on a 24-hour basis and offer the shipping community communications of a social and commercial nature. In addition, when distress and safety messages are received, relevant communication facilities are offered to ships travelling within the Cyprus Coastal Service's allocated region, a range of approximately 400 nautical miles. This mission is carried out in collaboration with the National Coordination Centre for Search and Rescue.

In accordance with the International Convention for Safety of Life at Sea, CYTA procured a Digital Selective Calling system (DSC) for the Global Maritime Distress and Safety System (GMDSS). The DSC system was put into full operation at the beginning of 2000.

Additionally, we have installed the necessary equipment for upgrading the existing system, which will provide fully automated telephone connections between ships and subscribers on land.

The utilisation of this equipment will satisfy the needs of the maritime community and the travelling public by providing modern and reliable telecommunications at reasonable cost.

FACILITIES TO THIRD PARTIES

In 2000 we continued to provide services of considerable benefit to Civil Aviation, the Meteorological Department and commercial radio stations.

Civil Aviation Services

Since its establishment, CYTA has been responsible for providing telecommunications facilities and electronic communications services to the Department of Civil Aviation.

These facilities and services contribute to the smooth, safe and efficient management of the Nicosia Flight Information Region (FIR) which extends over an area of 175.000km² and includes the Larnaca and Paphos airports.

The services provided are based on international standards and the recommendations of the International Civil Aviation Organisation (ICAO). Furthermore, they are in agreement

with the programmes of the European Civil Aviation Organisation EUROCONTROL, aiming at catering for growing air traffic and the harmonisation and integration of national air traffic management systems in Europe.

These services are focused on the smooth operation of the following centres:

- Nicosia Air Traffic Control Centre,
- Control Tower of Larnaca International Airport,



- Control Tower of Paphos International Airport.

The broad range of services provided includes high level communications between air traffic control and aircraft in the region, the retransmission and exchange of aeronautical information and meteorological announcements, the use of radar facilities, the processing of radar information and the tracking of air movements via synthetic screens, as well as state-of-the-art navigational aids and Instrument Landing Systems (ILS) at the airports.

In the context of implementing the programmes and directives of EUROCONTROL,

contract for the upgrading of existing equipment of the Nicosia Air Traffic Control Centre. This project will enable the Department of Civil Aviation to satisfy its international obligations arising from the implementation of the RVSM (Reduced Vertical Separation Minimum) programme. The project is expected to be completed by the end of 2001.

In parallel with the above project, we also completed the evaluation of tenders for the



LFCS project. This project foresees the complete replacement of the Nicosia Air Traffic Control Centre by a new, ultramodern system.

As part of the effort to upgrade and extend existing equipment, we installed new Direction Finder systems at Larnaca and Paphos airports. These modern systems allow the simultaneous monitoring of multiple frequencies to determine the position of aircraft, and can be also utilised by the National Coordination Centre for Search and Rescue.

We also completed the installation and commissioning of a new Aeronautical Information Service/Meteorological (AIS/MET)

database, which resulted in the upgrading of the services offered to the Department of Civil Aviation and the Meteorological Department.

In addition, we completed the upgrading of the AFTN/CIDIR network in order to secure the uninterrupted transmission of messages both nationally and internationally. This upgrade brought a 28,37% increase in the number of transmitted messages.

Furthermore, we invited and evaluated tenders for the procurement of a new Instrument Landing System (ILS) for Larnaca Airport. The new system will replace the existing one, and is expected to be installed by the beginning of 2002.

We also completed the studies for the extension of the Paphos Airport communications system and the relevant contract is expected to be signed within the first months of 2001.

Finally, within the framework of extending Larnaca and Paphos airports and constructing new control towers, we completed the studies and began the preparation for the re-location of the existing equipment to the new sites.

Meteorological Services

During 2000, we continued to provide telecommunications services to the Meteorological Department, in particular to the Meteorological Office at Larnaca Airport. Our most important contribution is the provision of technical support for the

operation and maintenance of the Doppler-type meteorological radar system which enables the study of meteorological phenomena over Cyprus and in the broader Eastern Mediterranean region.

Commercial Radio Broadcasting Services

Our contribution to commercial Radio Stations continued during the year via the

standard for our services and products beyond the expectations of customers.

To evaluate our performance with respect to our goals, we have set performance indicators that help us measure the quality of service offered to our customers, and indeed these showed great improvements during 2000. The improvement by 43% of the average time of provision of telephone service is worth mentioning. Simply put, the average time of provision of telephone service was reduced



provision of the technical means for linking the studios of four commercial stations broadcasting islandwide with the CYTA transmitters on Mount Olympus. Our main goal is the uninterrupted provision of service and to this end we are constantly upgrading the technical infrastructure. The commercial radio broadcasting transmitters operate on a 24-hour basis and during 2000 the availability of service reached 99,97%.

from seven days in 1999 to four days in 2000.

More specifically, 24% of orders for provision of telephone service were completed on the day of application and 50% of orders were completed the next day, in comparison with the performance indicators of 1999 where only 20% of orders were completed on the same day or the next day.

CYTA Shops

CUSTOMER SERVICE

Our Organisation's main concern is to provide the best possible service to customers. Our target is to offer a quality

In 2000, CYTA extended its services by selling telecommunications terminal equipment. Specifically, integrated telecommunications solutions and a wide range of telecommunications services and

terminal equipment for both fixed and mobile telephony are now available at all CYTA Customer Service Offices.

As part of our continuous efforts to upgrade customer service, we moved our Customer Service Office in Iouliou Vern Street, Limassol to a new, spacious, CYTA-owned office in the Omonia area of the town.

using tools for measuring the service quality, resulted in a significant reduction to response times compared to 1999.

Additionally, in order to upgrade the service quality of GSM products, the 132 Call Centre has been reorganised in such a way that all calls received for these products are serviced by specialised staff.

Call Centres

Extended Working Hours



The 132 Call Centre provides customers with information about all CYTA services and products. It also deals with customers' orders and receive customers' complaints and/or suggestions.

The CYTANET Call Centre 0800-8080 deals with customers' orders for all CYTANET products. It also provides customers with information as well as technical support.

During 2000, the 132 Call Centre and the CYTANET Call Centre were upgraded significantly. Specifically, all our call centres were equipped with an Automatic Call Distributor (ACD). This has contributed to a noteworthy improvement in the handling of all the incoming and outgoing calls. Also during 2000, new staff were recruited to operate the call centres which, along with the introduction of

Our Organisation has gradually begun to extend its customer service hours, beginning with the Customer Service Offices, the 132 Call Centre and the Customer Services Technical Support, so that in the near future our working hours will be the same as those of the wider market.

Quality Standards

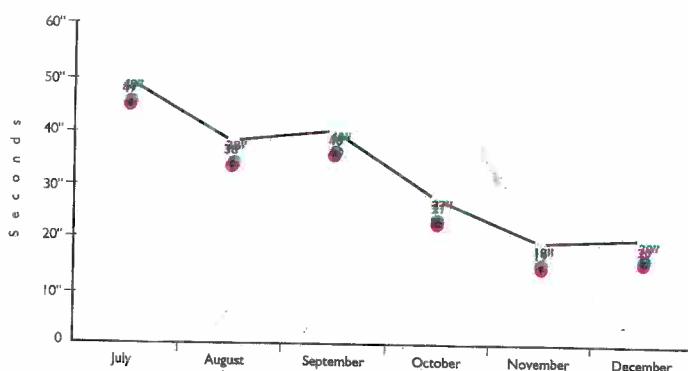
In 1999, CYTA obtained the ISO 9002 quality certification for its Limassol District Customer Order Service, followed in 2000 by the certification of the Larnaca District Customer Service. In December 2000, the Larnaca District Customer Service obtained the ISO 9001 of 2000 quality certification, becoming the first service in Cyprus to obtain this certificate.

In the meantime, we initiated self-assessment at the Larnaca District Customer Service based on the European Foundation of Quality Management (EFQM) excellence model. The attempt to certify and self-assess all the remaining District Customer Services with the ISO 9001 of 2000 and the EFQM excellence model has already started and is expected to be completed in the first half of 2001.

Directory Enquiries (1999/2000)

A business plan was developed that addressed all aspects of the service. The implementation of the projects specified in the business plan enabled the application of improvement measures that resulted in improvements to the quality of service provided. In particular, the average waiting time per call fell from 45 to 20 seconds. Furthermore, the percentage of unanswered calls fell from 6% to 4% while calls answered within 20 seconds increased from 32% to 67%. This improvement was accompanied by a substantial increase in the number of calls served, in the order of 25%, reaching a per day traffic of 32,500 calls during weekdays in December 2000.

Directory Enquiries - Average waiting time



Fault Reporting and Rectification

There was a considerable improvement in the 197 Fault Reporting Service. Some 85% of incoming calls were answered within 20 seconds in 2000, by contrast with the corresponding figure of 75% for 1999.

As far as the rectification of reported faults is concerned, 45% were corrected within the same day in 2000, whereas the corresponding figure was 34% in 1999. Furthermore, 86% of



all reported faults were rectified within 24 hours, while the corresponding figure for 1999 was 80%.

Telephone Directories

In our attempt to upgrade and improve the services of the Telephone Directories Unit, we have implemented a complete business plan by using a new commercial structure, together with an organised sales network.

The new Yellow Pages directory has been visibly enhanced for the first time with colour and has been transformed into an attractive market guide, offering direct and effective solutions to users and those who advertise their products and services.

The new edition of the Yellow Pages for each district includes the corresponding Telephone Directory as well as advertisements and coupons in colour. In addition, for the first time home delivery was planned for the directories, which will be completed by April 2001.

Both the Yellow Pages and Telephone Directory are also available on CD-ROM, as well as on the Internet.

We strive to provide our customers with quick and easy access to our directory information.

Complaint Handling

A new complaint handling procedure and an associated management system were developed and implemented. This has helped towards achieving a complete handling of 85% of registered complaints within 15 days.

Market Surveys

In order to confront all the new challenges that are likely to emerge due to prospective competition, we have performed a series of market surveys concerning both the telecoms market and the Organisation itself.

More specifically, we continued to carry out surveys for measuring customer satisfaction and identifying the expectations of customers regarding all major services offered by our Organisation. The results were used for the improvement of both the quality of services and of processes used in order to maintain all current customers and to attract new ones.

Compared with the results for the same surveys conducted in 1998, customer satisfaction on the one hand shows improvement, but the needs and the expectations of customers, on the other, have significantly increased.

During 2000, we performed for the first time "mystery shopping" surveys in order to check the quality of service offered in each of our shops. The results of these surveys helped us to identify the weak points in terms of servicing the customer and to adopt all necessary actions for improvement. In order to have a continuous picture of the quality of customer service, these surveys will continue to be undertaken on a regular basis.

IRIS GATEWAY SATELLITE SERVICES LTD

During 2000, IRIS managed to build up an impressive customer list through contracts signed with companies such as BBC Television, Polycom and the European Broadcasting Union (EBU).

The BBC Television Millennium project was groundbreaking in terms of television distribution and contribution using 60 satellites around the globe.

Early last year, IRIS secured a contract with BBC Television for the provision of satellite turnaround connectivity between Eutelsat W3 and AsiaSat 2.

A two-year contract was signed with Polycom, a European leader in the field of data broadcasting, for the provision of data transfer from France to remote locations in Asia.

The EBU, the largest professional association of national broadcasters in the world, signed a contract with IRIS to provide satellite connectivity during the Olympic Games 2000 in Sydney, Australia. On behalf of the EBU and its members, IRIS provided connectivity between AsiaSat 2 and Eutelsat W3, bringing multiple channels of Olympic coverage back into Europe.

*Our network is an important
aspect of our profile.*

*We feel satisfaction with the
excellent network we own.*



*It enables us to be part of the group that is leading
developments and to be - and be seen to be - among the first to be
developing in parallel with their customers' improving quality
of life.*




The Network Before All!

2000 saw the completion of various works in progress, regarding the enhancement of our national and international networks.

Specifically, the AT&T network came into commercial operation with the capability of providing broadband services, while the intelligent network also began operations, providing additional telephone services to customers. At the same time, a pilot scheme was completed on the Asymmetric Digital Subscriber Line (ADSL) which is due to become operational in 2001. The installation of a Geographic Information System (GIS) was also completed. Another notable event was the completion of the Black Sea Fibre Optic Cable System (BSFOCS) in which our Organisation plays an active role.





The implementation of the project to install the entire subscriber network underground continued with the underground connection of a large number of new buildings.

We developed a complete range of international telecommunications products, both for the local and international markets. The forging of alliances with new, large capacity, privately-owned cable systems covering the Mediterranean was another milestone in 2000. Equally important were the collaborations with other telecommunications organisations for the provision of connectivity between our region and Europe and the U.S.A.

THE NETWORK BEFORE ALL!

INTERNATIONAL TELEPHONE NETWORK

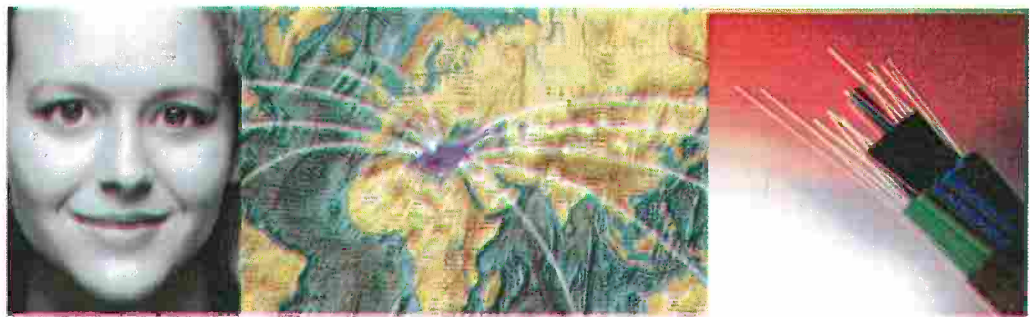
Driven by our ambition to strengthen our Organisation's competitiveness, we continued to expand and improve our networks, both national and international.

Our international telephone network was upgraded significantly in 2000 through a series of expansion and modernisation programmes, which brought spectacular improvement to international communications.

International Telephone Exchanges

In 2000, CYTA proceeded with a second substantial expansion in the capacity of the Limassol International Telephone Exchange, which increased the number of international circuits and added capability for new improved services.

International Network Management Centre



The International Network Management Centre (INMC), which has been operating with great success since 1999, has the ability to continuously monitor and control the international circuit switched network (international telephone traffic and signalling). Through the INMC's operations, CYTA provides its customers with high quality international telephone service.

In 2000, a series of software and hardware upgrades were carried out with the aim of securing a better and more efficient operation of the centre.

Furthermore, in the same year, the upgrading of Signalling System Number 7 (SS7) management by the INMC was completed so

as to cover the requirements for managing the GSM mobile telephone signalling network.

Finally, a decision was taken to upgrade the centre so as to cover the requirements for the management of the signalling of the national circuit switched telephone network. In this way, CYTA is moving towards the creation of an integrated management platform that will manage the traffic and signalling of the fixed (national and international) and mobile circuit switched telephone networks.

NATIONAL TELEPHONE NETWORK

Our national telephone network was upgraded significantly through a series of enhancements and modernisation programmes, which brought significant improvements to the provision of telephone service.

Redesign of the National Circuit Switched Telephone Network

In 2000, CYTA completed the redesign of the national circuit switched telephone network. The goal of this redesign was to maintain a 75% business continuity of telephone traffic at peak

hours in the case of a transit telephone exchange, or in the event of a transmission route failure.

Internet Service Provider Connections

Connections for Internet Service Providers (ISPs) to the national circuit switched telephone network are offered via ISDN Primary Rate Access (30B+D). However, the dramatic increase in Internet use in Cyprus during the year led to a substantial increase in ISDN Primary Rate Access, which doubled during the year under review (243 Primary Rate Accesses in December 2000, compared to 118 in December 1999). The volume of traffic in the national circuit switched telephone network also increased due to the extensive use of the Internet.

Consequently, CYTA proceeded to study and evaluate proposals to offload the National Circuit Switched Telephone Network from Internet traffic. The implementation is expected to take place in the year 2001.

INTELLIGENT NETWORK

CYTA completed the installation and interconnection of the intelligent network with the fixed and mobile networks. This network will facilitate and support the development of many new fixed and mobile telephone services. It will also improve considerably the management of existing services.

During 2000, the development of the first intelligent network service (prepaid GSM card) was completed. The new service came into commercial operation in December with great success. Furthermore, the development of additional services is planned and is expected to be placed in operation in the year 2001.

ATM NETWORK

During the first quarter of the year 2000, Asynchronous Transfer Mode (ATM) and Frame Relay network services were offered for commercial use with great success. ATM technology enables the interconnection and data transfer applications at high speeds (2, 34, 155 and 622 Mbps) and uses packet technology in conjunction with the Synchronous Digital Hierarchy (SDH) network.

At the same time, CYTA proceeded to study the upgrade of the ATM network so as to support the increased demand of broadband ATM/Frame Relay products. Furthermore, the upgrading of the ATM network aims at establishing a backbone network supporting new technologies and architectures offering a broader functionality to CYTA's packet switched public network.

THE TRANSMISSION NETWORK

National Transmission Network

In 2000, particular emphasis was given to the successful implementation of our development

plan for transmission systems. As a result, the total capacity of the backbone network increased by 20% and customer capacity demands were almost fully satisfied.

Today, the transmission network offers a modern and reliable transportation means of digital signals, based on a ring architecture with the capability of automatic and immediate restoration of links and circuits in case of faults. In 2000, we planned the introduction of new optical transmission rings with 2.5Gbps (STM-16) capacity for the metro and intercity backbone network, in order to further increase available capacity. Also, we focused our efforts on the provision of SDH fibre optic links to our business customers.

The existing SDH network constitutes the basis for the provision of ATM/Frame Relay products to our customers. It will also be the transmission means for the provision of products based on Asymmetric Digital Subscriber Line (ADSL) technology.

We have planned to upgrade the SDH network management system with the aim of improving the efficiency of our operations and maintenance processes and thus the quality of service provided to customers.

The implementation of microwave radio links continued during 2000, aiming at providing transmission capacity to areas where there is no alternative telecommunications infrastructure, mainly for the requirements of our mobile telephony network.

A feasibility study for the introduction of an

optical transmission network based on Wavelength Division Multiplexing (WDM) technology has been completed. The WDM network will dramatically increase the capacity of our backbone network and support the next generation networks such as IP over WDM.

Digital Leased Circuit Network

Throughout the year we continued to develop the leased circuit network with the aim of installing such resources in urban areas that would enable the immediate provision of service to our business customers. We also started to expand the network in rural areas where, for the first time, there has been demand for digital leased circuits. The same infrastructure is used to provide customer access to our ATM/Frame Relay network, at rates of 64kbps up to 2Mbps.

Our great efforts aimed at developing the leased circuit network, in conjunction with the powerful network management system at our disposal, enabled us to satisfy the growing number of requests from business customers for leased circuit and ATM/FR products.

Good design and the timely development of the leased circuit network, together with improvements made to our internal processes, have resulted in improved delivery times for our products and a better quality of service to our customers.

During the year, about 1,050 new digital leased circuits and accesses were provided to

customers, satisfying more than 98% of the total demand. The increase in network capacity was in the order of 20%.

In 2001 we shall continue with the expansion of the leased *Cyprus* network to even more rural areas, in parallel with the installation of more resources in urban areas. Also, in 2001 a new contract for the provision of High Bit Rate Digital Subscriber Line (HDSL) equipment will be signed and this equipment will be used mainly for the provision of leased

CYTA also provides consultative services to the Ministry regarding frequency band management. In this context, three CYTA engineers were included in a Cyprus government delegation that participated in the *World Radiocommunications Conference (WRC-2000)* in Istanbul, Turkey in May 2000, which was organised by the International Telecommunications Union. The Conference studied a series of issues and, through its decisions at the plenary session, established the *Regulations for Worldwide Radiocommunications*.



circuits and ATM/FS, and primary ISDN accesses at rates of 256kbps up to 2Mbps.

Frequency Management

The Ministry of Communications and Works acts as the National Regulator of frequency band usage. In the process of managing applications from the private sector and issuing licences for wireless communications, the Ministry consults CYTA regarding the probability of interference with CYTA's existing services. An ever-increasing number of such cases was investigated by us during the year, and appropriate feedback was given to the Ministry.

SATELLITE COMMUNICATIONS

CYTA is a signatory to, and utilises the services of, the International Telecommunications Satellite Organisation (INTELSAT) and the European Telecommunications Satellite Organisation (EUTELSAT). CYTA is also a signatory to INMARSAT that provides global maritime, land mobile and aeronautical services via satellite. Also, CYTA utilises other satellite systems such as SIRIUS II, TELSTAR 10 and the Russian EXPRESS 4A. CYTA is also a shareholder in ICO, which provides mobile services via satellite.

At the MAKARIOS Satellite Earth Station site, which is located 38km south of Nicosia, we completed in 2000 the installation of EUTELSAT's new DAMA system that offers VSAT services to customers in Europe, Russia and the Middle East via interconnection with our international network.

The MAKARIOS site also hosts the IRIS Gateway Satellite Services Ltd Teleport, which provides turnaround services to its international customers. In 2000, we successfully completed the introduction of two additional earth stations into the network usable by this company. This Teleport now provides IRIS with the possibility of offering its customers TV and radio retransmissions between Europe and Asia via the satellites of EUTELSAT, ARABSAT, INTELSAT, ASIASEAT and others.

SUBMARINE FIBRE OPTIC CABLE SYSTEMS

In 2000, a total of seven international submarine fibre optic cable systems landing in Cyprus were in full operation:

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

2000 was a year of intensive activity concerning the planning of new submarine

fibre optic cable systems in the Mediterranean region. Committed to achieving our corporate strategy for enhancing CYTA's role as a telecommunications hub in the Eastern Mediterranean region, we have already signed Memorandum of Understandings (MOU) with three international corporations that plan to install global as well as regional submarine fibre optic cable systems as follows:



AXIOM Corporation – Axone Cable System

Axone is a regional cable system that will employ state-of-the-art technology (utilising Dense Wavelength Division Multiplexing – DWDM) providing high bandwidth connectivity between East /West Mediterranean countries and Western Europe. At the same time, it will enable the access to Internet nodes in the U.S.A and Europe, at very high speeds.

TYCOM Corporation – TGN Cable System

This global cable system extends to the United States and then to Europe and the Mediterranean. In its first phase, it will have a capacity of 2,56Tbps and a length of more than 85.000km. The system is due to come into service by the end of 2002.

New Millennium Expedition – Cable *Cable System*

The aim of this global cable system is to enable the connectivity of almost every country in the world with Internet nodes, at very high speeds. The European part of the system will consist of three rings covering the Baltic Sea, Western Europe and the Mediterranean. It is due to come into service by the end of 2001.



With our participation in the above fibre optic cable systems and especially by securing landing points in Cyprus, our aim is to reinforce CYTA's strategic role in the area, and to maintain Cyprus as a telecommunications hub.

During 2000, we also actively participated in the intensive efforts for bringing the Black Sea Fibre Optic Cable System (BSFOCS) into service. As a result of our efforts, the cable system will come into service at the beginning of 2001. This cable system constitutes a high bandwidth telecommunications avenue, which covers the Black Sea region, offering reliable, high-quality connectivity, at low cost. Our participation in BSFOCS is part of our overall

global strategy that aims to interconnect the Eastern Mediterranean with the Black Sea region and the Balkans.

GLOBAL CONNECTIONS

Our Organisation maintains direct telephone circuits with 63 correspondents in 52 countries. It also maintains 54 direct signalling links, interconnecting with 250 Destination Point Codes (DPCs) for serving international fixed telephony and international roaming for GSM mobile telephony.

At the end of 2000, the total number of international telephone circuits reached 5,066, representing an increase of 4% on 1999, while the respective figure for ISDN circuits rose from 131 to 136, also representing an increase of 4%.

At the same time, two new 2Mbps transit connections were established, taking the total to 150 (an increase of 1.4% on 1999), while three new VC1 (45Mbps) transit connections were established between Israel and the USA.

Finally, during 2000, the number of international private leased circuits increased by 7.4% from 161 to 174.

GLOBAL TELECOMMUNICATIONS PRODUCTS

We upgraded our existing global products, while at the same time developing new ones, with particular emphasis on their promotion

worldwide. Our portfolio of products includes:

CytaCable.Way: Selling and leasing cable capacity.

CytaSpace.Way: Leasing satellite capacity.

CytaSpace.Link: Satellite private leased connections via VSAT.

CytaSpace.Select: International telephony via VSAT access, using EUTELSAT's DAMA platform.

CytaBridge: Interconnection of International Private Leased Circuits (IPLCs) between two countries, via Cyprus.

for the planning, development and implementation of submarine cable systems.

CytaTele.Port: Provision of hosting and location facilities.

CytaSignal & CytaSignal.plus: Provision of access to the international signalling network and provision of Signal Transfer Point (STP) facilities.

CytaRoam & CytaRoam.plus: Provision of international roaming facilities to local and international GSM Operators.

Global Switched Transit Connections (including access facilities where required, via



CytaPassage: Interconnection of international capacity via CYTA's national network.

CIOS.Connect: Combination of CytaCable.Way and CytaPassage products with other cable facilities provided by BEZEQ, a telecommunications company in Israel.

CytaVideo.Select: Occasional TV transmission.

CytaConnect: Combination of satellite and cable capacity for the provision of total communication solutions.

Global CYTANET: Combination of cable or satellite leased connections and Internet access via the CYTANET node.

CytaRestore: Restoration of submarine cable links via spare cable capacity.

CytaCable.Consult: Consultation services

Global CytaVoice and Global CytaPac products).

Global Freephone and Calling Card Services.

International Private Leased Circuits with special features for satisfying the different needs of particular customer segments.

- **CytaBusiness.Link** for business customers in general
- **CytaNews.Link** for international news agencies
- **CytaAcademic.Link** for academic and research institutions
- **CytaInternet.Link** for licensed Internet Service Providers
- **CytaVideo.Link** for licensed TV stations
- **Other specialised audiovisual connections.**

Frame Relay Products: Global private connections employing Frame Relay protocol, in the following forms:

- **CytaFrame.Relay:** Provided via direct connections with CYTA's correspondents, to selected destinations and with no application restrictions.
- **Frame Relay via Affiliations:** Provided via affiliations of CYTA with International Frame Relay Providers with voice-application restrictions.
- **CytaTransfer:** Global private connections via the ATM (Asynchronous Transfer Mode) platform.

Strategic Projects

With quality of service and quick delivery of products our prime objectives, we further pursued the timely development of the access network. Emphasis was also placed on the development of an access infrastructure for the provision of new broadband products. To this end, a number of projects were undertaken as outlined below:

- **Fibre to the Cabinet**

A pilot project deploying this new



CytaPac.plus: Global private connections via CYTA's Public Switched Packet Data Network (CYTAPAC).

THE ACCESS NETWORK

The development of the copper line and fibre optic access networks continued in 2000. At the same time, various strategic projects were implemented with the aim of providing improved products and quality of service to customers and broadening the range of products, while at the same time respecting the environment.

technology was launched in 2000 and is expected to be completed in mid-2001. If the results of the evaluation are satisfactory, we shall be deploying this technology in the development of our access network in early 2002. With this technology, the quality of existing products is expected to improve while the capability of providing broadband products to more customers will be enhanced.

- **Asymmetric Digital Subscriber Line (ADSL)**

Having successfully completed a pilot project, we expect to achieve mass deployment of this technology starting from

the 3rd quarter of 2001. We shall thus be able to provide new broadband products such as Fast Internet Access, Video-on-Demand, etc.

- **Underground Cable Installations**

During 2000, 5,270 customer premises were connected to the access network using underground cables (instead of overhead cables). This was done in accordance with our policy of providing underground access to our customers and

completed as planned and data entry activity has already started. This system enables the automated design of the network and the implementation of network development projects. The system will be fully operational by the middle of 2002. Hence we shall achieve increased productivity and improved delivery times.



preconnecting buildings under construction in order to achieve improved quality of service, a more pleasant environment and quicker delivery of service.

- **Quality Management System ISO 9000**

The design and implementation of a quality management system for the Access Network unit has been completed to a large extent. The unit expects to be awarded the ISO 9000 Certificate in 2001.

- **Geographic Information System (GIS)**

The purchase and installation of a Geographic Information System for the management of the access network was

Main Development Project

During 2000 the development of the copper line and fibre optic cable networks, which basically constitute the access network, continued as follows:

- The number of lines (pair of copper wires) in the primary part of the access network rose by a total of 30,100 in the urban areas and by 11,200 in the rural areas. The island-wide total number of such copper lines by the end of 2000 was 722,300.
- A total of 119km of fibre optic cable was installed in the trunk network, thus providing alternative interconnection links

to the majority of telephone exchanges. This was done according to an island-wide service restoration plan whereby interruption of service to our customers is avoided in case of network faults.

- A total of 30km of fibre optic cable was installed to provide ISDN-Primary Rate Access and ATM/FR access to large and medium sized business premises.

- The installation of optical rings in urban



areas progressed further. A total of 27km of fibre optic cable was installed, creating six such rings. In addition, a total of 84km of fibre optic cable was installed in rural areas. In the future, these rings will form the core network for the "Fibre to the Cabinet" architecture.

- In total, 250kms of fibre optic cable were installed during 2000, bringing the island-wide total to 1,961km.

the purpose of enhancing the quality of the access network.

- **Mass end-to-end testing of connections**

With this system, which will be fully operational in 2001, we aim to correct the data pertaining our network resources in the corporate operational database. The utilisation of available network resources and their management will thus be effectively improved.

- **Automatic customer line testing system**

The system's functionality was enhanced so that mass automatic testing of customer copper lines could be carried out.

- **Access network support centre**

The centre provides technical support for our installation and maintenance field technicians in an effort to increase productivity and improve customer service.

- **System for monitoring pressurised cables**

The number of copper cables in the primary part of our access network that were pressurised and connected to the monitoring system increased considerably during the year. As a result of deploying this system, the rate of faults in this part of the access network was maintained at very low levels.

Support Projects

The following support systems were either upgraded or newly installed during 2000 with

*We don't need to make guesses
about the near future and
the new order of things in
telecommunications. We are
already on a one-way, very
promising course.*



*At CYTA, the European perspective colours all our
choices without exception. If one were to place Cypriot
telecommunications and international telecommunications
developments under the microscope, one would see very easily
that CYTA is, in essence, a living, moving, compact cell in
the body of the new European reality.*




A European Perspective to Everything!

In the context of Cyprus' European Union accession process, we continued our intensive preparations for harmonisation with the EU *acquis communautaire*, mainly on technical matters.

We were active in, and contributed to, the consultations of the relevant government departments for the establishment of a Regulatory Authority for Telecommunications and Posts and the drawing up of a new Law on Telecommunications.

Of great significance for the future of our Organisation is the progress achieved in the direction of changing its legal framework, since the relevant proposal has been submitted to the Council of Ministers for approval.





CYTA's active participation in international telecommunications organisations has enabled us to keep a close watch on technological and other developments that are taking place in the telecommunications sector.

In particular, in view of the forthcoming liberalisation of telecommunications, we included in our strategic priorities for 2000 the expansion of our business activities into foreign markets, mainly in Europe and the Mediterranean.

A EUROPEAN PERSPECTIVE TO EVERYTHING!

HARMONISATION WITH THE EUROPEAN UNION

During 2000 we continued our efforts towards harmonisation with European Legislation in areas where CYTA can implement measures by itself, mainly in the technical sector, such as the adoption of European technical specifications and the elaboration of proposals which aim at gradual harmonisation in other areas.

We also took part in consultations with the Ministry of Communications and Works and with consultants hired by the Government, in order to implement the decisions of the Council of Ministers. These decisions provide for the establishment of a Regulatory Authority for Telecommunications and Posts and the drafting of new Telecommunications Legislation.

We contributed to the finalisation of the draft Laws prepared by the consultants. Specifically, we prepared and sent to the Ministry comments and suggestions and we had a series of meetings with the Government officials involved. After these consultations, the draft Law on the establishment of a Regulatory Authority was submitted to the House of Representatives and a draft Law on Telecommunications was prepared.

During 2000, the Legal Services of the

RELATIONS WITH INTERNATIONAL ORGANISATIONS

CYTA is an active participant in the procedures and activities of all the international telecommunications organisations of which it is a member. It participates in various working groups and at conferences organised by these bodies, so as to be in a position to monitor and apply technological and other developments in the telecommunications sector.



Government completed the legal vetting of a proposal to implement an earlier decision by the Council of Ministers on changing CYTA's legal framework. The aim of the change is to grant the Organisation the necessary flexibility which will allow it to operate efficiently in a competitive environment. This proposal has now reached the final stages of consultation between the Ministry and other interested parties, after which it is expected to be submitted to the Council of Ministers for approval.

In the meantime, we monitored closely the telecommunications policy of the European Union as well as the work of other European bodies and Organisations.

Cyprus is a member of the International Telecommunications Union (ITU) which is a United Nations organisation. CYTA follows its operations closely and implements all its recommendations in sectors such as Telecommunications Standards and Specifications (TSS), Radio Communications (RS) and in the Telecommunications Development Sector (TDS).

CYTA is a founding member of the Association of European Telecommunications Network Operators (ETNO) which coordinates members' activities for the promotion of services and the best use of networks in Europe. Additionally, it draws up a common policy for its members on telecommunications issues and submits opinions

and proposals to various European bodies, mainly within the European Union but also to other international organisations.

In 2000, CYTA took part in the 16th & 17th General Assemblies of ETNO in Greece. Additionally, members of the Organisation participated in working groups such as the Review '99 group and the Data Protection Group.

CYTA is also a founding member of the European Telecommunications Standards Institute (ETSI) and as a managing member, follows its operations closely.

Moreover, the Organisation is an active member of the Commonwealth Telecommunications Organisation (CTO) and took part in the Annual General Meeting, which was held in November in Kuala Lumpur, Malaysia.

As already stated in the section of this report dealing with the network, Cyprus, represented by CYTA, is a member of the INTELSAT, EUTELSAT and INMARSAT organisations and has been using their satellite systems since 1980, 1986 and 1992 respectively. In 2000, delegations from CYTA took part in various conferences, meetings and conventions of these organisations.

Our Organisation is also a founding member of the European Telecommunications Information Society (ETIS) and took part in the Board of Directors' General Assembly as well as in the 17th and 18th Administration Committee Meetings which were held in Hague and

Budapest respectively. Finally, since the end of 1999, our Organisation has been a full member of the European Foundation of Quality Management (EFQM).

STRATEGIC ALLIANCES

Our strategic priorities include the expansion of our business activities in foreign markets, either via the development of alliances with other organisations or autonomously or via partial or total acquisitions.

Our goal is to increase our income by securing a greater telecommunications market share which extends beyond Cyprus' national boundaries, especially at a time when, due to the liberalisation of telecommunications, part of our existing customer base will possibly fall to the competition. For this reason, special consideration was given to finding appropriate projects and investment opportunities in the telecommunications sector and to implementing agreements in markets of interest to us, with partners of our choice.

In this new effort, emphasis was given to projects and business activities that are of strategic importance or offer profitable prospects and, at the same time, utilise the resources and technological know-how of CYTA such as the installation, operation and management of telecommunications systems and services.

The geopolitical area of interest is the wider European area, the Southern Mediterranean basin, Russia and the CIS.

FINANCIAL REPORT

2000

RESULTS

The surplus after tax increased from £46,3m to £64,5m an increase of 39%. Included in the surplus, is the profit on disposal and revaluation of investments of £12,0m. The positive economic results of CYTA have taken place in a period where the financial indicators of the

international telecommunication market are decreasing. Total revenue increased by £29,7m or 16,6% and reached £208,7m, whereas total expenses increased by £0,9m and reached £117,3m.

FINANCIAL POSITION

The growth of CYTA is remarkable and is being reflected in all items of the Balance Sheet. The reserve fund grew from £281,2m to £345,7m, an increase of 23%, thus reinforcing the capital structure of CYTA.

FINANCIAL HIGHLIGHTS:-

	2000 £m	1999 £m
Operating revenue	184,7	168,3
Other income	12,0	10,7
Operating expenses	110,9	103,1
Profit on disposal and revaluation of investments	12,0	-
Financial and other expenses	3,5	3,9
Interest and deficits on pension funds	2,9	9,4
Surplus before Tax	91,4	62,5
Tax	26,9	16,2
Capital Expenditure	67,8	42,4

Key ratios:-

	2000	1999
Operating revenue to net assets	53%	60%
Operating expenses to operating revenue	60%	61%
Surplus to net assets (excluding profit on disposal and revaluation of investments)	15%	16%
Long-term liabilities to reserve	1:9,0	1:6,48

OPERATING REVENUE

Service	2000 £m	1999 £m	Increase/(Decrease) %
Telephone	169,8	158,5	7
ISDN	6,1	2,1	190
Cytanet	3,0	3,3	(9)
Other	5,8	4,4	32
	184,7	168,3	

Telephone Service

During the year the subscribers increased by 82.706 totaling 658.415. The revenue from this service represents 92% of the operating revenue and rose by £11,3m or 7% compared to last year. Analytically, the inland calls rose from £53,0m to £65,9m, the subscriptions from £22,8m to £25,9m and the revenue from leased circuits from £6,6m to £8,4m, whereas the overseas calls decreased from £74,2m to £67,1m.

Integrated Services Digital Network (ISDN)

The benefits offered by this service, resulted in an increase in the number of subscribers from 2.607 in 1999 to 7.195 in 2000, as well as in a large increase in its revenue that went up from £2,1m in 1999 to £6,1m in 2000.

Internet service (Cytanet)

The subscribers of CYTA during 2000 increased from 17.197 to 29.925 in contrast to the revenue that decreased from £3,3m to £3,0m due to the lower subscription rates.

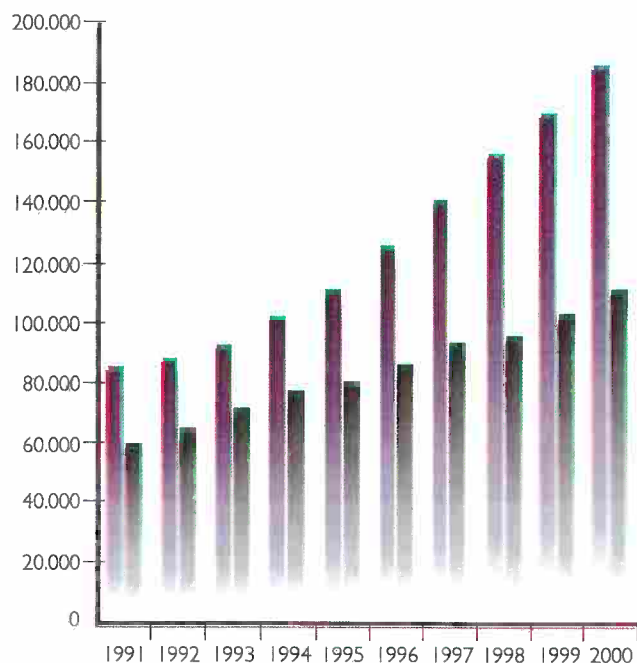
Other Services

The revenues from other services which show an increase are the revenue from leasing, DDP's and operation and maintenance of submarine cables £1,8m (£0,8m in 1999), the revenue from Civil Aviation and other Government Departments £2,1m (£1,5m in 1999), as well as the revenue from the introduction of the new ATM services (£0,2m). On the other hand, as a result of the introduction of new services, the revenue from the telex service, has decreased to £0,3m from £0,5m in 1999.

INVESTMENT AND OTHER INCOME

The investment and other income increased by £1,3m in 2000 reaching £12,0m with the largest amount being that of interest received of £10,9m.

Operating Revenue and Operating Expenses 1991/2000 (£'000)



	Operating Revenue	Operating Expenses
1991	83,772	59,396
1992	86,799	64,665
1993	90,220	71,612
1994	100,782	77,173
1995	109,127	80,408
1996	124,574	85,424
1997	139,300	93,140
1998	154,970	95,091
1999	168,278	103,097
2000	184,710	110,996

 Operating Revenue
 Operating Expenses

OPERATING EXPENSES

The operating expenses for the year, after allocations of £5.0m (1999 £5.3m) to capital and recoverable works, rose by 7.6% and totaled £110.9m compared to £103.1m in 1999. The increase is attributable to depreciation, leased circuits rentals & DDP's, maintenance materials and other expenses, electricity and water, and the management consultancy fees.

INTEREST AND DEFICITS ON PENSION FUNDS

Due to the complete write off of the deficiency of the pension scheme liability in 1999, the charge for the year has decreased by £6.5m.

TAXATION

The 2000 provision for Corporation Tax amounted to £15.3m, whereas an amount of £17.4m was paid through temporary assessment. There was also a provision for special contribution for defence fund amounting to £2.4m. The provision for deferred taxation, amounting to £9.3m, is high due to the fact that capital expenditure for which capital allowances are claimed are higher than depreciation.

CAPITAL EXPENDITURE

The capital expenditure totaled £67.8m (1999 £42.4m) and was completely financed by internal sources.

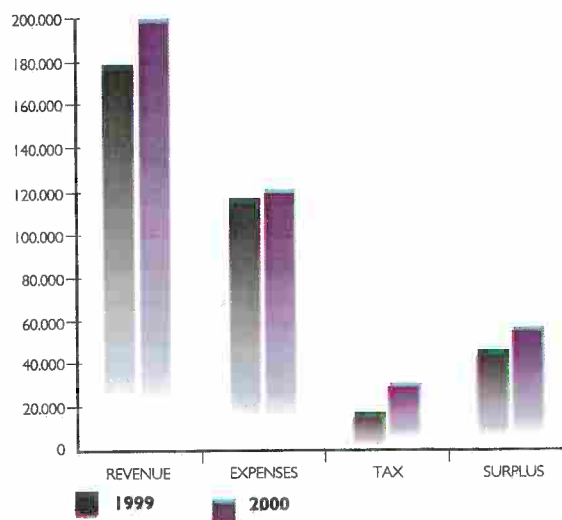
STOCKS

Stocks were reduced during the year as a result of the new policy to treat materials that are intended to be used for development as tangible fixed assets.

LIQUID FUNDS

The Government Development Stocks and other bonds and the Bank Deposits, amounted to £178,9m at 31 December 2000, increased by 25% compared to last year's will be mainly used for financing CYTA's development program.

Revenue, Expenses, Tax and Surplus 1999 - 2000 (£'000)



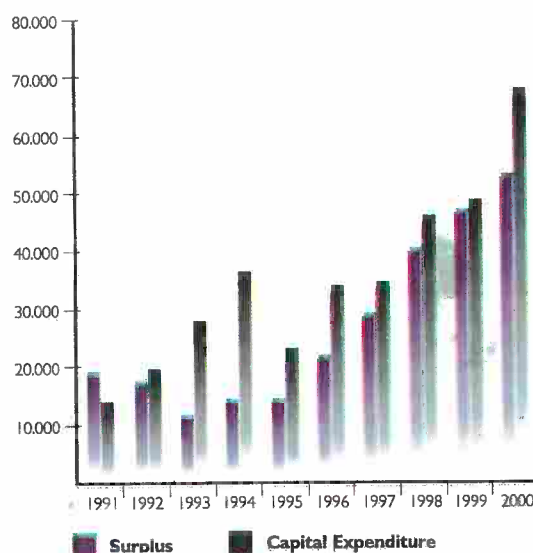
	REVENUE	EXPENSES	TAX	SURPLUS AFTER TAX
1999	178,938	116,480	16,197	46,261
2000	196,700	117,281	26,950	52,469

Note: The revenue and the surplus do not include profit on disposal and revaluation of investments of £12,008 m.

LOANS AND OTHER LONG TERM LIABILITIES

Long term liability to suppliers and foreign financial institutions was £2,8m down from £3,1m in 1999.

Surplus and Capital Expenditure 1991 - 2000 (£'000)



	Surplus	Capital Expenditure
1991	18,069	13,875
1992	16,224	19,351
1993	10,757	27,836
1994	13,693	36,210
1995	13,598	23,204
1996	21,049	33,739
1997	27,088	34,459
1998	38,985	46,031
1999	46,261	42,426
2000	52,469	67,780

Note: The surplus after tax does not include profit on disposal and revaluation of investments of £12,008 m.

SHORT TERM LIABILITIES

The short term liabilities include accounts payable to suppliers £12,1m, loans from foreign financial institutions £0,3m, other creditors and accruals £28,2m (with the largest obligation being that of amounts due to foreign administrations £12,4m and Value Added Tax £5,7m) and deferred income £7,5m.

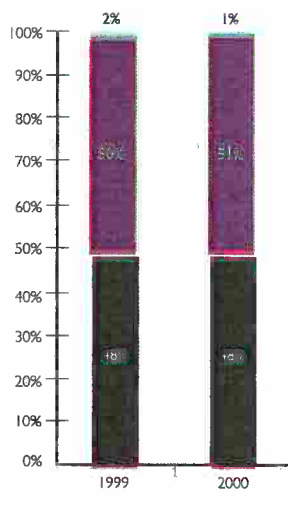
RETIREMENT BENEFITS

The liability to the Pension Scheme at 31 December 2000 amounts to £29,0m. This liability is being repaid by half yearly instalments until 31 December 2002. The last actuarial valuation was carried out on 1 July 1998 by professional actuary.

CONTRACTUAL COMMITMENTS

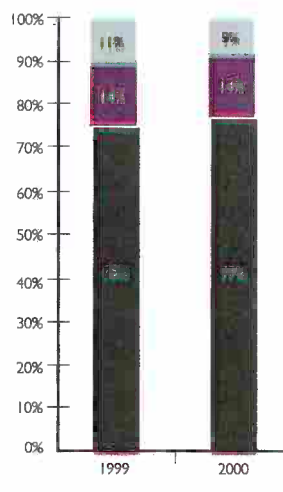
The contractual commitments amounted to £40,0m (1999 £29,0m). They include outstanding orders of £38,0m for telecommunication equipment, £0,8m for submarine cables, £0,5m for buildings under construction, and £0,7m for outstanding excavations.

Total Assets Owned (£'000)



	1999	2000	1999	2000
Tangible and Intangible Fixed Assets	182,449	211,997	48%	48%
Current Assets	187,952	228,797	50%	51%
Investments	5,485	5,115	2%	1%
Long-term debtors	495	396	-	-

Total Liabilities Owned and Capital Invested (£'000)



	1999	2000	1999	2000
Capital & reserves	281,240	345,717	75%	77%
Current Liabilities	51,756	62,183	14%	14%
Long-term loans and other liabilities	43,385	38,405	11%	9%

E. Papadakis

E. Papadakis
Chairman

N. M. Timotheou

N. M. Timotheou
General Manager

G. Koufaris

G. Koufaris
Manager Financial Services

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<http://www.cyta.com.cy>

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Limassol

Head Customer Services

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CY-3601 Limassol

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Customer Service Offices

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- Linopetra, 36, Kolonakiou Str

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CY-6301 Larnaca

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Morphou*

18, 25th March Str

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Lefka*

Lefka

(02) 81 74 59

Information on services
provided by CYTA

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* Inaccessible due to occupation of the area by
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CYTA

AUDITORS
AND FINANCIAL
STATEMENTS **2000**



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AUDITORS' REPORT

CYPRUS TELECOMMUNICATIONS AUTHORITY

We have audited the financial statements and have obtained all the information and explanations we considered necessary. These financial statements are the responsibility of the Authority's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Directors, as well as evaluating the overall financial statements pre-

sentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion proper books of account have been kept by the Authority and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Cyprus Telecommunications Authority at 31 December 2000 and of its surplus and cash flows for the year then ended in accordance with International Accounting Standards and comply with the Companies Law, Cap. 113.

KRMG Peat Marwick
Chartered Accountants

Nicosia, 30 April 2001

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC

TO THE CYPRUS TELECOMMUNICATIONS AUTHORITY

I have examined the foregoing report on the financial statements of the Cyprus Telecommunications Authority for the year ended 31 December 2000 submitted by the appointed auditor in accordance with section

3(1) of the Public Corporate Bodies (Audit Accounts) Law and I am satisfied that this is appropriate.

C. Giorgos
Auditor General of the Republic

Nicosia, 30 April 2001

PROFIT & LOSS ACCOUNT

Year ended 31 December 2000

	Note	2000 £'000	1999 £'000
Operating revenue	4	184,710	168,278
Operating expenses	5	(110,906)	(103,097)
Operating surplus		73,804	65,181
Investment and other income	6	11,990	10,660
		85,794	75,841
Financial and other expenses	7	3,767	3,589
Interest and deficit on pension funds	8	2,862	9,437
		6,629	13,026
		79,165	62,815
Profit on sale and revaluation of investments	12	12,008	-
Foreign exchange profit/(loss)		254	(357)
Surplus for the year before tax		91,427	62,458
Taxation	9	(26,950)	(16,198)
Surplus for the year	15	64,477	46,260

All the surpluses/deficits of the Authority are recognised through the profit and loss account. There are no any other profits in the above mentioned period.

The notes to the financial statements form an integral part of the financial statements.

BALANCE SHEET

as at 31 December 2000

	Note	2000 £'000	1999 £'000
ASSETS			
NON-CURRENT ASSETS			
Tangible fixed assets	10	203,545	177,557
Intangible fixed assets	11	8,452	4,892
Investments in telecommunication Organizations	12	5,115	5,485
Long-term debtors	13	396	495
		217,508	188,429
CURRENT ASSETS			
Stock		4,339	9,664
Corporation tax receivable		3,726	1,608
Bonds	14	57,078	47,478
Cash at bank and in hand		121,841	95,496
Debtors and other receivables		41,813	33,706
		228,797	187,952
Total Assets		446,305	376,381
RESERVES AND LIABILITIES			
RESERVES			
	15	345,717	281,240
NON-CURRENT LIABILITIES			
Loans and other liabilities	16	2,809	3,076
Retirement benefits	17	15,010	29,023
Deferred tax	18	20,586	11,286
		38,405	43,385
CURRENT LIABILITIES			
Bills and other accounts payable to suppliers		12,148	8,750
Loans from foreign financial institutions		317	270
Creditors and other accounts payable		28,205	25,052
Retirement benefits	17	14,013	13,081
Deferred income		7,500	4,595
		62,183	51,756
Total Reserves and Liabilities		446,305	376,381

The notes to the financial statements form an integral part of the financial statements.



S. Papadakis
Chairman



N. Timotheou
General Manager



G. Koufaris
Manager Financial Services

CASH

FLOW STATEMENT

For the year ended 31 December 2000

	Note	2000 £'000	1999 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	19	98.013	81.314
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		10.857	8.575
Interest paid		(2.837)	(3.724)
Investment income		1.133	2.085
Net cash inflow from returns on investment and servicing of finance		9.153	6.936
TAXATION			
Corporation tax paid		(19.760)	(15.624)
INVESTING ACTIVITIES			
Acquisition of tangible fixed assets		(57.002)	(34.053)
Decrease in participation with Telecommunication organizations		21	2.102
Proceeds from sale of fixed assets		5.244	1.199
Proceeds from sale of investments		13.357	-
Net cash outflow from investing activities		(38.380)	(30.752)
FINANCING ACTIVITIES			
Payments to the pension scheme		(13.081)	(12.196)
Purchase of government bonds		(9.404)	(11.084)
Proceeds from sale of government bonds		-	1.247
Repayment of loans and bills payable		(188)	(404)
Net cash outflow from financing activities		(22.673)	(22.437)
Increase in cash and cash equivalents	20	26.345	19.237

The notes to the financial statements form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2000

1. INCORPORATION AND PRINCIPAL ACTIVITY

The Cyprus Telecommunications Authority is a Corporate Body established by Law 67 of 1954 (Cap. 302), as amended by Laws 20/60, 34/62, 25/63, 54/77, 98/88 and 21/89.

The main responsibility of the Authority is the provision, maintenance and development of a comprehensive telecommunications service, both local and overseas.

2. BASIS OF PRESENTATION

The financial statements, which have been prepared in accordance with International Accounting Standards, are for the year ended 31 December 2000 and are expressed in Cyprus Pounds.

3. ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items, which are considered material in relation to the Authority's financial statements.

Basis of preparation

The financial statements have been prepared under the historical cost convention.

Fixed assets, depreciation and amortisation

Fixed assets are stated at cost less depreciation.

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

Self constructed assets are valued individually at material cost plus an addition for direct labour and other appropriate expenses.

Borrowing costs relating to the acquisition of plant and equipment are written off as they arise.

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

- (b) Amortisation of leasehold properties is calculated so as to write off the cost of the leased asset by equal annual instalments over the period of the lease with maximum of 33 years.

- (c) Depreciation on prefabricated buildings, which are set on private or leased land, is calculated based on the period of their usage, which is 5 years.

For the rest of fixed assets, depreciation is provided by the Authority to write off the cost less the estimated residual value of the assets by equal annual instalments over their expected useful economic lives as follows:

	%
Freehold buildings	3
Prefabricated buildings	20
Switching equipment, transmission equipment, line network, Terminal equipment, mobile telephone service network and Power equipment	10
Satellite earth stations	10
Submarine cables	5 - 6,67
Testing equipment	12,50
Motor vehicles	20
Office furniture and equipment	10
Terminal equipment and tools	33,33
Computer peripherals	33,33
Mainframe computer and information systems	20

Land is not depreciated.

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

Intangible fixed assets

The Cyprus Telecommunications Authority applied the International Accounting Standard No. 38 "Intangible assets" as from 1 January 2000 and transferred the cost and accumulated depreciation of software from fixed assets to intangible assets. The comparative figures have been adjusted accordingly. The depreciation rate for intangible assets is 20% and is calculated by equal annual instalments over their expected useful economic lives.

Debtors

Debtors, which are receivable more than one year from the balance sheet date are classified as long-term.

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

Stocks

Stocks are valued at the lower of cost and net realisable value. The principal methods for determining the valuation of stocks are as follows:

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

Long-term liabilities

Liabilities which are due more than one year from the balance sheet date are classified as long-term.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Cyprus pounds at the exchange rate ruling at the balance sheet date. Any exchange differences are taken to the profit and loss account.

Retirement benefits

The Authority operates a defined benefit retirement plan. Provisions in the financial statements are based on the actuarial valuation, which consider employees' age, years of service and remuneration and also the investment performance of the fund. The latest independent actuarial valuation was conducted in July 1998 with the assumption that the annual average future increase in wages would be 7% and the average annual return on investment would be 7%.

The retirement benefit costs are charged to the profit and loss account over the period of the expected service lives of the employees.

Deficiencies shown by actuarial valuations are written off against revenue over a period of 2 years.

Bonds

Investments in bonds are stated at cost.

Investments

Investments in telecommunication organisations are stated at cost less provision for any diminution in value.

Deferred tax

Deferred tax is provided on all temporary timing differences between accounting and tax treatment of assets and liabilities, using the tax rates that are expected to apply when tax becomes payable.

Deferred tax assets arising from deductible temporary differences are recognised only when it is probable that the related tax benefit will crystallise.

4. OPERATIVE REVENUE

	2000 £'000	1999 £'000
Telephone service	169,839	158,476
Telex service	257	472
Other services	14,614	9,328
	<u>184,710</u>	<u>168,278</u>

5. OPERATING EXPENSES

	2000 £'000	1999 £'000
Outpayments for international traffic	16.965	16.585
Staff costs	45.327	47.185
Maintenance costs	5.344	4.140
Depreciation	32.991	28.768
Leased circuits rentals	2.690	1.960
Gratuities	1.150	1.803
Other expenses	11.403	7.922
	115.869	108.363
Less: Staff and transport costs capitalised to fixed Assets	4.963	5.266
	110.906	103.097

6. INVESTMENT AND OTHER INCOME

	2000 £'000	1999 £'000
Interest received	10.837	8.575
Investment income	335	1.385
Other income	798	700
	11.990	10.660

7. FINANCIAL AND OTHER EXPENSES

	2000 £'000	1999 £'000
Loan interest and interest on suppliers' credit	64	66
Bank charges and other interest	51	68
Provision for doubtful debts	891	1.544
Provision for obsolete materials	2.761	1.413
Diminution in value of ICO Global Communications Ltd	-	498
	3.767	3.589

8. INTEREST AND DEFICIT ON PENSION FUNDS

	2000	1999
	£'000	£'000
Interest on Pension Scheme	2,722	3,592
Pension Scheme deficiency		5,799
Superannuation fund deficiency	140	46
	<u>2,862</u>	<u>9,437</u>

9. TAX

	2000	1999
	£'000	£'000
Corporation tax	15,300	11,527
Deferred tax	9,300	2,429
Special Contribution for defence	2,350	2,242
	<u>26,950</u>	<u>16,198</u>

The Authority is subject to corporation tax at 20% - 25% on taxable profit. In addition, the Authority is subject to defence tax at 4% until 31 March 2000 and at 3% between 1 April 2000 and 31 December 2000.

Analysis of taxation charge

	2000	1999
	£'000	£'000
Surplus for the year before tax	92,944	60,215
Tax at 23% - 20% (1999: 24% - 29%)	26,355	17,460
Disallowable expenditure	9,517	9,395
Non-taxable income	(3,945)	(142)
Investment allowance	(14,177)	(12,944)
	<u>17,650</u>	<u>13,769</u>
Deferred tax	9,300	2,429
	<u>26,950</u>	<u>16,198</u>

10. FIXED ASSETS

	Freehold land and buildings £'000	Buildings on leasehold land £'000	Telecom- munication plant and equipment £'000	Motor vehicles and tools £'000	Office furniture and equipment £'000	Comput- er hardware and systems £'000	Assets under construction £'000	2000 Total £'000	1999 Total £'000
Cost									
1 January	23,148	4,885	337,241	5,570	2,983	10,589	15,275	399,691	367,805
Additions	817	21	47,179	1,487	296	4,171	7,422	61,393	54,754
Disposals	(2)	-	(18,049)	(25)	-	(508)	-	(18,584)	(9,831)
Transfers	-	-	-	-	-	-	-	-	(13,037)
31 December	23,963	4,906	366,371	7,032	3,279	14,252	22,697	442,500	399,691
Depreciation									
1 January	5,104	1,871	199,711	4,474	2,082	8,892	-	222,134	204,721
Charge for the year	619	163	26,556	671	229	1,923	-	30,161	26,045
Disposals	(1)	-	(12,810)	(23)	-	(506)	-	(13,340)	(8,632)
31 December	5,722	2,034	213,457	5,122	2,311	10,309	-	238,955	222,134
Net Book Value									
31 December	18,241	2,872	152,914	1,910	968	3,943	22,697	203,545	177,557

(a) Assets in occupied areas

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

(b) Land

Certain plots of land amounting to £252,000 (1999: £274,000) included in the accounts, were in the course of being registered in the name of the Authority at the year-end.

11. INTANGIBLE ASSETS

	2000	1999
	£'000	£'000
Computer software		
Cost 1 January	9,497	2,636
Additions	6,390	6,861
31 December	15,887	9,497
Depreciation 1 January	4,605	1,882
Charge for the year	2,830	2,723
31 December	7,435	4,605
Net Book Value 31 December	8,452	4,892

The Authority has applied the International Accounting Standard No. 38 and transferred software from fixed assets to intangible assets. The comparative figures have been adjusted accordingly.

12. INVESTMENTS IN TELECOMMUNICATIONS ORGANISATIONS

	Investment at cost		Participation (%)	
	2000	1999	2000	1999
	£'000	£'000	%	%
INTELSAT	465	540	0,07	0,07
EUTELSAT	408	353	0,05	0,06
INMARSAT VENTURES PLC	3,022	3,022	1,57	1,57
ICO Global Communications (Holdings) Limited	1	1	0,05	0,05
Digimed Communications Ltd	1,219	1,511	100,00	100,00
ICO Europe B.V. Investments	-	57	-	3,00
MED-I Submarine Cables Ltd	-	1	-	9,22
	5,115	5,485		

In respect of the investments in Satellite Organisations, under the terms of the allotment of the relative shares, the Authority is required to make contributions proportionate to its investment share, towards future development projects of the above Organisations. The income from these Organisations which relates to the repayment of capital is deducted from the cost of the investment, while income from the use of capital is reflected in the profit and loss account.

Digimed Communications Ltd is a wholly owned subsidiary of the Authority. The consolidated accounts for the year ended 31 December 2000 have not been prepared due to the immaterial size of the subsidiary compared to the size of the holding company. A provision has been made of £1,292,000 on the cost of the investment in Digimed Communications Ltd, in order to reduce the cost of the investment to the net assets of Digimed Communications Ltd.

On June 29 2000, the Authority sold its investment (9,206 shares) in MED-1 Submarine Cables Ltd for the amount of 22 million US Dollars. The realised profit amounts to CYP£13,316,000.

ICO Europe BV has been liquidated and money invested have been returned. The Authority owned 3,900 shares for which it received £41,000 (Euro 72,000) against its £57,000 initial investment, realising a loss of £16,000.

With the privatisation of INMARSAT and the rename to INMARSAT VENTURES PLC, the Authority acquired 1,573,280 shares at a nominal value of STG£0.10 each.

13. LONG-TERM DEBTORS

	2000 £'000	1999 £'000
Republic of Cyprus	220	276
Other	176	219
	396	495

The debt of the Republic of Cyprus represents amounts receivable between 2000 and 2005, in respect of the transfer of the radar system to the Civil Aviation Department.

14. BONDS

	2000 £'000	1999 £'000
Government bonds	55,649	47,478
Other	1,429	-
	57,078	47,478

The purchase value of Government bonds, as at 31 December 2000 was £55,676,778 (1999: £47,285,000).

15. RESERVES

	2000 £'000	1999 £'000
Balance 1 January	281,240	234,980
Surplus for the year	64,477	46,260
Balance 31 December	345,717	281,240

16. LOANS AND OTHER LIABILITIES

	2000 £'000	1999 £'000
Loans from foreign financial institutions	2,809	3,076

The loans from foreign financial institutions are repayable between the years 2000 and 2015 and bear interest ranging between 2% - 12.07% per annum. The loans are secured by guarantees provided by the Government of the Republic of Cyprus.

17. RETIREMENT BENEFITS

The Authority operates three separate staff retirement defined benefit schemes. A Superannuation Fund and a Pension Scheme for the monthly paid staff and a Provident Fund for the weekly paid staff.

The Authority's total liability for retirement benefits is as follows:

	2000 £'000	1999 £'000
Short term	14,013	13,081
Long-term	15,010	29,023
	29,023	42,104

(a) Superannuation Fund

The Superannuation Fund was established to provide pensions to the monthly paid employees, and contributions to the Fund were made by both the Authority and the employees. The Superannuation Fund has no members in active service. The Fund operates independently of the finances of the Authority. Under the regulations of the Fund, the Authority is liable for any deficiencies, which may result from periodic actuarial valuations. The last valuation was made on 1 July

1998 by a professionally qualified actuary. The resultant deficiency amounting to £321,000 and was settled in 1998.

In addition, the Authority is liable to make annual lump sum payments, based on actuarial valuations, for the purpose of funding any pension increase after retirement. The amount paid in 2000 was £60,000 (1999: £60,000).

(b) Pension Scheme

The Scheme provides pension benefits for monthly paid employees and their dependents. For the purposes of the Scheme, a fund exists, which operates independently of the finances of the Authority. Under the regulations of the Scheme, the Authority is liable to make contributions, the level of which is determined by periodic actuarial valuations. These contributions consist of a percentage of the pensionable salary of the employees-members of the Scheme. Additionally, the Authority is liable to provide for any deficiencies, which may be indicated by the actuarial valuation.

The last valuation was made on 1 July 1998 by a professionally qualified actuary and showed an additional deficit of £321,000 written off to the profit and loss account equally between 1998 and 1999.

The payment for the Authority's liability is settled in twenty six monthly instalments until 31 December 2002. The liability is charged with interest of 7% per annum until it is fully repaid.

18. DEFERRED TAX

Deferred tax comprises:

	2000	1999
	£'000	£'000
Differences in depreciation and capital allowances	20,443	11,472
Unrealised exchange profit/(loss)	143	(186)
	<u>20,586</u>	<u>11,286</u>

**19. RECONCILIATION OF OPERATING PROFIT TO NET
CASH FLOW FROM OPERATING ACTIVITIES**

	2000 £'000	1999 £'000
Operating surplus	91,427	62,458
Depreciation	32,991	28,768
Profit on disposal and revaluation of investments	(13,008)	-
Unrealised (profit)/loss on exchange differences	(79)	97
Pension scheme deficiency	-	5,799
Interest received	(10,857)	(8,575)
Interest paid	2,837	3,724
Investment income	(1,133)	(2,085)
Increase in fixed assets	(10,781)	(14,525)
Decrease in long-term debtors	99	47
Decrease in stocks	5,325	5,192
Increase in debtors	(8,107)	(2,332)
Increase in creditors	3,153	2,324
Increase in interest of government stocks	(196)	(349)
Increase in balances with suppliers (short term)	3,390	839
Increase/(decrease) in loans and bills payable	29	(9)
Increase/(decrease) in deferred income	2,905	(59)
Net cash inflow from operating activities	98,013	81,314

20. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

	Bank balances and cash in hand	
	2000 £'000	1999 £'000
Balance as at 1 January	95,496	76,259
Net increase in cash and cash equivalents	26,345	19,237
Balance at 31 December	121,841	95,496

21. CONTRACTUAL COMMITMENTS

Contractual commitments in respect of capital expenditure as at 31 December 2000 not provided for in the financial statements, amounted to approximately £40,123,587 (1999: £28,975,275) of which £32,832,132 (1999: £22,638,563) are payable in foreign currency. Amounts in foreign currency have been converted into Cyprus pounds at the rates of exchange ruling at 31 December 2000.

22. CONTINGENT LIABILITIES

Contingent liabilities in respect of claims against the Authority for which no provision was made in the financial statements, amounted to approximately £135,000 (1999: £135,000).

23. FINANCIAL INSTRUMENTS

The main financial assets of the Authority are cash in hand and at bank, trade debtors, bonds and investments. The main financial liabilities of the Authority are loans, trade creditors and pensions' liabilities.

I) Interest rate risk

The interest rates and terms of repayment of the Authority's loans are presented in note 16 of the financial statements.

II) Credit risk

Trade debtors are presented after the deduction of the provision for doubtful debts and as a result, credit risk is limited.

III) Fair value of current assets and liabilities

Short term as well as long term financial current assets and liabilities of the Authority are presented in values approximately equal to their fair values.

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