

S.C. EUROWEB ROMANIA S.A.

INDIVIDUAL ANNUAL FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
31 DECEMBER 2007**

**Prepared in accordance with the Order of the
Ministry of Public Finance of Romania no.
1752/2005 as further amended**

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S.C. EUROWEB ROMANIA S.A.
BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

COUNTY: **BUCHAREST**
UNIT: **EUROWEB ROMANIA S.A.**
ADDRESS: BUCURESTI, sector 3, str. Lipscani
nr. 102, tel. 3076543
TEL: 0244/543121 FAX 0244/515819
NUMBER WITH THE TRADE REGISTER/ **J29/351/2003**

FORM OF OWNERSHIP: **34**
PREPONDERENT ACTIVITY:
Telecommunications
CAEN CODE GROUPE **6420**
TAX NUMBER **10347830**

No	Row no	Note	31 December 2006	31 December 2007
A. FIXED ASSETS				
I. INTANGIBLES				
3. Concessions, patents, licences, trade marks, similar rights and assets and other intangible assets	03		246,784	819,530
4. Goodwill	04		-	-
5. Advances and intangible assets in progress	05		-	85,344
TOTAL INTANGIBLE ASSETS (row 01 to 05)	06	1 (a)	246,784	904,874
II. Property, Plant and Equipment				
1. Land and buildings	07		128,441	121,978
2. Technical equipment & machines	08		14,075,240	22,842,495
3. Other equipment & furniture	09		61,092	66,787
4. Prepayments & tangible assets in progress	10		663,291	193,004
TOTAL TANGIBLE ASSETS (row 07 to 10)	11	1 (b)	14,928,064	23,224,264
III. FINANCIAL ASSETS				
6. Other loans	17		9,245	19,774
TOTAL FINANCIAL ASSETS (row 12 to 17)	18	1 (c)	9,245	19,774
FIXED ASSETS – TOTAL	19		15,184,093	24,148,912
B. CURRENT ASSETS				
I. Inventories				
1. Raw materials and consumables	20		198,343	731,952
3. Finished products and merchandises	22		-	4,128
TOTAL (row 20 to 23)	24		198,343	736,080

S.C. EUROWEB ROMANIA S.A.
BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

No	Row no	Note	31 December 2006	31 December 2007
II. RECEIVABLES				
1. Trade receivables	25		2,511,431	6,966,875
2. Inter-group receivables	26		-	-
4. Other receivables	28		216,285	658,007
5. Subscribed and unpaid-up capital	29		-	-
TOTAL (row 25 to 29)	30	5	2,727,716	7,624,882
IV. CASH AND BANK ACCOUNTS				
	34	12	799,397	2,416,591
TOTAL CURRENT ASSETS (row 24+30+33+34)				
	35		3,725,456	10,777,553
C. ACCRUED EXPENSES				
	36		266,439	246,059
D. LIABILITIES TO BE PAID WITHIN ONE YEAR				
3. Advance payments from customers in the orders account	39		-	54,333
4. Trade – suppliers	40		6,907,140	12,353,888
5. Trade notes payable	41		-	-
6. Inter-group payables	42		-	2,801,787
8. Other payables, including tax liabilities and social security liabilities	44		121,941	1,237,277
TOTAL (row 37 to 44)	45	5	7,029,081	16,447,285
E. NET CURRENT LIABILITIES (row 35+36-45-62)				
	46		(5,744,291)	(8,122,857)
F. TOTAL ASSETS MINUS CURRENT LIABILITIES (row 19+46-61)				
	47		9,381,424	15,958,401
G. LIABILITIES TO BE PAID WITHIN MORE THAN ONE YEAR				
4. Trade – suppliers	51		-	3,592,442
6. Inter-group payables	53		664,444	-
8. Other payables, including tax liabilities and social security liabilities	55		94,706	385,470
TOTAL (row 48 to 55)	56	5	759,150	3,977,912

S.C. EUROWEB ROMANIA S.A.
BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

No	Row no	Note	31 December <u>2006</u>	31 December <u>2007</u>
H. PROVISIONS FOR RISKS AND EXPENSES				
2. Provisions for tax	58		60,794	431,061
3. Other provisions	59		718,530	924,688
TOTAL (row 57 to 59)	60	2	779,324	1,355,749
I. ACCRUED INCOME				
1. Investment subsidies	61		58,378	67,654
2. Unearned income	62	13	2,707,105	2,699,184
TOTAL (row 61+62)	63		2,765,483	2,766,838
J. CAPITAL AND RESERVES				
I. CAPITAL				
1. Paid-up subscribed capital	64		3,207,383	3,207,383
TOTAL (row 64 to 66)	67		3,207,383	3,207,383
IV. RESERVES				
1. Legal reserves	70		361,527	484,551
4. Other reserves	73		281,380	281,380
TOTAL (row 70 to 73)	74		642,907	765,931
V. PROFIT OR LOSS CARRIED FORWARD				
- Balance C - profit	78		2,449,573	3,992,660
VI. PROFIT OR LOSS FOR THE YEAR				
- Balance C - profit	80		1,639,261	2,781,790
Profit distribution	82		96,174	123,024
EQUITY – TOTAL (row 67+68+69+75+76-77+78-79-80)	83		7,842,950	10,624,740
TOTAL EQUITY (row 81+82)	85		7,842,950	10,624,740

Authorised and signed on behalf of the Board of Directors on 7 April 2008 by:

Laurențiu Stan
Managing Director
Unit stamp

Denisa Popescu
Chief Financial Officer

S.C. EUROWEB ROMANIA S.A.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

No	Row no	Note	Year ended 31 December 2006	Year ended 31 December 2007
1. Net turnover (row 02 to 05)	01		32,612,709	38,386,992
Sold production	02		32,512,723	38,329,987
Income from sale of goods	03		99,986	57,005
3. Production made by the entity for its own needs and capitalized	08		-	151,971
4. Other operating income	09		120,878	69,168
Operating Income—total (row 01+06-07+08+09)	10		32,733,587	38,608,131
5. a) Raw materials and consumables expenses	11		343,990	302,997
Other material expenses	12		795,448	19,995
b) Other external expenses (with energy and water)	13		86,485	176,551
c) Merchandise expenses	14		95,572	50,742
6. Personnel expenses (row 16+17), out of which:	15		3,888,064	5,557,519
a) Salaries and allowances	16		3,012,471	4,318,307
b) Social security costs	17		875,593	1,239,212
7. a) Adjustment of the value of tangible and intangible assets (row 19-20)	18	1a); b)	1,596,242	2,204,250
a. 1) Expenses	19		1,596,242	2,224,395
a. 2) Income	20		-	20,145
b) Adjustment of the value of current assets (row 22-23)	21		714,991	76,361
b. 1) Expenses	22		1,054,426	182,403
b. 2) Income	23		339,435	106,042
8. Other operating expenses (row 25 to 28)	24		22,839,515	26,408,957
8.1 Expenses regarding external services	25		22,674,544	26,344,153
8.2 Expenses with other taxes, duties and assimilated payments	26		10,286	17,319
8.3 Expenses with compensation, donations and assigned assets	27		154,685	47,485

S.C. EUROWEB ROMANIA S.A.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

No	Row no	Note	Year ended 31 December 2006	Year ended 31 December 2007
Adjustments related to provisions (row 30-31)	29	2	548,425	576,425
Expenses	30		718,530	1,617,471
Income	31		170,105	1,041,046
Operating Expenses - total (row 11 to 15+18+21+24+29)	32		30,908,732	35,373,797
OPERATING PROFIT/LOSS				
- Profit (row 10-32)	33		1,824,855	3,234,334
11. Interest income	39		8,058	12,608
Other financial income	41		232,638	1,055,598
FINANCIAL INCOME – total (row 35+37+39+41)	42		240,696	1,068,206
13. Expenses on interest	46		42,485	71,149
Other financial expenses	48		99,586	1,296,472
FINANCIAL EXPENSES – TOTAL (row 43+46+48)	49		142,071	1,367,621
FINANCIAL PROFIT/LOSS				
- Profit (row 42-49)	50		98,625	-
- Loss (row 49-42)	50		-	299,415
14. CURENT PROFIT OR LOSS				
- Profit (row 10+42-32-49)	52		1,923,480	2,934,919
TOTAL INCOME (row 10+42+54)	58		32,974,283	39,676,337
TOTAL EXPENSES (row 32+49+55)	59		31,050,803	36,741,418

S.C. EUROWEB ROMANIA S.A.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

No	Row no	Note	Year ended 31 December 2006	Year ended 31 December 2007
18. GROSS PROFIT OR LOSS				
- Profit (row 58-59)	60		1,923,480	2,934,919
19. INCOME TAX	62		284,219	153,129
21. NET PROFIT OR LOSS FOR THE YEAR				
- Profit (row 60-62-63)	64		1,639,261	2,781,790

Authorised and signed on behalf of the Board of Directors on 7 April 2008 by:

Laurențiu Stan
Managing Director
Unit stamp

Denisa Popescu
Chief Financial Officer

S.C. EUROWEB ROMANIA S.A.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

No	Row no	Year ended 31 December 2006	Year ended 31 December 2007
Gross profit for the year	01	1,923,480	2,934,919
<i>Adjustment for gross profit reconciliation</i>			
Amortisation expense	02	1,470,489	2,224,395
Exchange rate variation effect	03	(169,013)	120,143
Subsidy income	04	(6,199)	413
Loss from the sale of tangible and intangible assets	05	17,641	12,122
Changes in provisions for tangible and intangible assets	06	125,753	(20,145)
Changes in provisions for inventories	07	317,606	(106,042)
Changes in provisions for receivables	08	314,107	182,403
Provisions for doubtful receivables	09	83,278	-
Changes in provisions for other risks and expenses	10	548,425	576,425
Interest expenses	11	42,485	71,149
Interest income	12	(8,058)	(12,608)
Cash generated by the operating activity before changes in the circulating capital (row 01 to 12)	13	4,659,994	5,983,174
Decrease / (Increase) in receivables and accrued expenses	14	772,027	(4,968,691)
Decrease / (Increase) in inventories	15	22,806	(431,695)
Increase in accrued debts and income	16	2,574,609	5,549,690
Cash generated by operational activities (row 13 to 17)	17	8,029,436	6,132,478
Paid income tax	18	(383,182)	(212,433)
Paid interest	19	(42,485)	(71,149)
Net cash generated from the operating activity (row 17 to 19)	20	7,603,769	5,848,896

S.C. EUROWEB ROMANIA S.A.
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

No	Row nr	Year ended 31 December 2006	Year ended 31 December 2007
Cash flow from investing activities			
Purchase of tangible and intangible assets	21	(6,642,725)	(5,569,350)
Collected interests	22	8,058	12,608
Collections from the sale of tangible and intangible assets	23	<u>56,715</u>	<u>23,744</u>
Net cash used in Investing activities (row 21 to 23)	24	<u>(6,577,952)</u>	<u>(5,532,998)</u>
Cash flow from financing activities			
Payments of financial lease debts	25	(339,154)	(245,409)
(Payments) / Collections from loans obtained from affiliates	26	(409,663)	2,017,200
Payments of other long term debts	27	<u>-</u>	<u>(470,495)</u>
Net cash used / (generated) from financing activities (row 25 to 27)	28	<u>(748,817)</u>	<u>1,301,296</u>
Cash increase (row 20+24+28)	29	277,000	1,617,194
Cash at the beginning of the year	30	522,397	799,397
Cash at the end of the year (row 29+30)	31	799,397	2,416,591

Authorised and signed on behalf of the Board of Directors on 7 April 2008 by:

Laurențiu Stan
Managing Director
Unit stamp

Denisa Popescu
Chief Financial Officer

S.C. EUROWEB ROMANIA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006
(all amounts are in RON, unless otherwise specified)

Equity Item	Balance as at 1 January 2006	Increases		Decreases		Balance as at 31 December 2006
		Total, out of which	by transfer	Total, out of which	by transfer	
Subscribed capital	3,207,383	-	-	-	-	3,207,383
Legal reserves	28,247	333,280	333,280	-	-	361,527
Other reserves	281,380	-	-	-	-	281,380
Result brought forward	2,686,679	-	-	237,106	237,106	2,449,573
Result for the year	4,170,819	1,639,261	-	4,170,819	4,170,819	1,639,261
Profit distribution	(4,170,819)	(96,174)	(96,174)	(4,170,819)	(4,170,819)	(96,174)
Total	6,203,689	1,876,367	237,106	237,106	237,106	7,842,950

S.C. EUROWEB ROMANIA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

Equity Item	Balance as at 1 January 2007	Increases		Decreases		Balance as at 31 December 2007
		Total	out of which by transfer	Total	out of which by transfer	
Subscribed capital	3,207,383	-	-	-	-	3,207,383
Legal reserves	361,527	123,024	123,024	-	-	484,551
Other reserves	281,380	-	-	-	-	281,380
Result brought forward	2,449,573	1,543,087	1,543,087	-	-	3,992,660
Result for the year	1,639,261	2,781,790	-	1,639,261	1,639,261	2,781,790
Profit distribution	(96,174)	(123,024)	(123,024)	(96,174)	(96,174)	(123,024)
Total	7,842,950	4,324,877	1,543,087	1,543,087	1,543,087	10,624,740

Authorised and signed on behalf of the Board of Directors on 7 April 2008 by:

Laurențiu Stan
Managing Director
Unit stamp

Denisa Popescu
Chief Financial Officer

S.C. EUROWEB ROMANIA S.A.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

1 FIXED ASSETS

a) Intangibles

GROSS VALUE

	1 January 2007	Increases	Decreases	31 December 2007
Concessions, patents, licences, trade marks, similar rights and assets and other intangible assets	147,244	-	-	147,244
Goodwill	997,446	-	-	997,446
Other intangible assets	275,671	690,476	-	966,147
Advances and intangible assets in progress	103,164	642,171	556,827	188,508
Total	1,523,525	1,332,647	556,827	2,299,345

ACCUMULATED AMORTISATION

	1 January 2007	Amortisation Expense	Accumulated Amortisation Related to Output	31 December 2007
Concessions, patents, licences, trade marks, similar rights and assets and other intangible assets	47,336	59,189	-	106,525
Goodwill	997,446	-	-	997,446
Other intangible assets	128,795	58,541	-	187,336
Total	1,173,577	117,730	-	1,291,307

S.C. EUROWEB ROMANIA S.A.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

1 FIXED ASSETS (CONTINUED)

PROVISIONS

	1 January 2007	Increases	Decreases	31 December 2007
Advances and intangible assets in progress	103,164	-	-	103,164
NET BOOK VALUE	246,784	1,214,917	556,827	904,874

In 2005, Euroweb Romania SA (the "Company") started together with a third party a software development project allowing to follow-up contracts in progress. Because the result of this project is not yet operational, for the value of capitalised expenses until 31 December 2006, a provision was set up for the impairment of intangible assets in progress, registered in 2006.

b) Property, Plant and Equipment

GROSS VALUE

	1 January 2007	Increases	Decreases	31 December 2007
Office premises fit outs	169,140	74,027	-	243,167
Technical equipment and machinery	18,716,574	10,348,220	28,985	29,035,809
Means of transport	985,203	464,105	19,329	1,429,979
Fixtures and fittings, office automations	100,265	22,665	-	122,930
Advances and tangible assets in progress	685,880	7,568,432	8,058,864	195,448
Total	20,657,062	18,477,449	8,107,178	31,027,333

S.C. EUROWEB ROMANIA S.A.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

1 FIXED ASSETS (CONTINUED)

AMORTISATION

	1 January 2007	Amortisation Expense	Accumulated Amortisation Related to Output	31 December 2007
Office premises fit outs	40,699	80,490	-	121,189
Technical equipment and machinery	5,180,625	1,705,830	529	6,885,926
Means of transport	445,912	303,375	11,920	737,367
Fixtures and fittings, office automations	39,173	16,970	-	56,143
Total	5,706,409	2,106,665	12,449	7,800,625

PROVISIONS

	1 January 2007	Increases	Decreases	31 December 2007
Advances and intangible assets in progress	22,589	-	20,145	2,444
NET BOOK VALUE	14,928,064	16,370,784	8,074,584	23,224,264

As at 31 December 2007, the cost of fixed assets purchased in financial lease is RON 797,080 (31 December 2006: RON 965,872), and the book value left is RON 532,316 (31 December 2006: RON 528,659.). The procurements of fixed assets from affiliates are given in Note 10.2.

c) Financial Assets

	1 January 2007	Increases	Decreases	31 December 2007
Other receivables	9,245	10,529	-	19,774
Total	9,245	10,529	-	19,774

S.C. EUROWEB ROMANIA S.A.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

2 PROVISIONS

	1 January 2007	Increases	Decreases	31 December 2007
Provisions for deferred income tax	60,794	428,120	57,853	431,061
Provisions for leaves and related charges (a)	164,953	-	164,953	-
Provisions for estimated bonuses (b)	553,577	1,189,351	818,240	924,688
Total	779,324	1,617,471	1,041,046	1,355,749

- (a) The provisions for leaves and related charges refer to the amounts estimated for the leaves not taken by the end of 2006 and which materialised in 2007.
- (b) The provisions for bonuses refer to the amounts estimated to be granted to the Company's employees for their participation in yielding the results for the year 2007.

3 PROFIT DISTRIBUTION

	31 December 2006	31 December 2007
Net profit to distribute	1,639,261	2,781,790
Allocations to:		
Legal reserve	(96,174)	(123,024)
Undistributed profit	1,543,087	2,658,766

The distribution of profit for 2007 shall be calculated according to the regulations in force concerning the mandatory distributions made by the companies in Romania according to Companies Law no. 31/1990 as further amended. The Board of Directors identify the amounts to distribute after making the legal allocations.

The distribution of profit for 2007 is to be approved in the General Meeting of Shareholders ("GMS"). Following GMS approval, the possible amounts representing dividends or reserves shall be reflected in the corresponding accounts during 2008.

The full distribution of profit for 2006 was approved by GMS in the meeting of 3 May 2007.

S.C. EUROWEB ROMANIA S.A.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

4 ANALYSIS OF OPERATING RESULT

	<u>31 December</u> <u>2006</u>	<u>31 December</u> <u>2007</u>
1. Net turnover	32,612,709	38,386,992
2. Cost of goods sold and of services provided (3+4+5)	28,992,769	32,479,655
3. Expenses concerning the basic activity	27,300,955	30,204,518
4. Expenses concerning merchandises	95,572	50,742
5. Expenses with amortisation	1,596,242	2,224,395
6. Gross result related to net turnover (1-2)	3,619,940	5,907,337
7. Other expenses	873,215	1,664,956
8. General administration costs	1,042,748	1,229,186
9. Other operating revenues	120,878	221,139
10. Operating result (6-7-8+9)	1,824,855	3,234,334

5 STATEMENT OF RECEIVABLES AND PAYABLES

As at 31 December 2007 and 31 December 2006 the statement of receivables and payables was as follows:

	<u>31 December</u> <u>2007</u>	<u>Liquidity Term</u>	
		<u>Less than</u> <u>1 year</u>	<u>More than 1</u> <u>year</u>
Trade receivables , out of which	6,966,875	6,966,875	-
Suppliers-debtors	8,615	8,615	-
Customers	7,901,255	7,901,255	-
Provisions for impairment of receivables	(942,995)	(942,995)	-
Other receivables , out of which	658,007	658,007	-
Value Added Tax	634,419	634,419	-
Other receivables	23,588	23,588	-
Total	7,624,882	7,624,882	-

S.C. EUROWEB ROMANIA S.A.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

5 STATEMENT OF RECEIVABLES AND PAYABLES (CONTINUED)

	31 December 2006	Liquidity Term	
		Less than 1 year	More than 1 year
Trade receivables , out of which	2,511,431	2,511,431	-
Customers	3,264,655	3,264,655	-
Suppliers-debtors	7,368	7,368	-
Provisions for impairment of receivables	(760,592)	(760,592)	-
Other receivables , out of which	216,285	216,285	-
Value Added Tax	214,900	214,900	-
Other receivables	1,385	1,385	-
Total	2,727,716	2,727,716	-

The amounts to be collected from affiliates are given in Note 10.

	31 December 2007	Enforceability Terme	
		Less than 1 year	More than 1 year
Trade payables , out of which	15,946,330	12,353,888	3,592,442
Suppliers	8,193,475	8,193,475	-
Suppliers of capital assets *	6,052,344	2,459,902	3,592,442
Suppliers, unrarried invoices	1,700,511	1,700,511	-
Other payables , out of which:	4,478,867	4,093,397	385,470
Financial lease liabilities	421,344	193,235	228,109
Loans from shareholders **	2,801,787	2,801,787	-
Income tax	(58,805)	(58,805)	-
Advances received from customers	54,333	54,333	-
Other payables ***	1,260,208	1,102,847	157,361
Other payables	20,425,197	16,447,285	3,977,912

S.C. EUROWEB ROMANIA S.A.
ACCOUNTING POLICIES AND EXPLANATORY NOTES TO THE FINANCIAL
STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007
(all amounts are in RON, unless otherwise specified)

5 STATEMENT OF RECEIVABLES AND PAYABLES (CONTINUED)

	31 December	Enforceability Term	
	2006	Less than 1 year	More than 1 year
Trade payables , out of which	6,907,140	6,907,140	-
Suppliers	5,532,147	5,532,147	-
Suppliers of capital assets *	300,410	300,410	-
Suppliers, unrarried invoices	1,074,583	1,074,583	-
Other payables , out of which:	881,091	121,941	759,150
Financial lease liabilities	209,076	114,370	94,706
Loans from shareholders **	664,444	-	664,444
Income tax	498	498	-
Advances received from customers	7,073	7,073	-
Total payables	7,788,231	7,029,081	759,150

The amounts due to affiliates are given in Note 10,

Trade Payables

*) The amount of RON 6,052,344 related to the balance of the suppliers of fixed assets as at 31 December 2007 includes the amount of RON 4,623,810 (the equivalent of EUR 1,280,763) due to the affiliate company Pantel Rt Hungary after signing Receivables Assignment Contracts No. 1 and No. 2 concluded on 10 December 2007 between Euroweb Romania SA, PanTel Romania and Pantel Rt Hungary. The initial deal consisted in the purchase of telecommunications equipment by Euroweb Romania SA from PanTel Romania, totalling RON 4,922,703 (the equivalent of EUR 1,400,485) payable in 38 equal monthly instalments. A portion of this amount, respectively EUR 119,722, was the object of the compensation between PanTel Romania and PanTel Rt Hu by Receivables Assignment Contract No. 2 of 10 December 2007, and the remaining payable amounting to EUR 1,280,763 left in the balance as at 31 December 2007 was assigned by PanTel Romania to Pantel Rt HU by Receivables Assignment Contract No. 1 of 10 December 2007. This deal was part of the strategy of the Hungarian Telephone and Cable Corporation ("HTTC") group to make the unification of the operations performed by Invitel and PanTel groups in Romania too after becoming affiliates during 2007. PanTel Romania is a company of the HTTC group.

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5 STATEMENT OF RECEIVABLES AND PAYABLES (CONTINUED)

Loans from Shareholders

***) Invitel Távközlési Szolgáltató ZRt. ("Invitel"), the majority shareholder of the Company granted two loans totalling RON 2,801,787 on 31 December 2007 as follows:

- a loan amounting to RON 635,667 (the equivalent of USD 258,780) which is without interest and represents the amount assigned by Euroweb International Corporation ("Euroweb International") to Invitel on 23 May 2006 following the purchasing of Euroweb Romania. The initial loan amounted to USD 800,000 and it was granted to finance current activity and equipment investments. This loan is due on 31 December 2008.
- a loan amounting to RON 2,166,120 (the equivalent of EUR 600,000) which was granted by Invitel Távközlési Szolgáltató ZRt. during 2007 based on a loan agreement to finance current activity, without bearing interest and guarantees. This loan is due on 1 December 2008, and Invitel reserved the right to converting it into an interest bearing one by signing an addendum to the initial loan agreement.

Other Payables

***) The total of RON 1,260,208 representing other payables as at 31 December 2007 includes the amount of RON 786,809 lei related to a transmission equipment purchase contract concluded by the Company during 2007. The total value of the contract was RON 1,346,699, (the equivalent of USD 526,127), inclusive of VAT, payable in monthly statements for a period of 2 years. As at 31 December 2007 the statement of the payables related to this purchase contract was the following:

	Principal	Interests
Less than 1 year	569,336	60,112
Between 1 and 2 years	142,334	15,027
Total	711,670	75,139

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5 STATEMENT OF RECEIVABLES AND PAYABLES (CONTINUED)

Financial Lease Liabilities

The statement of minimum payments for the Company's financial lease agreements is as follows:

	31 December 2006	31 December 2007
Less than 1 year	129,534	217,915
Between 1 and 5 years	98,435	244,159
	<hr/>	<hr/>
Total	227,969	462,074
Less subsequent financial expenses	(18,893)	(40,730)
	<hr/>	<hr/>
Current value of financial lease liabilities	209,076	421,344
Less than 1 year	114,370	193,235
Between 1 and 5 years	94,706	228,109

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6 ACCOUNTING PRINCIPLES, POLICIES AND METHODS

The main accounting policies adopted in preparing these financial statements are presented below.

A Basis of Preparation

(1) General

These financial statements are the responsibility of the Company's management and they were prepared in accordance with the requirements of the accounting regulations of Romania, namely Accounting Law no. 82/1991, republished and Order of the Ministry of Public Finance no. 1752/2005 ("OMF no. 1752/2005").

These financial statements were prepared based on the historical cost convention.

(2) Use of Estimates

The preparation of the financial statements in accordance with OMF 1752 as further amended requires the Company's management to make estimates and assumptions which affect the reported values of assets and liabilities, the statement of assets and debts contingent when these financial statements are prepared and the income and the expenses reported for that period. Although these estimates are made by the Company's management based on the best information available at the time of the financial statements, the results obtained could differ from these estimates.

The estimates are used to register provisions for doubtful customers and the impairment of inventories, amortisation/impairment of tangible assets and the provisions for deferred income tax.

The effect of the change in the accounting estimates is calculated in advance and it is included in the determination of the net result related to:

- the period when the change was made, if it is the only period affected;
- the period when the change was made and to subsequent periods, if the change affects them all.

Although these estimates show a certain degree of uncertainty, the general effect on these annual financial statements is deemed as being insignificant.

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6 ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

(3) Going Concern

These financial statements were prepared based on the going concern principle which supposes that the Company shall continue its activity in the predictable future too. In order to assess the applicability of this assumption concerning future cash input.

Based on these analyses, the management considers that the Company will be able to continue its activity in the predictable future and therefore the application of the going concern principle in preparing financial statements is justified.

(4) Presentation Currency

These financial statements are prepared and presented in RON.

B Order of the Ministry of Public Finance No. 1752/2005 (“Accounting Regulations Compliant with European Directives”)

Order 1752/2005 applies starting with the financial statements for 2006 by the companies meeting the criteria established by this law. OMF no. 1752/2005 sets out the preparation of annual financial statements for legal persons and includes the accounting regulations compliant with European Directives, namely:

- a) The fourth European Community Directive 78/660/EEC of 25 July 1978 on individual financial statements, as further amended and supplemented, as set out in OMF NO. 1752/2005;
- b) The Seventh European Community Directive 83/349/EEC of 13 June 1983 on consolidated financial statements, as further amended and supplemented, as set out in OMF No. 1752/2005.

OMF no. 1752/2005 is harmonised with European Directives IV and VII and is different from the International Financial Reporting Standards. Therefore, the financial statements are not in agreement with the International Financial Reporting Standards.

These financial standards, prepared in accordance with OMF no. 1752/2005, should not be used by third parties or by the users of the financial statements who are not familiarised with OMF no. 1752/2005 applicable on the territory of Romania.

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6 ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

C Conversion of Foreign Currency Transactions

The foreign currency transactions of the Company are recorded at the exchange rates communicated by the National Bank of Romania ("NBR") for the date of the transactions. Monetary assets and liabilities in foreign currency are converted into RON at the exchange rates communicated by NBR for the balance sheet date. The earnings and the losses resulted from the settlement of foreign currency transactions and from the conversion of monetary assets and debts in foreign currency are recognised in the income statement, within the financial result. The exchange rate as at 31 December 2007 was RON 2.4564 for 1 USD and RON 3.6102 lei for 1 EUR (as at 31 December 2006 the exchange rate was RON 2.5676 for 1 USD and RON 3.3817 for 1 EUR).

D Intangible Assets

The intangible assets purchased by the Company are shown at cost less the accumulated amortisation and the temporary impairment losses.

The intangible assets recorded by the Company are represented by dedicate software and licenses. They are amortised on a straight-line basis usually for a period of 3 years.

E Tangible Assets

(1) Own Assets

Tangible assets are shown in the balance sheet at the purchasing cost minus the accumulated amortisation and impairment losses.

(2) Assets Purchased under Financial Lease

The lease agreements where the Company undertakes all the risks and benefits associated to the property are classified as financial leases. The fixed assets purchased by financial lease are shown at the lower between the market value and the present value of future payments, less the accumulated amortisation and the value impairments. The fixed assets purchased under financial lease are amortised during their life time.

(3) Subsequent Expenses for Maintenance and Repairs

The expenses with the repair or the maintenance of fixed assets, incurred to restore or maintain the value of such assets are recognised in the income statement when they are incurred, while the expenses made to improve the technical performances or which increase their value or lifetime are capitalised and amortised during the remaining amortisation period of the respective fixed asset.

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6 ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

(4) Amortisation

Amortisation is calculated at the entry value less the residual value using the straight-line amortisation method during the useful life estimated of tangible assets.

The estimated durations, by main groups of tangible assets are the following:

Technical equipment and machinery, as follows:	<u>Years</u>
Office premises fit outs	1-10
Computation equipment	3
Telecommunications equipment	7-10
Optic fibre	12 - 30
Means of transport	3 - 5
Fixtures and fittings, office automation and others	3 - 7

F Inventories

Inventories are recorded at the lowest between cost and net realisable value. The cost is determined based on the first in – first out (FIFO) method. Where necessary, provisions are made for with slow motion, worn and torn or obsolete inventories. The net realisable value is estimated based on the selling price decreased by the completion costs and the selling expenses.

G Trade and Other Receivables

Trade receivables are recorded at the value invoiced less the provision for the impairment of such receivables. The provision for the impairment of trade receivables is set up when there are obvious objectives on the fact that the Company will not be able to collect all amounts at the initial terms. For doubtful customers there was an estimate made based on the analysis of all outstanding amounts in the balance at the time of the balance sheet.

H Cash and Cash Equivalents

Cash and cash equivalents are shown in the balance sheet at cost. For the cash flow statement, cash and its equivalents include cash in hand, bank accounts, short term financial investments, treasury advances.

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6 ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

I Impairment of Assets

At the end of the year, asset items are assessed and reflected in the annual financial statements at the entry value, reconciled with the results of the inventory.

For asset items, the differences under between the inventory value and the net book value of the asset items is recorded in the accounting based on an additional amortisation, in case of amortisable assets for which impairment is irreversible or an adjustment is made for impairment or impairment loss, when the impairment is reversible, such items being also maintained at their entry value.

J Registered Capital

Joint shares are classified in equity.

K Loans

Loans are initially recognised in the amount received, less transaction related costs, if any.

L Trade Payables

Trade payables are recorded at the value of the amounts to be paid for the goods or the services received.

M Accounting of Lease Agreements Where the Company is Lessee

(1) Financial Lease Agreements

The Company acknowledges as lessee in a financial lease agreement whether at least one of the following conditions is met:

- a) the lease transfers to the lessee ownership to the asset until the end of the lease agreement period;
- b) the lessee may choose to buy the asset for a price estimated to be enough low as compared to the fair value at the time when the choice becomes exercisable, so that, at the beginning of the lease agreement, there is reasonably the certainty that the choice is to be exercised;
- c) the duration of the lease agreement covers, mostly, the economic lifetime of the asset, even if ownership is not transferred;

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6 ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

d) the total value of the lease instalments, less accessory expenses, is higher or equal to the entry value of the asset, represented by the value at which the asset was purchased by the financier, respectively the purchasing cost;

e) the assets representing the object of the lease agreement are special in nature, so that only the lessee can use them without major changes.

Financial lease agreements are recorded at the total value of the lease instalments less the accessory expenses and the interest. Each payment is divided between the capital item and the interest to obtain a constant interest rate during repayment. The amounts due are included in short or long term debts. The interest item is entered in the profit and loss account during the contract. The assets held within financial lease agreements are capitalised and amortised during their useful life.

(2) Operational Lease Agreements

Lease agreements referring to leasing operations which are not included in the financial lease category are classified as operational lease agreements. The payments made within such agreement (net of any facilities granted by the lessor) are recognised in the income statement on a straight-line basis during the agreement.

N Subsidies Related to Assets

Subsidies received in order to purchase assets such as tangible assets are recorded as investment subsidies in the balance sheet and they are recognised in the income statement as amortisation expenses are recorded or when annulling or disposing the assets purchased from the respective subsidy.

O Provisions

The Company records provisions if it has a legal or implicit liability resulted from passed events, if the settlement of the liability requires an outflow of resources and if a credible estimate can be made concerning the value of the liability. The provisions are revised at the end of each year to reflect the most credible current estimate.

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6 ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

The deferred tax liability ("deferred tax") is calculated using the "balance sheet method", for those temporary taxable differences which result between the taxation bases of assets and liabilities and their values presented for the purpose of financial-accounting reporting. The deferred tax liability is calculated using the income tax rate for the period when the asset is to be realised or the liability extinguished. The taxation rate used in 2006 and 2007 was 16%.

P Income Recognition

- 1 Income from the sale of goods is recognised in the income statement when the main risks and benefits associated to the possession of the goods are transferred by the Company to the buyer.
- 2 Income from the sales of services is recorded as the services are provided based on the commitment accounting principle.

Income from connectivity services as fixed monthly instalments are recognised in the month when the customers are allowed access to dial-up and ADSL services, as well as to the leased lines. Income from voice traffic is recognised in the period related to the use of the voice services depending on the traffic registered. Income from line lease and data transmission is recognised in the period related to the use or the supply of the services to the customers. Income from domain registration is usually invoiced in advance for a period of up to 2 years and is recognised as monthly income. Income from web page design is recognised as the products are accepted by the customers. Income from web page hosting is recorded in the month when yielded.

- 3 Income from interests is recognised periodically, proportionally, as the respective income is generated, based on the commitment accounting.
- 4 In these financial statements, income and expenses are shown at their gross value. In the balance sheet, the payables and the receivables from the same partners are shown at their net value when there is a set-off right.

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6 ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)

Q Employees' Benefits

The Company pays contributions to the State Budget for social security, social pension and unemployment compensation according to the levels established by law in force during the year, calculated based on the gross salaries. The value of such contributions is recorded in the income statement in the same period as the related salary costs.

The Company does not operate any other pension or after-retirement plan and, therefore, it has no kind of pension liabilities.

R Turnover

Turnover represents the amounts invoiced and to be invoiced, net of VAT and trade discounts, for goods delivered or services provided to third parties.

S Operating Expenses

Operating expenses are recognised in the period they refer to.

T Current Income Tax

The Company records the current income tax based on the taxable profit in the fiscal reporting, according to the relevant fiscal legislation.

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7 SHARES AND FINANCING SOURCES

a) Registered Capital

As at 31 December 2007 and as at 31 December 2006 the Company's registered capital is RON 3,207,383.50 divided into 6,414,767 shares with a nominal value of RON 0.5 per share. The Company has no bearer shares. All shares are fully issued and subscribed.

The shareholding structure as at 31 December 2007 and as at 31 December 2006 was the following:

Shareholders	No of Shares	Nominal Value	Registered Capital	Percentage
Invitel Távközlési Szolgáltató ZRt.	6,411,967	0.5	3,205,983	99.96%
Rusu Gheorghe	700	0.5	350	0.01%
Jugariu Elena	700	0.5	350	0.01%
Rusu Eugen	700	0.5	350	0.01%
Ferent Lung Cristina	700	0.5	350	0.01%
Total	6,414,767		3,207,383	100%

b) Issued Bonds

The Company had no bonds issued as at 31 December 2007 and as at 31 December 2006.

8 INFORMATION ON EMPLOYEES, DIRECTORS AND MANAGERS

As at 31 December 2007 and 31 December 2006, the personnel structure was the following:

	<u>31 December 2006</u>	<u>31 December 2007</u>
Directors and managers	7	5
Sales staff	18	27
Technical staff	30	47
Marketing staff	1	3
Personnel – other administrative departments	8	17
Total	<u>64</u>	<u>99</u>

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8 INFORMATION ON EMPLOYEES, DIRECTORS AND MANAGERS (CONTINUED)

The Company recorded salary costs and staff salary tax expenses as follows:

	<u>31 December 2006</u>	<u>31 December 2007</u>
Expenses on staff salaries	3,012,471	4,318,307
Unit's contribution to social security	875,593	1,239,212
Total	<u>3,888,064</u>	<u>5,557,519</u>

The salary costs and related taxes for directors and managers were the the following:

	<u>31 December 2006</u>	<u>31 December 2007</u>
Expenses on staff salaries	834,174	971,972
Unit's contribution to social security	258,811	287,986
Total	<u>1,092,985</u>	<u>1,259,958</u>

	<u>31 December 2006</u>	<u>31 December 2007</u>
Salaries to pay at the end of the period	<u>-</u>	<u>64,341</u>

The Company did not grant advances or loans to the director or to the managers during 2007 and 2006. As at 31 December 2007 and 31 December 2006, the Company had no future liabilities such as securities undertaken on behalf of the director and of the managers.

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9 EXAMPLES OF CALCULATION AND ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL RATIOS

	31 December 2006	31 December 2007
I. Liquidity ratio		
Current liquidity ratio - [number of times]	0.53	0.66
Immediate liquidity ratio (test acid) - [number of times]	0.50	0.61
II. Risk Ratios		
Degree of indebtntn ratio – [%]	10%	37%
Interest coverage ratio - [number of times]	46.27	42.25
III. Activity Ratios		
Inventory Turnover		
	Not relevant	for the Company
Debit turnover – customers - [number of times]	30	38
Credit turnover – suppliers - [number of times]	55	77
Fixed asset turnover - [number of times]	2,15	1,59
Total asset turnover - [number of times]	1,70	1,09
IV. Profitability Ratios		
Return on invested capital [%]	21%	19%
Gross margin from sales [%]	11%	15%

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10 OTHER INFORMATION

10 .1. Company Presentation

S.C. Euroweb Romania S.A. (the "Company") was established in 1998, is based in Bucharest, Strada Lipscani nr. 102 being a joint stock company and registered as artificial person with the Romanian Trade Register under no.J40/2587/1998, with tax number RO 10347830, and having an unlimited period of operation. The main line of business mentioned in the articles of association and operated by the Company is the provision of telecommunications services (CAEN code 6420), mainly internet, voice and data transmission services.

The majority shareholder of the Company is Invitel Távközlési Szolgáltató ZRt., whose main shareholder is the Hungarian Telephone and Cable Corporation, Hungary ("HTCC")

10 .2. Transactions with Affiliate Entities

The Company has no subsidiaries, associate enterprises and does not hold strategic equity security in other enterprises.

The affiliates the Company made significant transactions with or with which it has significant unsettled balances at the time of the balance sheet are members of the HTCC group or the main Company's shareholder.

The statement of receivables from affiliates is the following:

	31 December 2006	31 December 2007
<i>Receivables from affiliates</i>		
Invitel Távközlési Szolgáltató ZRt.	9,807	547,943
Pantel Rt Hungary	-	3,780,566
Total	9,807	4,328,509

The statement of payables to affiliates is the following:

	31 December 2006	31 December 2007
<i>Payables to affiliates</i>		
Invitel Távközlési Szolgáltató ZRt.	823,910	3,489,676
Pantel Rt Hungary	-	7,675,992
Total	823,910	11,165,668

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10 OTHER INFORMATION (CONTINUED)

Loans from affiliates:

	<u>31 December 2006</u>	<u>31 December 2007</u>
Invitel Távközlési Szolgáltató ZRt.	664,444	2,801,787
Total	664,444	2,801,787

The statement of sales to affiliates is the following:

	<u>2006</u>	<u>2007</u>
Invitel Távközlési Szolgáltató ZRt.	98,022	558,412
Pantel Romania SRL	-	1,985,262
Pantel Rt Hungary	-	5,793,958
Total	98,022	8,337,632

The statement of services purchases from affiliates is the following:

	<u>2006</u>	<u>2007</u>
Invitel Távközlési Szolgáltató ZRt.	170,720	942,342
Pantel Romania SRL	-	2,081,129
Pantel Rt Hungary	-	2,606,220
Total	170,720	5,629,691

The statement of goods purchases from affiliates is the following:

	<u>2006</u>	<u>2007</u>
Pantel Romania SRL	-	4,136,725
Total	-	4,136,725

Management services and consulting:

	<u>2006</u>	<u>2007</u>
Invitel Távközlési Szolgáltató ZRt.	671,723	1,623,119

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10 OTHER INFORMATION (CONTINUED)

10 .3. Calculation of Income Tax

	31 December 2006	31 December 2007
Total income	32,974,283	39,676,337
Total expenses	<u>31,335,022</u>	<u>36,894,547</u>
Net profit	<u>1,639,261</u>	<u>2,781,790</u>
Nontaxable income	509,540	1,239,426
Nondeductible expenses	3,822,173	3,924,207
Deductions	<u>2,731,435</u>	<u>4,270,253</u>
Taxable Profit	<u>2,220,459</u>	<u>1,196,318</u>
Income tax calculated with the 16% share	355,274	191,411
Reductions in income tax (sponsorship)	<u>(71,055)</u>	<u>(38,282)</u>
Current Income Tax	<u>284,219</u>	<u>153,129</u>

11 INVENTORIES

	31 December 2006	31 December 2007
Materials (optic fibre)	515,949	940,257
Inventory items	-	3,259
Merchandises	-	4,128
Provisions for materials	<u>(317,606)</u>	<u>(211,564)</u>
Total	<u>198,343</u>	<u>736,080</u>

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12 CASH AND BANK ACCOUNTS

	31 December 2006	31 December 2007
Bank accounts in RON	461,232	1,156,043
Bank accounts in foreign currency	321,769	1,235,198
Other cash	16,396	25,350
Total	799,397	2,416,591

As at 31 December 2007, the Company had letters of guarantee issued in favour of business partners amounting to RON 476,637 (the equivalent of EUR 132,025), which become Company's liabilities in case inappropriate services are provided.

13 ACCRUED INCOME

	31 December 2006	31 December 2007
Accrued income from rights of usage assigned *	2,521,084	2,367,516
Internet subscriptions invoiced in advance	186,021	331,668
Total	2,707,105	2,699,184

*) In 2002 the Company concluded a contract with an external customer (MATAV) based on which he bought the rights to use for 20 years a part of the optic fibre built by the Company in the city of and the Romanian-Hungarian border. The cost of this optic fibre, recognised as tangible asset was RON 1,774,150 and it is amortised on a straight-line basis during 12 years. The advance payment made by MATAV on the conclusion of the contract, amounting to RON 3,071,372 was recorded as accrued income and it is recognised as monthly income, proportionally during the contract.

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14 OPERATING LEASES

Starting from 30 May 2006, the Company concluded an irrevocable lease agreement ("Irrevocable Right of Usage") concerning the lease of a 259 km optic fibre network transmission capacity. The agreement took effect on 1 October 2006 and it will expire after a fixed period of 3 years. After the expiry of this minimum period, the agreement may be renewed for an undefined time period and the parties should agree on a total lease value.

This agreement was classified by the Company as operational lease, and the amounts engaged to be paid after 31 December 2007 are given below:

	<u>31 December</u> <u>2006</u>	<u>31 December</u> <u>2007</u>
Less than 1 year	571,507	606,514
Between 2 and 3 years	<u>997,602</u>	<u>454,885</u>
Total	<u>1,569,109</u>	<u>1,061,399</u>

The Company recorded lease expenses within this operational lease agreement amounting to RON 554,400 in 2007 and RON 147,000 in 2006 respectively.

15 CONTINGENCIES

a) Taxation

The taxation system in Romania is in a stage of consolidation and harmonisation with the European legislation. However, there are still different interpretations of the fiscal legislation. In certain situations, the fiscal authorities may treat differently certain aspects, proceeding to calculating additional taxes and duties and related delay penalties (0.1% per day starting from 1 January 2006). In Romania, the fiscal year remains open for fiscal auditing for 5 years. The Company's management considers that the fiscal liabilities included in these financial statements are adequate.

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15 CONTINGENCIES (CONTINUED)

b) Transfer Price

The Romanian fiscal legislation contains rules concerning transfer prices between affiliate persons since 2000. The current legislative framework defines the "market Value" principle for transactions between affiliated persons, as well as the methods of establishing transfer prices. Therefore, it is expected that the fiscal authorities initiate thorough audits of transfer prices, to make sure that the fiscal result and/or the customs value of the goods imported are not distorted by the effect of the prices charged in the relationships with affiliated persons. The Company cannot quantify the result of such audit.

c) Guarantees

The Company is co-guarantor for a corporate credit contracted by the majority shareholder Invitel Távközlési Szolgáltató ZRt. from BNP Paribas Trust Corporation UK Limited. As co-guarantor to this credit, the Company assigned all receivables, including the benefits and the collections via all bank accounts in favour of BNP Paribas Trust Corporation UK Limited.

16 AUDITORS' FEES

In 2007 the Company incurred expenses with auditors' fees concerning the financial audit amounting to EUR 16,000.

17 SUBSEQUENT EVENTS

At the beginning of 2008, the Company signed financial lease agreements totalling EUR 214,718, for the purchase of motor vehicles. The value of such financial lease agreements is to be paid in monthly instalments for a period of 3 years.

On 12 February 2008, the Company signed an equipment purchase contract totalling USD 705,212. the value of the contract is to be paid in monthly instalments for a period of 2 years.

On 13 March 2008, the Company signed a contract for opening a credit line by issuing letters of bank guarantees totalling EUR 300,000. the credit facility is valid until 30 March 2009 and it was granted with no guarantees.

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18 RISK MANAGEMENT

The main risks the Company is subject to and the policies applied are detailed below.

Currency and Inflation Risk

The Company makes transactions in different currencies, including in USD and EUR. The official exchange rates as at 31 December 2007 were RON 2.4564/ 1 USD and RON 3.6102 /1 EUR respectively. The inflation rate for 2007 was 6.57%. as most services provision contracts to customers are signed with fees in EURO and USD, there is the risk for the turnover to decrease due to the fluctuation of the exchange rates. The Company's management supervises permanently this exposure to maintain the risk at a low level by concluding sale contracts in RON in case of an unfavourable influence of the exchange rate.

Credit Risk

During its activity, the Company is exposed to the risk of credit from trade receivables. As at 31 December 2007, the Company had no significant credit risk increases. The Company's management supervises permanently this exposure to maintain the risk at a low level.

Market Risk

The Romanian economy became mature removing the possibility for major changes. For this reason the Company's management considers that the company's position is stable, without any risk of losing the market segment held.