

OTE

# OTE in Focus

OTE: The largest telecoms player in Europe's  
fastest-growing region

5<sup>th</sup> Annual Morgan Stanley TMT Conference,  
Barcelona, November 18, 2005

- | Corporate Profile
- | Financial and Operational Highlights
- | Outlook
- | Appendices

O.T.E

# | Corporate Profile

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# The Voice, Mobile and Data Leader in Southeast Europe

## GREECE

Incumbent/ Leader

Fixed-line market share (voice): 75%

Customers (000): 4,650

Internet Subscribers (000): 365

ISP market share: 42%

Mobile market share: 38%

Customers (000): 4,380

## BULGARIA

Challenger

Mobile market share: 40%

Customers (000): 2,156

## ROMANIA

Incumbent/ Leader

Fixed-line market share (voice): 97%

Internet Subscribers(000): 360

ISP market share: 43%

Mobile relaunch

Mobile market share: 1%

Customers (000): 90



## FYROM

Challenger

Mobile market share: 30%

Customers (000): 358

## ALBANIA

Dominant Leader

Mobile market share: 52%

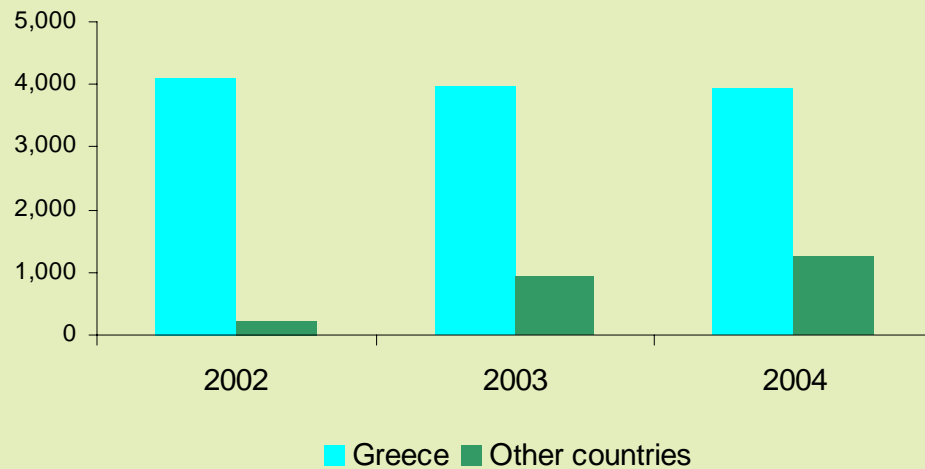
Customers (000): 762

OTE is also present in Armenia and Serbia

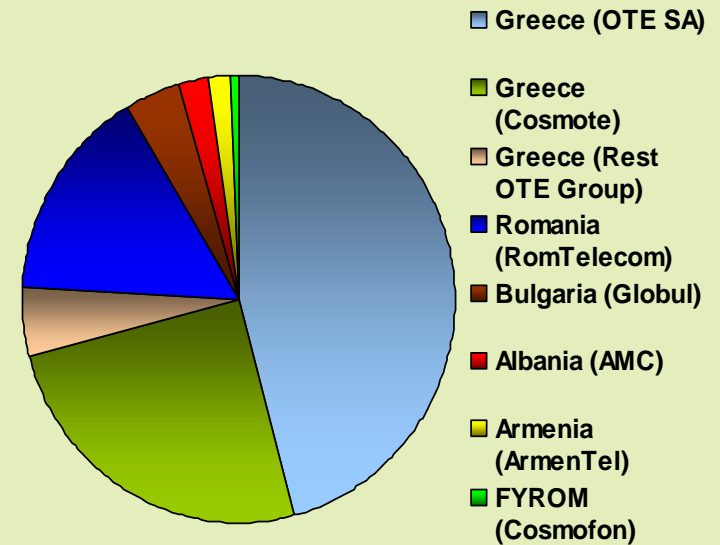
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# OTE Group Revenue

Revenue Mix



Revenue Mix by Region (1H05)



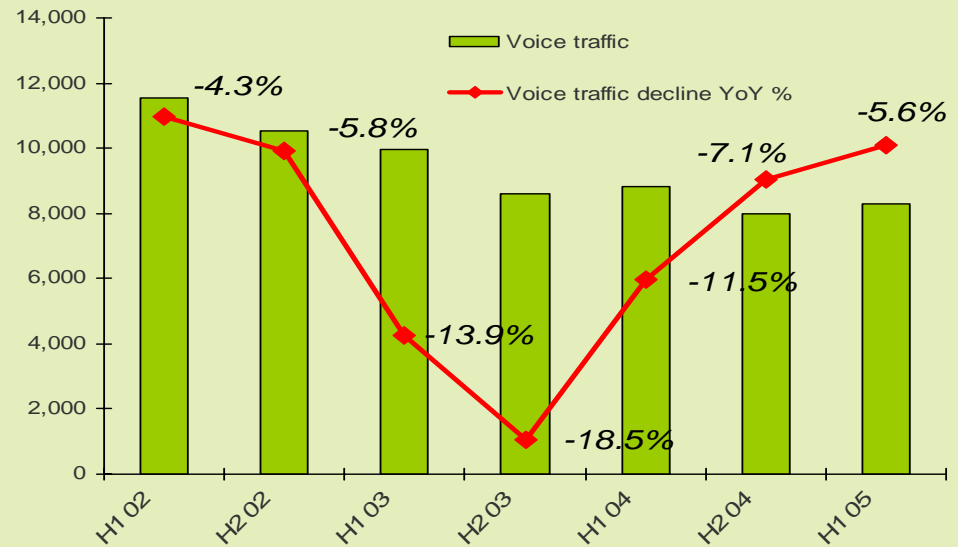
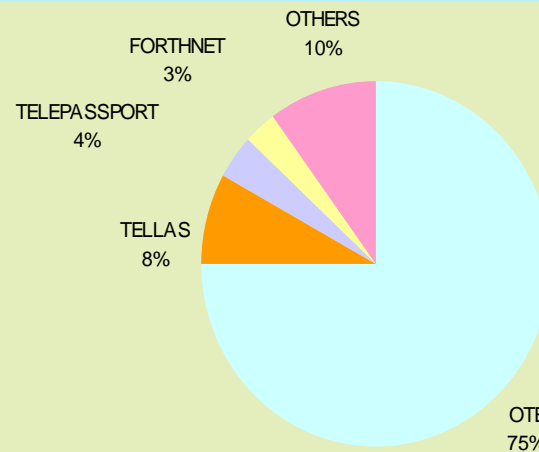
- Fully integrated operator
- Large exposure to mobile assets
- Strong positions in rapidly developing Southeast European countries

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# | Financial & Operational Highlights

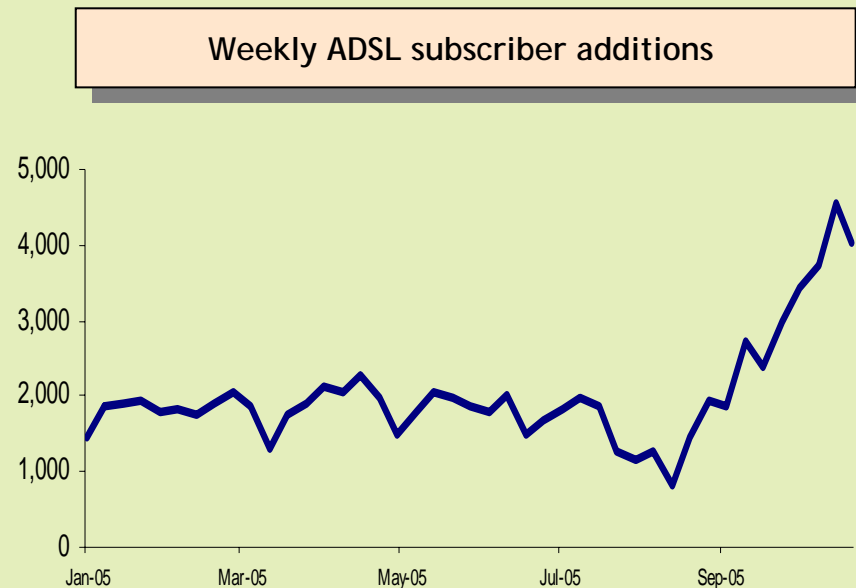
# Greek Fixed Line Competitive Environment

- Greek market deregulated since 2001
- Significant traffic erosion in 2003 and 2004 due to:
  - Aggressive competition from new entrants
  - Fixed-to-mobile substitution
  - Regulatory decisions
- Slowdown in erosion lately due to:
  - New OTE discount packages
  - Lack of investment from alternative carriers
  - Uncertain regulatory environment
- Market share has remained stable at 75% in recent quarters



## Greek Telephony Development: Broadband gaining momentum

- Broadband takeup finally gaining pace
- Since September 20, when prices for the various ADSL offerings were reduced by 20% to 49%, weekly additions more than doubled
- Increased awareness also fuelling market growth
- 2005 year-end target: 130,000 subscribers (from 43,800 at January 1, 2005) - The target has already been surpassed
- OTE expects the size of the broadband market to double in size each year for the next two years



## '05/'06 Voluntary Retirement Plan

OTE offered voluntary retirement to all 6,700 fixed-line employees who were less than 8 years away from normal retirement age. By October 14, 2005, the final date for application, over 5,500 employees had elected to take voluntary retirement

Total Estimated Cost	Around € 250,000 per employee
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Funding	<ul style="list-style-type: none"><li>▪ From OTE cash flows</li><li>▪ State contribution subject to EU approval: Govt will contribute 4% of OTE share capital to pension funds</li></ul>
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Timing	1,000 employees will retire in '05, and the balance in early '06
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# OTE Fixed Line Reorganization Plan

## Main targets:

- drastic cuts in operating expenses
- sharp improvement in customer satisfaction
- elimination of organizational complexity

## Implementation started in July '05:

**DONE**

Geographical centralization: regional divisions cut from 12 to 4, regional departments from 58 to 28, number of managerial positions down 30%

**DONE**

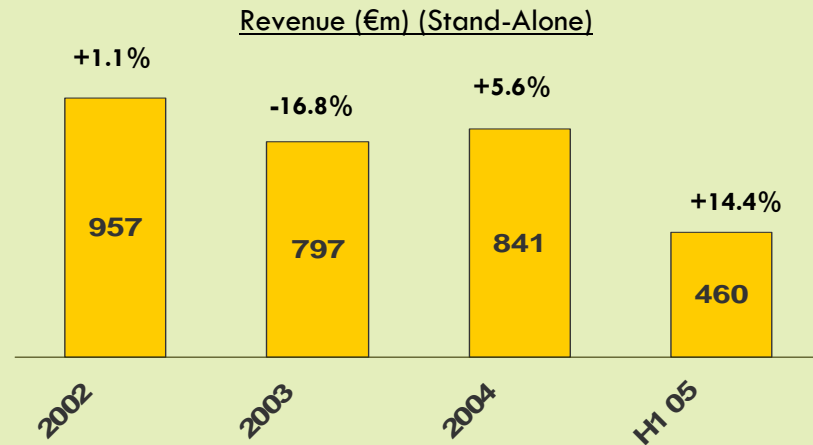
Operational centralization: Unification of marketing and sales activities under the Commercial Division, centralization of procurement and support functions

**In Progress**

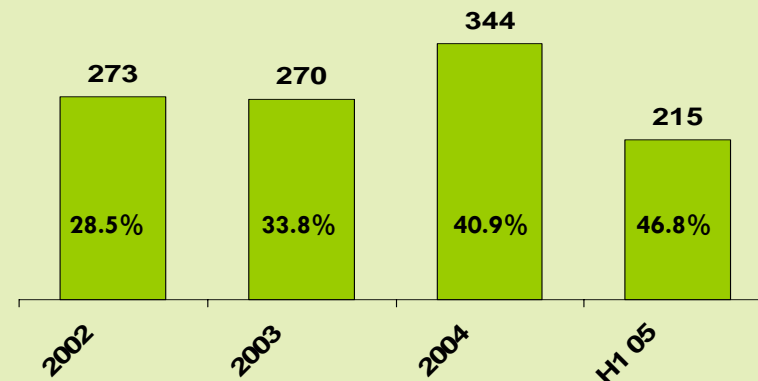
- Reduction of Headquarter units by 50%
- Opex reduction through implementation of 34 streamlining projects

## RomTelecom - Romania

- OTE Group owns 54% of RomTelecom
- Tariff rebalancing in 2004 and early 2005 led to revenue increase
- Euro-denominated pricing for domestic tariffs introduced in 2004, minimizing FX exposure
- Over the past two years RomTelecom has implemented an aggressive Opex reduction program
- Leading to significantly improved operating margins



Operating Income Before DA and VRS (€ m) and Margin (%)  
(Stand-Alone)



## COSMOTE Overview

- Started operations in 1998 as the third mobile operator in Greece
- Leading mobile operator in Greece in terms of total and contract subscribers with market share of c.38%
- Listed on Athens (COSMO GA), London (CMBD LI) Stock Exchanges
- OTE owns c. 64.4% of COSMOTE
- Customer base grown from 4.5 million in 2003 to 7.5 million (pro forma) in 1H 2005

## COSMOTE Group strategy

- Enhance growth profile
- Optimize maturity profile of operations
- Maximize operational efficiency to improve profitability margins
- Enhance value

## OTE Group Strategy 2005-2007

### Greek Fixed Line

- Contain revenue erosion
  - Advanced product and services meeting customer demands
  - Improve customer relationships
- Drastically reduce cost base:
  - Productivity - bring number of lines per employee up to best practice
  - Cut Operating Expenses

### Greek Mobile

- Retain leadership in maturing Greek market

### International Mobile

- Leverage broad footprint in SEE
- Accelerate development and profitability
- Re-launch Romanian mobile operations

### Romanian Fixed Line

- Complete reorganization and transformation plan
- Migrate to new generation network

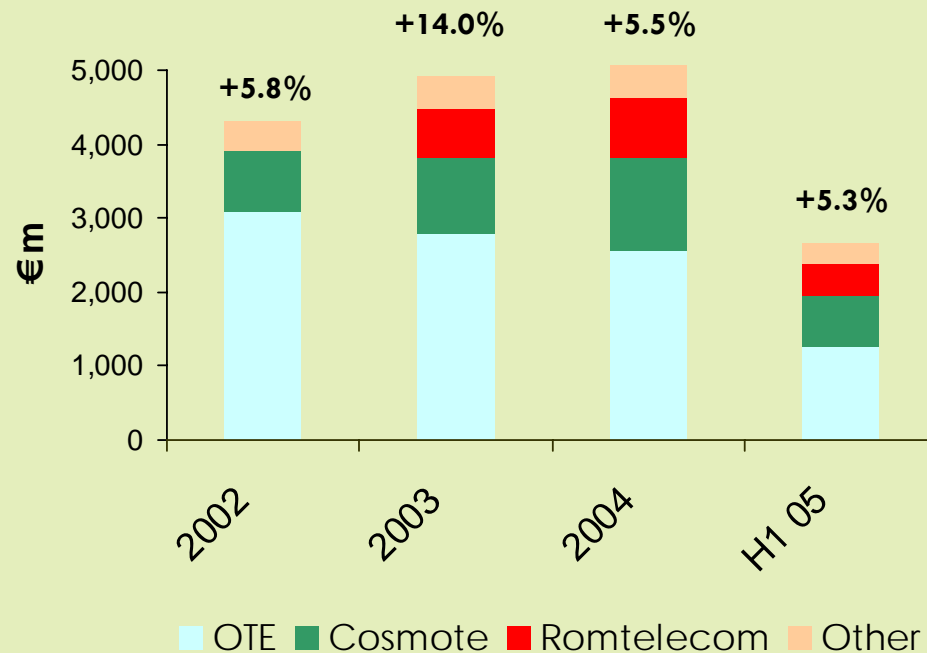
### Group

- Exploit synergies from recent corporate streamlining initiatives
- Cultivate uniform OTE Group culture

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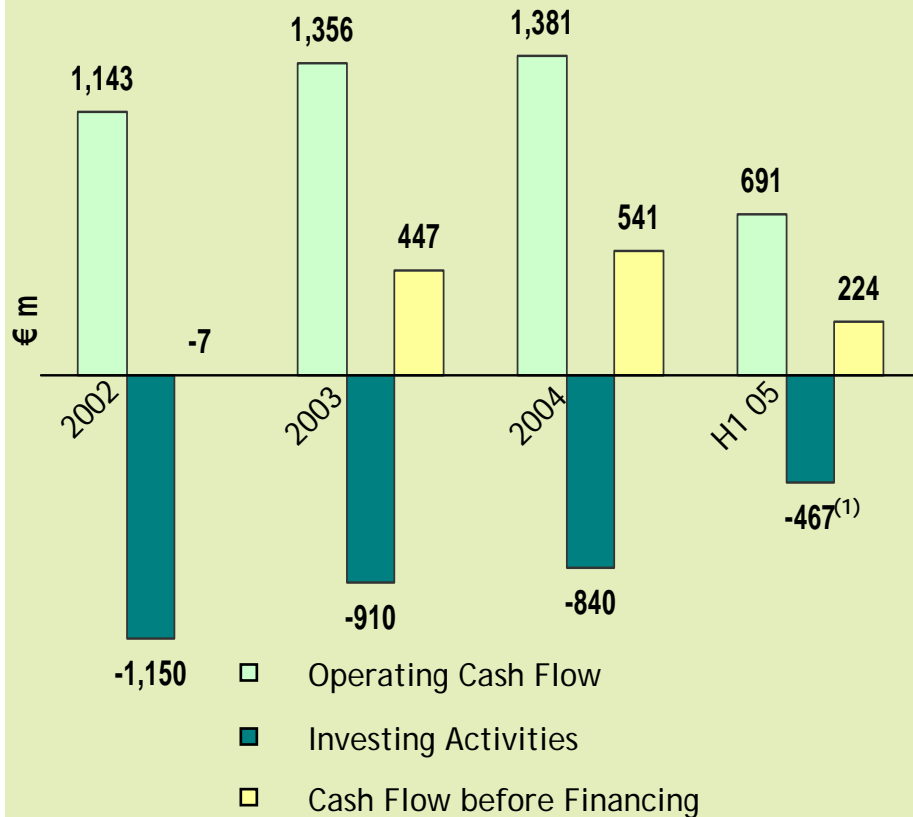
## OTE Group Trends

OTE Group Revenue Trends



- Despite Greek fixed-line revenue erosion, Group revenue have posted consistent increases, fuelled by Cosmote and International Operations

## OTE Group Cash Flow Trends



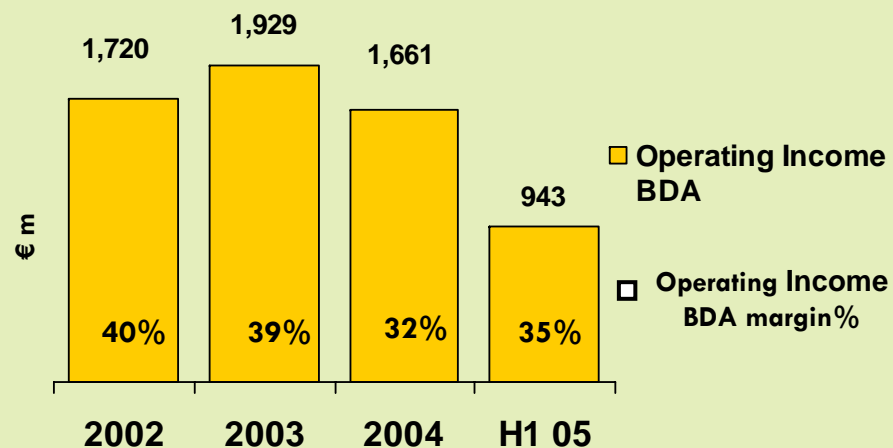
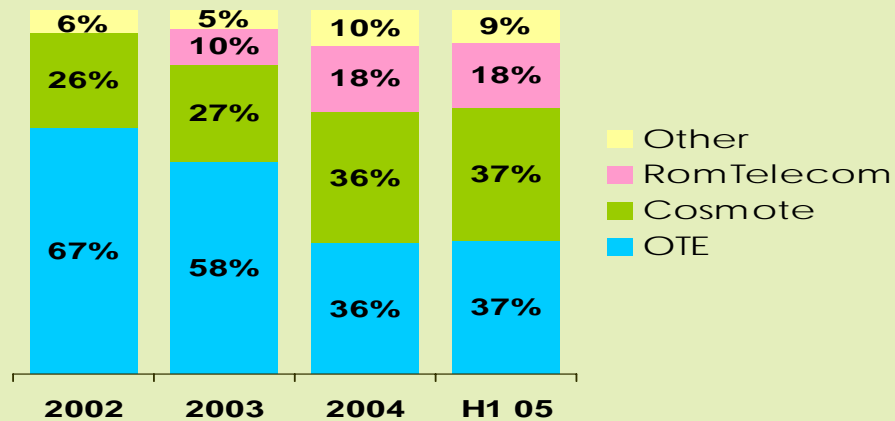
- OTE has achieved significant reduction in Capital Expenditure since 2002
- All procurement now passes through fully competitive tender, electronic auctions and other competitive process
- Entrance of new suppliers and increased competition between suppliers
- Horizontal expansion of procurement coverage gained by centralization
- This has enabled OTE to consistently improve Free Cash Flow since 2002

(1) H1 05 Investing Activities include €274 m for the acquisition of additional share in Cosmote

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## OTE Group Trends

Operating Income BDA mix



### Operating Income before D&A Trends

- Declining profitability in Greek Fixed Line ...
- ... and improved performance by Cosmote and RomTelecom ...
- ... have changed the earnings mix by segment

### Operating Income before D&A Margin Trends

- Margins improved in H1 05
- From exceptionally low levels reached in FY04
- VRS in Greek Fixed Line and at RomTelecom will gradually improve margins

- **Greek Fixed Line**
  - Reinvigorated commercial strategy to combat traffic erosion
  - Implementation of Voluntary Retirement Plan and resolute attack on cost base
  - Ambitious reorganization to transform the company
- **Romanian Fixed Line**
  - Accelerate implementation of restructuring plan
  - Protect revenue base as new products and services are rolled out
- **Mobile Operations**
  - Leverage benefits from combining Greek and international operations under single management
  - Re-launch CosmoRom

## Appendix - H1 05 Corporate Highlights

- *April 2005*: OTE and Cosmote agree to the transfer of GloBul and Cosmofon to Cosmote
- *April 2005*: OTE S.A.'s interest in Cosmote's share capital raised to 64.4%
- *July 2005*: Following an earlier agreement with the Union representatives, OTE management and employee representatives sign a collective agreement detailing implementation of the Voluntary Retirement Plan
- *July 2005*: OTE management agrees with the Union representatives that newly hired employees will not have tenure
- *August 2005*: OTE completes transfer of its international mobile operations to Cosmote
- *October 2005*: More than 5,500 OTE employees submit their applications to participate in the Voluntary Retirement Plan, for a takeup of more than 82%.

## Appendix - Key Financial Figures

US GAAP € millions	2003	2004	H1 05 (unaudited)
Equity	3,590.3	3,422.6	3,692.2
Net Debt	2,679.7	2,313.4	2,251.5
Total Assets	10,424.9	10,217.6	10,481.8
Revenues	4,914.3	5,184.0	2,661.3
Operating Income before D&A	1,928.6	1,661.0	942.5
Net Income	410.7	171.3	209.8
CAPEX as % of Revenues	19.9%	16.3%	8.9%
EPS	0.84	0.35	0.43
Market Cap (EoP)	5,282.5	6,494.4	7,879.8

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## Appendix - Financial Highlights

US GAAP € millions	2004	H1 04	H1 05 (unaudited)	% Diff
Operating Revenues	5,184.0	2,527.9	2,661.3	5.3%
Operating Income	637.9	358.7	428.1	19.3%
Pre-tax Income	525.8	308.2	453.3	47.1%
Net Income	171.3	93.1	209.8	125.3%
Operating Income before D&A	1,661.0	865.1	942.5	8.9%
Operating Income before D&A as % of Operating Revenues"	32.0%	34.2%	35.4%	1.2 pp
CAPEX	843.6	472.7	236.9	235.8
CAPEX as % of Revenues	16.3%	18.7%	8.9%	-9.8 pp

## Appendix - COSMOTE Key Financial Figures

US GAAP* € million	2003	2004	H1 05 (unaudited)
Equity	824.2	982.6	658.5
Net Debt	211.2	83.2	153.0
Total Assets	1,557.0	1,688.4	1,545.3
Revenues	1,357.2	1,587.8	791.2
Operating Income before D&A	576.0	674.5	345.7
Net Income	252.9	308.2	158.6
CAPEX as % of Revenues	13.4%	13.7%	4.6%
EPS (€)	0.77	0.93	0.48
Market Cap (EoP)	3,563.6	4,888.3	5,020.8

\*Figures including AMC