



International Activities Overview



**George Skarpelis, Executive Vice Chairman, OTE
Group**



OTE's International Footprint

Romania (1998)

35% of RomTelecom

- 4.3m fixed subs
- 47k payphones

CosmoRom (RomTelecom Mobile subsidiary)

- 200k mobile subs (12/2001)

Serbia (1997)

20% of Telekom Srbija

- 2.3m fixed subs
- 800k mobile subs
- 5,000 card phones (12/2001)

Albania (2000)

85% of Albanian mobile telecom company, AMC

- 200k mobile subs (09/2001)



FYROM (2001)

Greenfield mobile operation, GSM2 license won Nov-2001

- Network operational in Sep-2002

Bulgaria (2000)

Greenfield mobile operation, GSM2 license won Dec-2000

- Network operational Sep-2001
- 200k mobile subs (Mar-2002)

Armenia (1998)

90% of public telecom provider ArmenTel

- 530k fixed subs
- 25k mobile subs
- 540 card phones (07/2001)





International Activities: Overview

Romania

- Implementation of restructuring and transformation plans
- Unwind CosmoRom

FYROM

- Commercial launch: June 12, 2003
- Build on CosmoFon's successful rollout

Bulgaria

- Continued subscriber growth
- Increase of geographical coverage to gain competitive advantage
- EBITDA positive by end 2003

Serbia

- Explore possibilities for control on a demerged mobile operation or pull out

Armenia

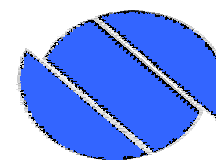
- Disengage at favorable terms



International Activities: Strategy

- Strengthen presence in core contiguous countries, with focus on mobile
- Improve returns / EBITDA
- Refrain from further expansion
- Review opportunities along stringent return criteria





ROMTELECOM S.A.

ROMTELECOM

A COMPANY IN TRANSITION



James Hublely, CEO, RomTelecom

- Background
- First Quarter 2003 Results
- Challenges & Strategic Direction
- Transformation Plan
- Competition & Response
- Regulatory Threats & Response
- Conclusion





The New Team at RomTelecom

	CEO	COO	CFO	CTO	CCO	CIO	CAO
Nationality	American	Greek	American	Romanian	Dutch	Canadian	Greek
Age	58	48	41	45	43	50	49
Former Companies	Bell Canada CZ Telecom AT & T	J&P Const. Coopers & Lybrand NKS Group	Hellenic Ship Lions Holdings United Tech	AR Telecom RomTelecom	CZ Telecom KPN Telia	C&W – HK Tel. Malaysia CANTV VZ	Titan Cement KPMG Hellas Can
Experience	CEO/COO Marketing Software Development Engineer	CEO CFO Controller Auditor	CFO Gen. Mgr. Treasurer Controller	CEO Network Planning Trans. Eng Network. Mgt.	Marketing Sales HR Logistics	VP IT Program Mgt. Sys. Dev. DC Ops	HR Director Personnel Mgr Consultant Intl. HR Dir.



2002 Achievements

- Safeguard Cash Flow ✓
- Reduce Capital Expenditures ✓
- Reduce Operating Expenditures ✓
- Reduce Headcount ✓
- Restructure Debt ✓



Romanian Environment

Population (<i>million</i>)	21.7
Average monthly salary (\$)	165
% spent on telecommunications	5
Fixed-Line penetration (%)	19.8
Annual residential spend / line (\$)	94
Annual business spend / line (\$)	965
% of households with computers	8





First Quarter Financial Results

EUR million (US GAAP)	1Q03	1Q02	Δ %
Revenues	196.9	233.4	-15.6%
Operating Expense	133.8	188.9	-22.2%
EBITDA	63.1	44.5	+41.8%
EBITDA Margin %	32.0	19.0	+13pp
EBIT Margin %	13.0	4.0	+9pp
Profit before Tax	30.3	4.2	+621.4
Capital Expenditure	12.9	51.6	-75.0%
CAPEX to Revenue %	7.0	22.0	-15pp





First Quarter Financial Results

Operating Metrics	1Q03	1Q02	Δ %
No. of lines installed	4.24M	4.11M	+3.2%
<i>% Digital</i>	72	67	+5pp
Total traffic (M min.)	1,908	1,816	+5.0%
• Local	1,627	1,549	+5.0%
• Long distance	248	235	+5.7%
• International	33	32	+1.0%
Headcount	29,483	38,148	-23%
Lines per employee	144	107	+34%





2002 / 2003 Profile of Traffic Under Threat

Category	1Q02	2Q02	3Q02	4Q02	1Q03
<u>International:</u>					
RT – Inbound	102.5	129.9	135.7	144.4	118.3
RT – Outbound	32.7	33.7	34.3	34.7	33.0
Mobile – Inbound	84.8	90.6	98.5	98.7	26.7
Mobile – Outbound	12.6	14.8	16.4	15.3	2.6
VoIP – Inbound	-	-	-	0.3	14.9
VoIP – Outbound	-	-	-	-	0.1
<u>Domestic:</u>					
Fixed-to-Mobile	244.6	235.9	228.8	215.6	194.5
Mobile-to-Fixed	58.5	64.0	67.8	65.7	59.3

Focus on reversing traffic erosion



- Move from government monopoly to competitive enterprise
- Move from 1960's telco to 21st century telecoms company
- Customer retention against strong & growing competition
- Managing regulatory threats & government bureaucracy
- Contending with low economic development





Strategic Direction

Challenge

Change Culture

Modernize

Customer Retention

Low Economics

Regulatory Threats

Strategy

Introduce Performance Metrics & New Business Practices

Introduce New Processes
Implement new Systems

Introduce New Price Plans
Improve Service
New Product Offerings

Introduce New Decision Process

Introduce New Strategy

Focus

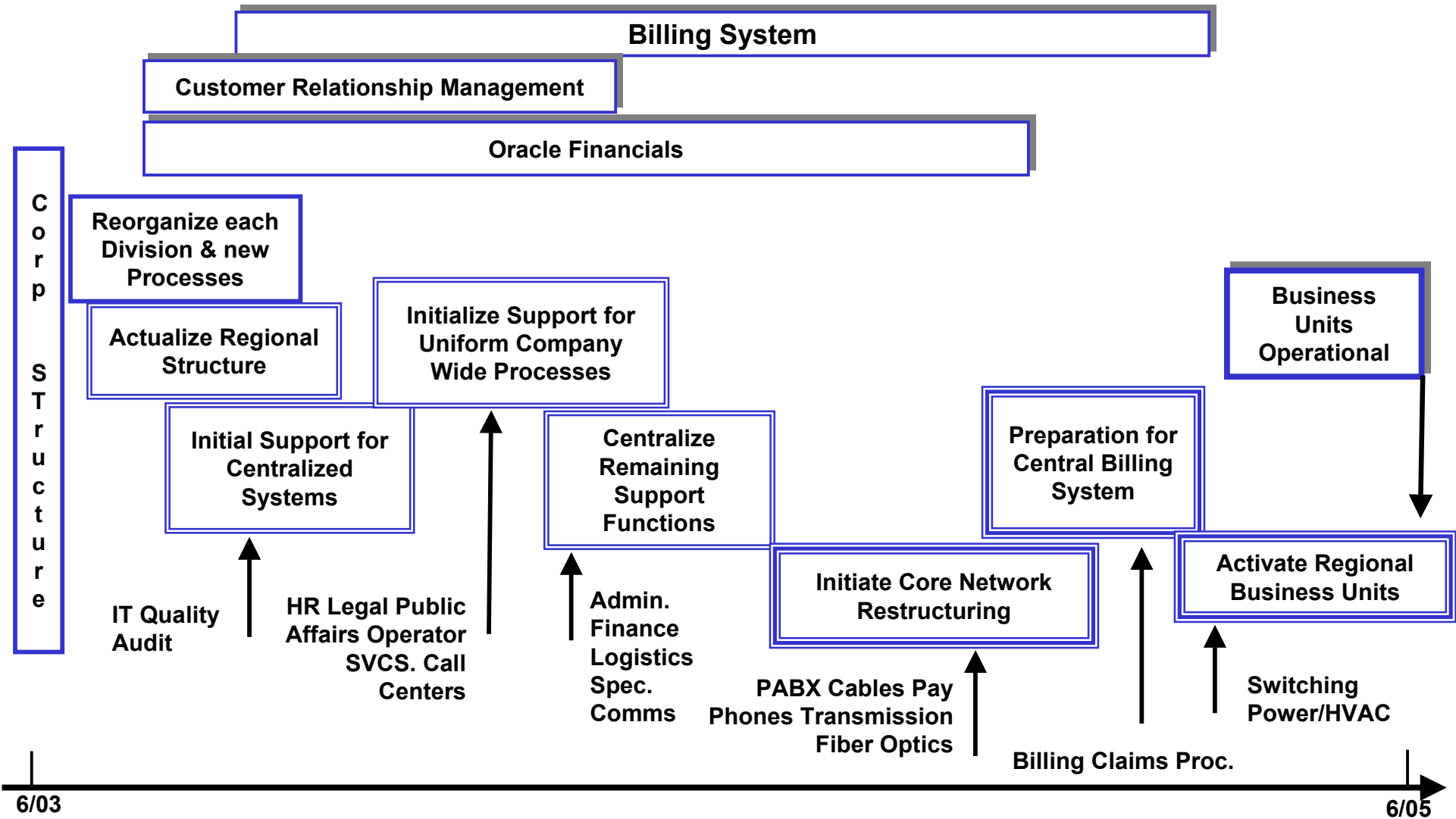
Transformation Plan

Actions

KPI Measurements
Job Evaluation
Pay for Performance
Business Planning
Billing System
CRM System
Oracle Financials
LRIC & FAR
Mkt. Segments
Call Centers
Capex Planning
Big City Networks

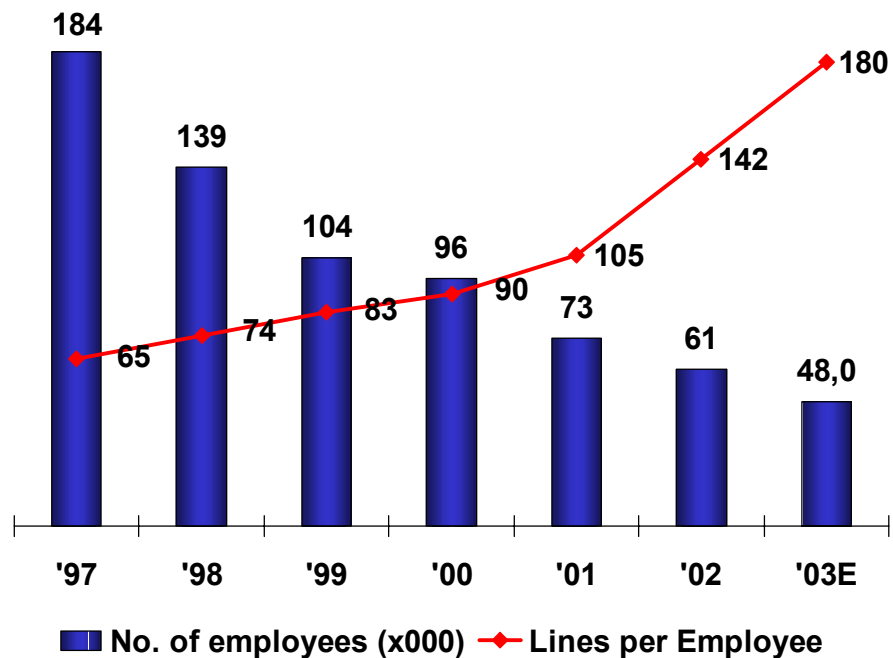


Transformation Plan





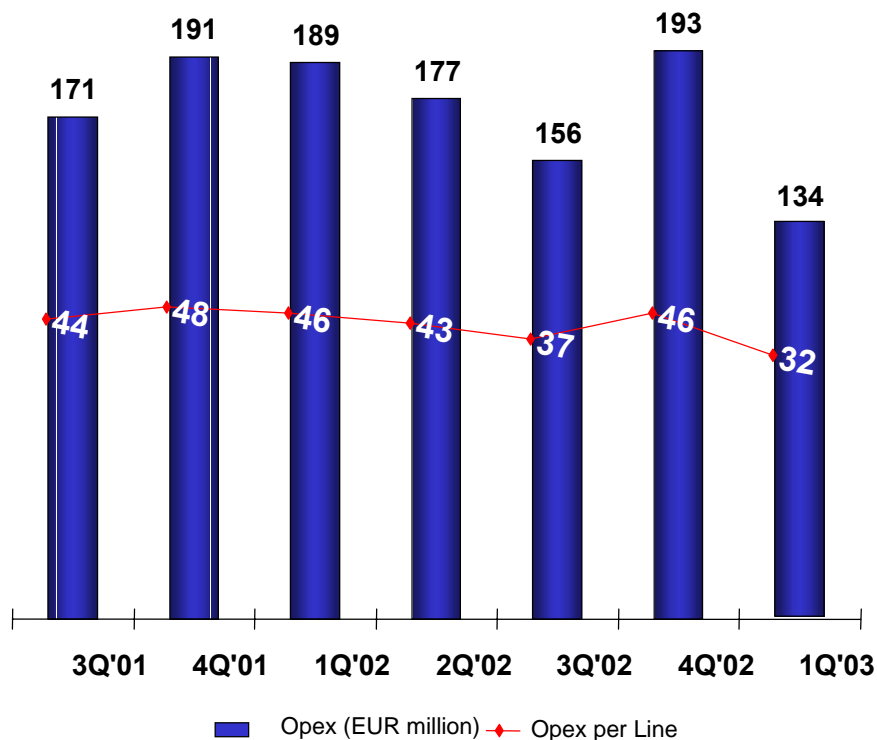
Headcount Reduction



- 2002 headcount reduction of 8,665 (23% decrease over 2001)
- 1,080 headcount reduction in 1Q 2003
- 2003 targeted headcount reduction of 6,000
- 2003 targeted HQ staff reduction of 250



OPEX Refocus



OPERATING EXPENSES

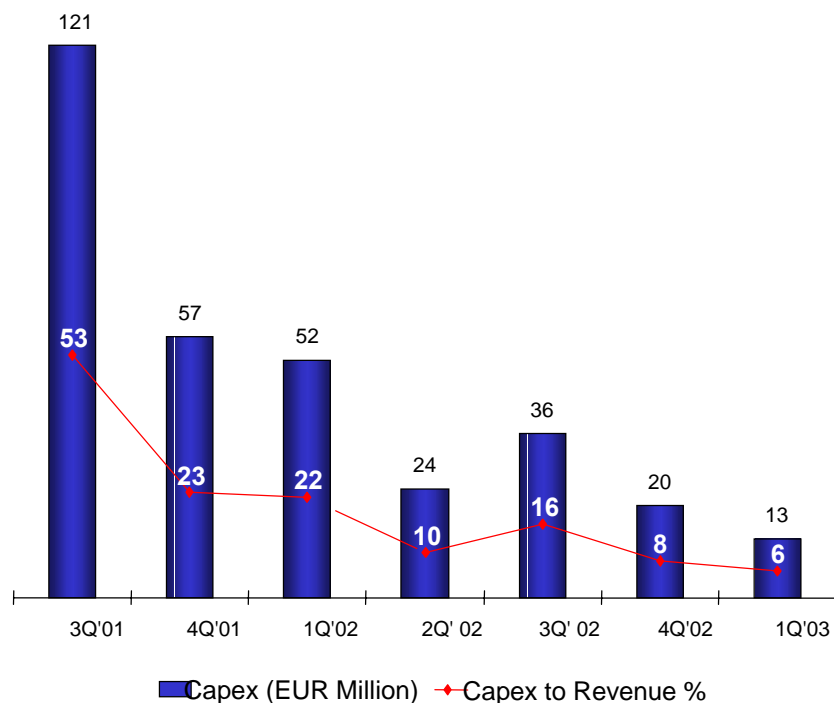
	2001	2002	2003E	2004E
Network	58.5	52.5	58.1	47.9
Personnel	287.9	324.4	256.1	219.1
G&A	62.2	47.8	38.5	39.3
Total	408.6	424.7	352.7	306.3

All figures are in EUR million under US GAAP





CAPEX Refocus



CAPITAL EXPENSES

	1999	2000	2001	2002	2003E
Land & Bldgs.	17.8	62.6	28.5	3.0	4.0
Cables	80.6	221.1	210.6	70.2	25.0
Exchanges	45.7	39.8	106.2	50.2	30.0
IT Equipment	2.4	14.4	11.1	1.0	26.0
Other	18.9	25.3	32.9	7.1	15.0
Total	165.4	363.2	389.2	131.6	100.0

All Figures are in EUR million under US GAAP



Competitive Scene

OPERATORS	THREAT		CURRENT IMPACT
MOBILE			
<ul style="list-style-type: none"> ▪ Connex ▪ Orange 	<ul style="list-style-type: none"> In/Out International traffic Fix- to-mobile 	➔	Traffic loss of 21%
LEASED LINE/DATA			
<ul style="list-style-type: none"> ▪ KPN Quest ▪ Radiocommunications ▪ Xnet ▪ RDS 	BUSINESS CUSTOMERS <ul style="list-style-type: none"> ▪ Intl & Ld Traffic ▪ LL & Broad band ▪ Data & Edi ▪ VPN & VAS 	} ➔	RT has low market share (~10%) Significant opportunity
VOICE OVER IP			
<ul style="list-style-type: none"> ▪ Euro Web ▪ Pc Net ▪ Romania ▪ Cable 	In / Out International traffic	➔	Inbound intl traffic loss of 10%
WIRELINE			
<ul style="list-style-type: none"> ▪ CTCFR (Railroad) ▪ Tele Trans (Electric) 	Future	➔	No impact to date / future threat





Customer Retention / Stimulation

Reverse Loss of International Traffic

- Overall Decrease of International Rates of 30% to 45%
- Special Discount for Large Volume Customers

Retain Large Business Customers

- Complete Integrated Solution Offers
- Bundled Packages of Fixed, Data and Mobile Offers
- Special Discounts on Large Volume Domestic Traffic
- Regional Key Account Support

Stimulate Usage of Voice Traffic

- Introduction of Value Added Services
- Move to Best Price Package Based on Previous Bill

Enhance Growth of ISDN Service

- Packaged Offers of Service & Equipment including
- Internet Services Through ARTelecom Subsidiary





Planned Product Introductions

CATEGORY	OFFERING	DATE	IMPACT
Data	Frame Relay Service (Frame Express)	3Q03	6.0M-10M/Year
Data	Unified Text Messaging (Telex,Fax,SMS) to PC	4Q03	0.5M/Year
Value Added Voice	3 Party Calling/ Hot Line/ Abbreviated Dial	4Q03	1.0m/Year
Value Added Voice	Televoting Service	2Q03	2.5M/Year
International Voice	International Free Phone Service	4Q03	1.0M/Year
Wholesale Service	Transit Service	3Q03	0.5M/Year
Wholesale Service	National Interconnect Service	3Q03	10.0M/Year
Leased Line Service	International Leased Line Service	3Q03	10.0M/Year



Planned Tariff Changes

ELEMENT	FROM/TO	IMPACT
Increase Monthly Rental	Residential – USD 2.80 to USD 3.41 Business – USD 4.56 to USD 5.17	+USD 2.5M/month
Local Call Usage (USD 0.03/min)	No change	No change
Long Distance Usage (USD 0.08/min)	No change	No change
International Usage	30% to 45% decrease	Neutral
Fix-to-mobile (USD 0.17/min)	No change	No change
Adjustment to peak periods:		
▪ International	08:00-22:00 to 08:00 – 20:00	+ USD 0.5M/month
▪ Internet	08:00-22:00 to 08:00 – 20:00	
Intro Internet Week Rate	USD 0.03/min to USD 0.05/min	+ USD 0.5M/month



Regulatory Threats

THREAT	IMPACT	RESPONSE
Tariff Rebalancing	Market Share Loss	Pricing Proposal Made to Government
Access Deficit Funding	Arbitrage Opportunity	Formal Submittal to ANCR in Progress
USO	Forced Investment	Financial Impact Assessment in Progress
Leased Line Segmentation	Revenue Loss	Counter Proposal in Preparation
Local Loop Unbundling	High Cost to Implement	Counter Proposal in Preparation
Accounting Separations	High Cost to Implement	Proposal made & Lobby Effort in Place
Interconnection Rates	Lower rates/revenues	LRIC Model in Preparation & Lobby Effort
Inefficiency Penalty	Dilute Tariff Rates	Proactive Efficiency study in Progress
WACC Methodology	Dilute Tariff Rates	Analysis Effort Underway



We are building a modern, efficient enterprise by:

- Restructuring and Process reengineering
- Introducing new systems
- Building a customer focused and business oriented corporate culture





Other International Operations



Iordanis Aivazis, CFO, OTE Group

Resolve CosmoRom

- No further cash burden for company's development
- Immediate reduction of company's operating costs
- Negotiations with creditors to minimize relevant cost
- Total liabilities: EUR 190 million
- Resolution expected by end September 2003



- Arbitration proceedings started to protect OTE interests
- In parallel, efforts undertaken to swap 20% stake in Telecom Serbia for stake in de-merged mobile operation
- Agreement to be reached by year end 2003
- If no solution, pull out through sale of stake



- Aim to exit ArmenTel by year end
- OTE will not fund any capital requirements
- Any funding needs likely to be covered by existing vendor facility agreements

