# OTE GROUP REPORTS 2012 THIRD QUARTER RESULTS

**UNDER IFRS**

**• Free Cash Flow generation up 69% at €249mn in Q3, €506mn in 9M’12**

**• Revenues impacted by MTR cuts and one-offs; good momentum in underlying operating trends (reduced line losses, strong ADSL take-up, growing TV subscriptions)**

**• OpEx (excl. D&A) down sharply (-11%), resulting in 0.8pp rise in Pro forma EBITDA margin to 36.5%**

**• Further reduction of net debt, down more than €1bn year on year**

**• Adjusted Net Income at €109mn (+1% in Q3’12, +28% in 9M’12)**

**ATHENS**, **Greece – November 9, 2012 - Hellenic Telecommunications Organization SA** (ASE: HTO; OTC MARKET: HLTOY), the Greek full-service telecommunications provider, today announced unaudited consolidated results (prepared under IFRS) for the quarter and nine months ended September 30, 2012:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (€ mn) | | Q3 '12 | Q3 '11 | | Change | | 9M '12 | 9M '11 | Change | |
| Revenues | | 1,178.8 | | | 1,312.5 | | -10.2% | 3,548.1 | 3,792.2 | -6.4% |
| EBITDA\* | | 430.1 | | | 464.3 | | -7.4% | 1,264.3 | 1,254.5 | +0.8% |
| as % of Revenues | | 36.5% | | | 35.4% | | +1.1pp | 35.6% | 33.1% | +2.5pp |
| Pro forma\*\* EBITDA | | 430.1 | | | 468.4 | | -8.2% | 1,264.3 | 1,308.3 | -3.4% |
| as % of Revenues | | 36.5% | | | 35.7% | | +0.8pp | 35.6% | 34.5% | +1.1pp |
| Net Income/(loss) | | 109.0 | | | 104.4 | | +4.4% | 520.1 | 196.8 | +164.3% |
| *Adjusted Net Income\*\*\** | | 109.0 | | | 107.7 | | +1.2% | 308.8 | 241.0 | +28.1% |
| Basic EPS (€) | | 0.2224 | | | 0.2130 | | +4.4% | 1.0611 | 0.4015 | +164.3% |
| Net operating cash flow | | 356.1 | | | 318.6 | | +11.8% | 832.1 | 809.0 | +2.9% |
| CAPEX | | 106.9 | | | 171.0 | | -37.5% | 326.3 | 473.9 | -31.1% |
| Free cash flow | | 249.2 | | | 147.6 | | +68.8% | 505.8 | 335.1 | +50.9% |

\* See Exhibit VIII

\*\* Excluding impact of Voluntary Retirement Programs and Restructuring Plans

\*\*\* Excluding €211.3mn in net capital gain on sale of Telekom Serbia stake in 9M’12, €44.2mn and €3.3mn respectively in 9M’11 and Q3’11, reflecting the after-tax effect of VRS charges

Commenting on OTE’s performance in the third quarter, Michael Tsamaz, Chairman & CEO, noted: “We are pleased to report another set of solid quarterly results as we continue to face severe economic contraction in Greece. While revenues were impacted by the economy, along with sharply lower mobile termination rates in most of the countries we operate, our unrelenting focus on cost reduction led to an increase in pro forma EDITDA margin, at 36.5%. Net income was also up. Management’s intense focus on cash flow generation led to considerable improvements compared to prior periods, and we cut net debt by a further €212mn during the quarter, adding up to a reduction of over €1bn in the past 12 months. We are making rapid progress with our refinancing plans, having already received commitments for roughly half a billion Euros of our syndicated loan, and are fully confident that all components will be in place on schedule by the end of the first quarter of 2013.”

Mr. Tsamaz added: “We strongly feel that we are regaining our momentum and that our customers once again recognize the value of OTE’s products and services. These trends should pick up in coming months as we implement new product initiatives, notably the planned launch of our VDSL solution. We are also stepping up the pace of our transformation, as witnessed by our latest voluntary exit scheme, also announced today, which will significantly and durably reduce our cost structure as well as enable us to rejuvenate our workforce.”

**Financial Highlights**

BREAKDOWN OF GROUP REVENUES

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| (€ mn) | Q3 '12 | Q3 '11 | Change | 9M '12 | 9M '11 | Change |
| Fixed Line Operations, Greece | 423.8 | 483.5 | -12.3% | 1,287.1 | 1,434.9 | -10.3% |
| Fixed Line Operations, Romania | 153.5 | 160.1 | -4.1% | 470.0 | 492.5 | -4.6% |
| Mobile Operations, Greece | 393.5 | 445.4 | -11.7% | 1,152.8 | 1,230.7 | -6.3% |
| Mobile Operations, International | 226.9 | 252.9 | -10.3% | 698.1 | 715.8 | -2.5% |
| Other | 120.2 | 127.2 | -5.5% | 351.8 | 363.2 | -3.1% |
| Intragroup Eliminations | (139.1) | (156.6) | -11.2% | (411.7) | (444.9) | -7.5% |
| **TOTAL** | **1,178.8** | **1,312.5** | **-10.2%** | **3,548.1** | **3,792.2** | **-6.4%** |
| Other income/(expense), net | 3.9 | 0.6 | - | 13.8 | 6.4 | - |

The OTE Group’s total revenue drop widened to 10.2% in Q3’12, in line with previously announced management expectations. Besides the continuing adverse economic environment in Greece, affecting both fixed and mobile operations, the decrease also reflects significant termination rate cuts in most of the countries in which OTE operates, estimated to have accounted for about €36mn of the €133.7mn revenue decline recorded in the quarter. In addition, in Q3’11, revenues in Greek mobile operations had benefited from €23mn in extra revenues due to the expiration of certain prepaid offers.

By contrast, solid take-up of OTE’s lower-price double-play offers launched in Greece last May led to a further reduction in line losses and enabled OTE to claim about 60% of all Greek market ADSL additions in the quarter, a performance it hadn’t been able to achieve in several years.

In the Romanian fixed-line business, revenues declined by just 4.1%, a marked improvement compared to prior quarters, reflecting a significant improvement in retail revenue trends.

Revenues from OTE’s international mobile telephony operations were impacted by declines in Bulgaria and, to a far lesser extent, in Romania, both due largely to steep cuts in termination rates. In Albania, top-line performance was consistent with previous quarters.

Total Operating Expenses, excluding depreciation, amortization, impairments and charges related to voluntary retirement programs, amounted to €752.6mn in Q3’12, as compared to €844.7mn in Q3’11. This 10.9% decrease is a direct result of OTE’s active cost-reduction measures over the past years; in particular, Personnel Expenses were down 9.9% compared to Q3’11, with a noteworthy 17.7% decline in Greek fixed-line operations.

With costs decreasing faster than revenues, the Group achieved a pro forma EBITDA margin of 36.5% in Q3’12, its highest quarterly margin since Q1’10, up from 35.7% in the comparable quarter of last year.

Group net income for the quarter stood at €109.0mn, up 4.4% compared to Q3’11. Excluding one-off expenses and capital gains (early retirement charges, gain from disposal of Telekom Serbia), the Group’s adjusted net income for the 9M’12 period amounted to €308.8mn, up 28.1% from €241.0mn in 9M’11.

Capital Expenditures amounted to €106.9mn, or 9.1% of Revenues, in Q3’12, down 37.5% from the comparable quarter of last year (€171.0mn or 13.0% of Revenues in Q3’11). Capital expenditures in Greek fixed-line, Romanian fixed-line, and mobile operations amounted to €34.1mn, €8.9mn and €62.1mn, respectively.

In the quarter, the Group generated Net Operating Cash Flow of €356.1mn, up 11.8% from €318.6mn in Q3’11. The increase in cash flow generation during the period reflects improvements in working capital, as well as lower interest and tax payments, and reductions in staff retirement indemnities, youth account and early retirement programs. Free Cash Flow amounted to €249.2mn in Q3’12, up 68.8% or €101.6mn compared to Q3’11.

Reflecting solid cash flow generation, the Group’s underlying net debt declined by more than €1.0bn or 25.6% compared to September 30, 2011, passing below the €3.0bn mark. As of September 30, 2012, OTE held €84.3mn in short-dated highly rated government notes, included under Other Financial Assets.

OTE Group debt outstanding breaks down as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| (€ mn) | Sep 30, 2012 | Dec 31, 2011 | Change | Sep 30, 2011 | Change |
| Short-Term: |  |  |  |  |  |
| -Bank loans | 1.8 | 2.0 | -10.0% | 2.0 | -10.0% |
| Medium & Long-term: |  |  |  |  |  |
| -Bonds | 3,174.3 | 3,244.9 | -2.2% | 3,519.3 | -9.8% |
| -Bank loans | 900.1 | 1,655.1 | -45.6% | 1,666.6 | -46.0% |
| Total Indebtedness | 4,076.2 | 4,902.0 | -16.8% | 5,187.9 | -21.4% |
| Cash and Cash equiv. | 1,003.8 | 683.4 | +46.9% | 1,072.0 | -6.4% |
| Net Debt | 3,072.4 | 4,218.6 | -27.2% | 4,115.9 | -25.4% |
| Other financial assets | 84.3 | 353.5 | -76.2% | 99.2 | -15.0% |
| **Underlying Net Debt** | **2,988.1** | **3,865.1** | **-22.7%** | **4,016.7** | **-25.6%** |

1. **Fixed Line Operations, Greece**

ACCESS LINES& TRAFFIC STATISTICS

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Sep 30, 2012 | Sep 30, 2011 | | Change | |
| PSTN connections | 2,787,936 | 3,102,912 | | -10.2% | |
| ISDN connections (BRA & PRA) | 401,238 | 444,641 | | -9.8% | |
| **Total PSTN & ISDN connections** | **3,189,174** | **3,547,553** | | **-10.1%** | |
| *Of which Wholesale line rental (WLR) connections* | *64,059* | *91,384* | | *-29.9%* | |
| **PSTN & ISDN connections excl. WLR** | **3,125,115** | **3,456,169** | | **-9.6%** | |
| Total OTE ADSL active subscribers | 1,171,140 | 1,137,189 | | +3.0% | |
| **OTE ADSL active retail subscribers** | **1,146,450** | **1,105,395** | | **+3.7%** | |
| OTE TV Subscribers (IPTV & Satellite) | 96,773 | 55,577 | | +74.1% | |
| Unbundled local loops (active) | 1,754,607 | 1,575,721 | | +11.4% | |
|  |  |  |  | |
| (min, mn) | Q3 '12 | Q3 '11 | % Change | |
| Local | 1,563.3 | 1,708.8 | -8.5% | |
| National Long-distance | 323.7 | 367.0 | -11.8% | |
| International Long-distance | 55.5 | 59.6 | -6.8% | |
| Fixed-to-Mobile | 275.0 | 313.2 | -12.2% | |
| Special Calls | 25.2 | 25.2 | 0.0% | |
| **Total Voice traffic** | **2,242.6** | **2,473.8** | **-9.3%** | |

In Q3’12, OTE fixed-line operations in Greece recorded a net loss of approximately 54.9k PSTN and ISDN retail connections, reflecting a continuing improvement compared to the trend of prior quarters (Q2’12: -75.0k; Q1’12: -94.1k; Q4’11: -107.0k; Q3’11: -99.0k). The total Greek market (OTE active retail lines, Wholesale line rental connections and full LLU subscribers) lost 51.5k lines in Q3’12 (compared to 49.1k losses in Q3’11), as alternative carriers added only 3.5k new lines in Q3’12, as compared to net additions of 49.9k in Q3’11.

In Q3’12, OTE recorded net additions of 34.1k retail ADSL customers, or about 60% of total net additions in the Greek market, bringing the total number of OTE subscribers to 1,146k. Following regulatory approval of lower priced products last May, slightly narrowing its competitive disadvantage vis-à-vis alternative carriers, OTE has been able to contribute effectively to the overall growth of the country’s broadband market, which picked up pace in Q2’12 and continued growing in Q3’12, despite the negative economic environment.

Lower line losses and improved broadband market position in the quarter confirmed the turnaround of OTE’s standing in the Greek fixed-line landscape, which was also bolstered by its new brand positioning focusing on “customer-centricity”. The first in a planned series of new product initiatives, a solution aimed at helping small- and medium-sized businesses build their online presence, was adopted by over 3k customers in the first week following its launch, comforting OTE’s positioning as an innovative partner in this key market segment. Other product and service initiatives are scheduled to be rolled out in coming months.

OTE’s recently launched satellite TV service continued to attract new subscribers. During Q3’12, OTE added more than 20k new TV subscribers, raising the total to about 105k as of early November**.** Enhanced sports and movie programming introduced in June, the richest HD content in the Greek market, and the switch-off of analog TV services in certain key regions should continue to fuel growth in subscriber numbers in coming quarters.

**SUMMARY FINANCIAL DATA**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| (€ mn) | Q3 '12 | Q3 '11 | % Change | 9M '12 | 9M '11 | % Change |
| Revenues | 423.8 | 483.5 | -12.3% | 1,287.1 | 1,434.9 | -10.3% |
| - Basic Monthly Rentals | 96.1 | 107.0 | -10.2% | 294.5 | 332.1 | -11.3% |
| - Fixed-to-fixed calls | 57.9 | 74.3 | -22.1% | 184.6 | 228.3 | -19.1% |
| - Fixed-to-mobile calls | 22.5 | 24.0 | -6.3% | 68.2 | 67.8 | +0.6% |
| - International | 24.6 | 32.4 | -24.1% | 73.4 | 83.9 | -12.5% |
| - Other | 222.7 | 245.8 | -9.4% | 666.4 | 722.8 | -7.8% |
| Other income/ (expense), net | 0.7 | 0.7 | +0.0% | 1.6 | 0.0 | - |
| EBITDA | 117.5 | 140.6 | -16.4% | 375.3 | 401.5 | -6.5% |
| as % of revenues | 27.7% | 29.1% | -1.4pp | 29.2% | 28.0% | +1.2pp |
| Pro Forma EBITDA\* | 117.5 | 144.3 | -18.6% | 375.3 | 415.7 | -9.7% |
| as % of revenues | 27.7% | 29.8% | -2.1pp | 29.2% | 29.0% | +0.2pp |
| Operating Income (EBIT) | 44.9 | 60.9 | -26.3% | 151.9 | 152.3 | -0.3% |
| Voluntary Retirement costs/(reversals) | 0.0 | 3.7 | - | 0.0 | 14.2 | - |
| Depreciation &  Amortization | 72.6 | 79.7 | -8.9% | 223.4 | 249.2 | -10.4% |

\* Excluding impact of Voluntary Retirement Programs

Total Greek fixed-line Revenues declined by 12.3% in the quarter, showing a deteriorating trend comparing to the previous quarters (Q2’12: -9.4%, Q1’12: -9.1%; Q4’11:-8.5%; Q3’11:-10.3%). The tough economic environment and pressures on consumer spending have had a negative impact on the Greek fixed-telephony market, affecting both subscriber numbers and ARPU levels. In addition, lower interconnection traffic affected international wholesale revenues in the quarter.

Total Greek fixed-line Operating Expenses, excluding depreciation, amortization and charges related to voluntary retirement programs, amounted to €307.0mn in Q3’12, a drop of 9.7% compared to €339.9mn in Q3’11. Total Personnel Expenses amounted to 32.0% of total revenues in Q3’12, down from 34.1% in the comparable quarter last year, mainly as a result of the new labor agreement reached in late September 2011 and other initiatives implemented in the past year.

1. **Fixed Line Operations, Romania**

**SUMMARY FINANCIAL & ACCESS LINE DATA**

|  |  |  |  |
| --- | --- | --- | --- |
|  | Sep 30, 2012 | Sep 30, 2011 | % Change |
| Voice Telephony Lines (Incl. CDMA) | 2,360,033 | 2,527,181 | -6.6% |
| Broadband subscribers (Incl. CDMA BB) | 1,181,447 | 1,106,946 | +6.7% |
| TV subscribers (DTH, IPTV & Cable) | 1,231,077 | 1,208,293 | +1.9% |

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| (€ mn) | Q3 '12 | Q3 '11 | | % Change | 9M '12 | | | 9M '11 | | % Change |
| Revenues | 153.5 | 160.1 | | -4.1% | 470.0 | | | 492.5 | | -4.6% |
| Other income/(expense), net | 4.7 | 4.0 | | +17.5% | 14.6 | | | 12.2 | | +19.7% |
| EBITDA | 44.7 | 36.9 | | +21.1% | 125.5 | | | 88.3 | | +42.1% |
| as % of revenues | 29.1% | 23.0% | | +6.1pp | 26.7% | | | 17.9% | | +8.8pp |
| Pro Forma EBITDA\* | 44.7 | 37.2 | | 20.2% | 125.5 | | | 116.5 | | 7.7% |
| as % of revenues | 29.1% | 23.2% | | +5.9pp | 26.7% | | | 23.7% | | +3pp |
| Operating Income/(loss) (EBIT) | 17.4 | (3.0) | | - | 42.7 | | | (31.7) | | - |
| Voluntary Retirement costs/(reversals) | 0.0 | 0.3 | | - | 0.0 | | | 28.2 | | - |
|  |  |  |  | | |  |  | |  | | |

\* Excluding impact of Restructuring Plans

RomTelecom’s operating and financial performance continued to improve in Q3’12, with retail revenues posting an increase of 0.7%, in contrast to a drop of 3.5% in Q2’12, as lower voice service revenues and equipment sales were more than offset by increases in sales of broadband, TV services and business solutions. Conversely, wholesale revenues declined by 19% in the quarter, mainly reflecting an 18% regulator-mandated termination rate cut implemented in July, with limited impact on EBITDA.

Compared to the year-earlier level, the total number of RomTelecom broadband customers rose by nearly 7% at the end of Q3’12, reflecting organic subscriber acquisitions. As a result, broadband penetration as a percentage of total RomTelecom voice connections now stands at about 50%, in line with TV service penetration. Both of these developments represent significant advances in RomTelecom’s ability to defend its customer base. The number of TV subscribers was up 2% compared to the end of Q3’11 while over the same period TV revenues rose by 11%, as customers increasingly migrate towards higher-price subscriptions.

In the quarter, pro forma EBITDA excluding redundancy costs increased by 20.2% compared to Q3’11, chiefly reflecting the accelerated implementation of RomTelecom’s cost-reduction initiatives. Total operating expenses (excluding D&A and one-off costs) were down 11% in Q3’12, despite higher TV content costs. Personnel expenses were down 10% in the quarter as compared to Q3’11, extending the sharp declines achieved last year. Depreciation & Amortization was down 32% compared to Q3’11, largely due to the impairment charge booked at the end of last year.

Continuing its transformation process, RomTelecom is running an internal program though which all service activation and repair processes are actively monitored to increase internal efficiency and deliver better services and an improved experience to its customers.

1. **Mobile Operations**

**SUMMARY FINANCIAL DATA**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Revenues (€ mn)** | **Q3 '12** | **Q3 '11** | ***% Change*** | **9M '12** | **9M '11** | ***% Change*** |
| Greece | 398.4 | 450.4 | -11.5% | 1,166.8 | 1,243.6 | -6.2% |
| Romania | 118.0 | 120.6 | -2.2% | 349.1 | 341.9 | +2.1% |
| Bulgaria | 85.9 | 108.6 | -20.9% | 285.1 | 306.4 | -7.0% |
| Albania | 24.1 | 25.8 | -6.6% | 67.1 | 72.6 | -7.6% |
| Intragroup eliminations | (6.0) | (7.0) | - | (17.3) | (18.0) | - |
| **Total Revenues** | **620.4** | **698.3** | **-11.2%** | **1,850.9** | **1,946.5** | **-4.9%** |
| **Pro forma EBITDA\* (€ mn)** |  |  |  |  |  |  |
| Greece | 162.9 | 183.0 | -11.0% | 477.0 | 485.3 | -1.7% |
| Romania | 34.3 | 29.5 | +16.3% | 89.2 | 70.0 | +27.4% |
| Bulgaria | 34.0 | 41.1 | -17.3% | 106.7 | 116.9 | -8.7% |
| Albania | 9.9 | 11.6 | -14.7% | 25.5 | 29.2 | -12.7% |
| Intragroup eliminations | (1.4) | (1.7) | - | (4.3) | (4.9) | - |
| **Total Pro forma EBITDA\*** | **239.7** | **263.5** | **-9.0%** | **694.1** | **696.5** | **-0.3%** |
| Voluntary retirement costs | 0.0 | (0.1) | - | 0.0 | (11.4) | - |
| **EBITDA** | **239.7** | **263.4** | **-9.0%** | **694.1** | **685.1** | **+1.3%** |
| **Pro forma EBITDA Margin (%)\*** |  |  |  |  |  |  |
| Greece | 40.9% | 40.6% | +0.3pp | 40.9% | 39.0% | +1.9pp |
| Romania | 29.1% | 24.5% | +4.6pp | 25.6% | 20.5% | +5.1pp |
| Bulgaria | 39.6% | 37.8% | +1.8pp | 37.4% | 38.2% | -0.8pp |
| Albania | 41.1% | 45.0% | -3.9pp | 38.0% | 40.2% | -2.2pp |
| **Total Pro forma EBITDA margin\*** | **38.6%** | **37.7%** | **+0.9pp** | **37.5%** | **35.8%** | **+1.7pp** |
| **EBITDA Margin** | **38.6%** | **37.7%** | **+0.9pp** | **37.5%** | **35.2%** | **+2.3pp** |

\*Excluding impact of Restructuring Plan at Mobile Operations in Greece

At September 30, 2012, the mobile operations of the OTE Group counted approximately 20.4 million customers, up slightly from the prior-year level. Despite depressed conditions and intense competition in each of the four markets in which it operates, the Cosmote Group defended its market position and significantly improved its EBITDA margin during the quarter.

**MOBILE OPERATIONS, GREECE**

As of the end of Q3’12, Cosmote provided mobile telephony services to 7.8 million customers in Greece, down 1.2% from September 30, 2011. The drop is entirely due to the elimination of double SIM cards by prepaid customers.

In addition to the challenging consumer spending environment, the 11.5% revenue drop at Cosmote Greece in Q3’12 was largely driven by a host of anticipated negative factors, including the August 1, 2012 reduction of Mobile Termination Rates (MTR) from 4.95 to 3.60 Eurocents/Minute as part of a regulatory glide path that should see MTRs drop to 1.01 Eurocent/Minute by January 1, 2013, with an intermediary rate of 2.30 Eurocents/Minute effective as of October 16, 2012. In addition, pursuant to Europe-wide regulation, roaming rates declined sharply as of July 1, 2012. Finally, comparisons with prior-year performance are impacted by the expiration of certain prepaid offers in Q3’11, which resulted in incremental revenues of approximately €23mn in that quarter.

Despite the drop in revenue, Cosmote improved its EBITDA margin in the quarter by pursuing increased efficiencies in its cost structure.

In 9M’12, blended AMOU decreased by 3.5% to 292.1 minutes, while blended ARPU for the same period was €15.0, down 4.3% from 9M’11, mainly reflecting lower ARPU in the postpaid segment.

**MOBILE OPERATIONS, ROMANIA**

In Q3’12, Cosmote Romania’s total customer base stood at 6.4 million, of which 24.1% was postpaid. The number of business customers grew by 32% compared to Q3’11, reflecting the company’s targeted offers for professional users. In addition, the company’s 3G customer base increased by 12% compared to Q3’11.

Service revenues declined by 6% compared to Q3’11 as a result of the two consecutive interconnection rate cuts implemented in March and September 2012. Cosmote Romania’s EBITDA improved by 16.3% compared to Q3’11, partly reflecting a one-off rebate from equipment suppliers. EBITDA margin jumped to 29.1%, as the company continues enhancing its operating efficiency in the face of intense competition.

Blended ARPU increased by 1.5% in 9M’12 compared to 9M’11, due to the launch of competitive solutions aimed at specific customer segments.

**MOBILE OPERATIONS, BULGARIA**

Globul’s total customer base exceeded 4.4 million at the end of Q3’12, up 6.6% from the prior-year level, as the company’s innovative voice and data solutions resulted in solid increases in both postpaid and prepaid subscriber numbers. Globul’s hybrid fixed-telephony offer achieved significant growth compared to Q3’11, with a total subscriber base of over 210k customers at the end of Q3’12, while mobile broadband subscribers (excluding M2M) increased by 95% compared to the same quarter of last year.

In the quarter, service revenues dropped by 25.5% compared to Q3’11. This decline is chiefly due to cuts in both domestic and international MTRs as part of the regulatory glide path introduced on July 1, 2012. Pursuant to this decision, international MTRs have been reduced by 89% at the beginning of the quarter. National MTRs in Bulgaria have also been reduced from 6.33 Eurocents/Minute to 2.7 Eurocents/Minute in July 1, 2012, while will further drop to 2.2 Eurocents/Minute by January 1, 2013. In addition, service revenues were reduced by €7.5mn due to a change in accounting treatment of early contract termination.

The MTR cuts and accounting change had a negative impact of approximately €13.5mn in Q3’12 EBITDA.

**MOBILE OPERATIONS, ALBANIA**

At the end of Q3’12, AMC’s customer base was 1.8 million subscribers, up slightly compared to Q3’11. Fierce competition continued in the quarter and was extended to include promotional door-to-door campaigns. In data, AMC has achieved 95% population coverage through its particularly cost-efficient 3G network.

Compared to Q3’11, revenues were negatively affected by aggressive pricing offers targeting both the prepaid segment and business customers.

Reflecting aggressive pricing competition, AMC’s EBITDA margin dropped to 41.1% in Q3’12, despite ongoing efforts to optimize the organization’s cost structure.

1. **Events of the Quarter**

**Repayment Of Loans**

On July 30, 2012, OTE PLC proceeded with the repayment of the remaining outstanding amount of €311.7mn under the Revolving Credit Facility maturing in September 2012, along with the payment of the accrued interest.

On July 31, 2012, OTE PLC proceeded with the repayment of the remaining outstanding amount of €445.2mn under the Term Loan maturing in September 2012, along with the payment of the accrued interest.

**Bond Repurchases**

In Q3’12, OTE PLC proceeded with partial repurchases of a total nominal amount of €27.0mn under the Notes due in August 2013, along with the payment of accrued interest.

**Romania Spectrum Auction Successfully Concluded**

Following the spectrum auction held by ANCOM, on September 24, 2012, Cosmote Romania won one block in the 800 MHz band, two blocks in the 900 MHz band, five blocks in the 1800 MHz band and two blocks in the 2600 MHz (FDD) band, valid from 2014 through 2029, for a total amount of €179.9mn. Payment of €52.0mn is due in November 2012, with the balance of €127.9mn payable by June 2013. Cash collateral of €37.0mn has been used and recorded as restricted cash for telecommunication licenses in the statement of financial position.

1. **Subsequent Events**

**Bond Repurchases**

Until November 6, 2012, OTE PLC proceeded with partial repurchases of a total nominal amount of €60.4mn under the Notes due in August 2013, along with the repayment of accrued interest.

**OTE Board Approves Voluntary Exit Scheme**

On November 7, 2012, OTE’s Board of Directors approved a Voluntary Exit Scheme for OTE employees who are mainly close to their retirement age. The key terms and conditions of the Scheme will be communicated to employees within the next days. The relative cost will be estimated by taking into account the employees’ response to the Scheme once it has been communicated and will be charged to the 2012 year-end financial results.

1. **Outlook**

In the final months of 2012, OTE expects revenues to remain under pressure as a result of challenging economic conditions, intense competition and regulatory termination cuts in several markets. Stringent implementation of cost-containment programs should enable OTE to further mitigate the impact of revenue declines on its profitability and financial performance. OTE will continue to innovate across the board to support its revenue streams, meet consumer demand for top-quality, cost-effective products and services, and maintain its leading brand positioning. Following its latest Voluntary Exit Scheme, OTE will explore other avenues to durably reduce its cost structure.

**About OTE**

OTE Group is Greece's leading telecommunications organization and one of the pre-eminent players in Southeastern Europe, providing top-quality products and services to its customers.

Apart from serving as a full service telecommunications group in the Greek telecoms market, OTE Group has also expanded during the last decade its geographical footprint throughout South East Europe, acquiring stake in the incumbent telecommunications company of Romania, and establishing mobile operations in Albania, Bulgaria, and Romania. At present, companies in which OTE Group has an equity interest employ more than 29,000 people in four countries, and our portfolio of solutions ranges from fixed and mobile telephony to Internet applications, satellite, maritime communications and consultancy services.

OTE shares are listed on the **Athens Stock Exchange**, and the **London Stock Exchange** (in the form of GDRs). Following their delisting from NYSE in September 2010, the company’s ADRs trade in the US OTC market. OTE’s American Depositary Receipts (ADR’s) represent ½ ordinary share.

Additional Information is also available on <http://www.ote.gr>.

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**Exhibits to follow:**

1. Consolidated Balance Sheets as of September 30, 2012 and comparative as of December 31, 2011
2. Consolidated Income Statements for the quarter and nine months ended September 30, 2012 and comparative 2011
3. Consolidated Statement of Cash Flows for the quarter ended September 30, 2012, and comparative Q2’12, Q1’12, Q4’11, Q3’11
4. Group Revenues for the quarter and nine months ended September 30, 2012 and comparative 2011
5. Segment Reporting based on the Group’s legal structure
6. Mobile Operations
7. Operational Highlights
8. EBITDA and Pro Forma EBITDA calculation

EXHIBIT I – CONSOLIDATED BALANCE SHEET

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **(€mn)** | | **Sep 30, 2012** | | **Dec 31, 2011** | |
| **ASSETS** | |  | |  | |
| Property, plant and equipment | | 3,931.9 | | 4,328.0 | |
| Goodwill | | 565.3 | | 569.2 | |
| Telecommunication licenses | | 398.4 | | 432.8 | |
| Other Intangible assets | | 480.8 | | 503.5 | |
| Investments | | 1.2 | | 1.2 | |
| Loans and advances to pension funds | | 118.4 | | 121.9 | |
| Deferred tax assets | | 276.2 | | 246.2 | |
| Other non-current assets | | 221.4 | | 204.5 | |
| **Total non - current assets:** | | **5,993.6** | | **6,407.3** | |
| Inventories | | 112.0 | | 125.0 | |
| Trade receivables | | 904.7 | | 928.6 | |
| Other financial assets | | 84.3 | | 353.5 | |
| Other current assets | | 199.7 | | 213.1 | |
| Restricted Cash for telecommunication licenses | | 37.0 | | 0.0 | |
| Cash and cash equivalents | | 1,003.8 | | 683.4 | |
| **Total current assets** | | **2,341.5** | | **2,303.6** | |
| Assets classified as held for sale | | 0.0 | | 380.0 | |
| **TOTAL ASSETS** | | **8,335.1** | | **9,090.9** | |

|  |  |  |
| --- | --- | --- |
| **EQUITY AND LIABILITIES** |  |  |
| Share capital | 1,171.5 | 1,171.5 |
| Share premium | 509.5 | 508.0 |
| Statutory reserve | 347.2 | 347.2 |
| Foreign exchange and other reserves | (242.6) | 72.4 |
| Changes in non-controlling interests | (3,321.5) | (3,321.5) |
| Retained earnings | 3,126.0 | 2,605.9 |
| **Equity attributable to equity holders of the parent:** | **1,590.1** | **1,383.5** |
| Non-controlling interests | 378.8 | 373.8 |
| **Total equity** | **1,968.9** | **1,757.3** |
| Long-term borrowings | 2,004.5 | 4,139.1 |
| Provision for staff retirement indemnities | 343.6 | 285.1 |
| Provision for Youth account | 232.7 | 240.6 |
| Deferred tax liabilities | 90.3 | 92.8 |
| Other non – current liabilities | 81.1 | 74.4 |
| **Total non – current liabilities** | **2,752.2** | **4,832.0** |
| Trade accounts payable | 624.4 | 749.6 |
| Short-term borrowings | 1.8 | 2.0 |
| Short-term portion of long-term borrowings | 2,069.9 | 760.9 |
| Income tax payable | 36.1 | 15.8 |
| Deferred revenue | 215.3 | 234.6 |
| Provision for voluntary leave scheme | 152.4 | 166.2 |
| Dividends payable | 2.2 | 2.3 |
| Other current liabilities | 511.9 | 570.2 |
| **Total current liabilities** | **3,614.0** | **2,501.6** |
| **Total liabilities** | **6,366.2** | **7,333.6** |
| **TOTAL EQUITY AND LIABILITIES** | **8,335.1** | **9,090.9** |

## EXHIBIT II – CONSOLIDATED INCOME STATEMENT

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **(€ mn)** | **Q3 '12** | **Q3 '11** | | **% Change** | | **9M '12** | | **9M '11** | | **% Change** | | |
| **Total Revenues** | **1,178.8** | **1,312.5** | | **-10.2%** | | **3,548.1** | | **3,792.2** | | **-6.4%** | | |
|  |  |  | |  | |  | |  | |  | | |
| Other income/ expenses net | 3.9 | 0.6 | | - | | 13.8 | | 6.4 | | - | | |
|  |  |  | |  | |  | |  | |  | | |
| **Operating Expenses:** |  |  | |  | |  | |  | |  | | |
| Payroll and employee benefits | (232.9) | | (255.4) | | -8.8% | | (713.4) | | (795.9) | | -10.4% |
| Provision for staff retirement indemnities | (5.9) | | (6.0) | | -1.7% | | (17.0) | | (17.7) | | -4.0% |
| Provision for Youth Account | (1.0) | | (4.8) | | -79.2% | | (3.1) | | (14.3) | | -78.3% |
| Cost of early retirement and restructuring programs | 0.0 | | (4.1) | | - | | 0.0 | | (53.8) | | - |
| Charges from international operators | (57.9) | | (57.4) | | +0.9% | | (165.1) | | (159.5) | | +3.5% |
| Charges from domestic telephony operators | (70.8) | | (92.5) | | -23.5% | | (231.9) | | (266.0) | | -12.8% |
| Depreciation, amortization and impairment | (224.5) | | (257.3) | | -12.7% | | (676.4) | | (785.9) | | -13.9% |
| Cost of telecommunications equipment/ write downs | (66.4) | | (78.2) | | -15.1% | | (192.1) | | (232.7) | | -17.4% |
| Other operating expenses | (317.7) | | (350.4) | | -9.3% | | (975.0) | | (1,004.2) | | -2.9% |
| **Total Operating Expenses** | **(977.1)** | | **(1,106.1)** | | **-11.7%** | | **(2,974.0)** | | **(3,330.0)** | | **-10.7%** |
|  |  |  | |  | |  | |  | |  | | |
| **Operating income before financial results** | **205.6** | **207.0** | | **-0.7%** | | **587.9** | | **468.6** | | **+25.5%** | | |
|  |  |  | |  | |  | |  | |  | | |
| **Financial results:** |  |  | |  | |  | |  | |  | | |
| Interest expense | (66.1) | (74.9) | | -11.7% | | (188.9) | | (209.8) | | -10.0% | | |
| Interest Income | 3.3 | 6.3 | | -47.6% | | 11.5 | | 17.1 | | -32.7% | | |
| FX gain/(loss), net | 6.1 | (2.6) | | - | | 4.9 | | 6.1 | | -19.7% | | |
| Dividend income | 0.0 | 0.0 | | - | | 3.9 | | 10.4 | | -62.5% | | |
| Gain/(losses) from investments and financial assets | 0.0 | (0.1) | | - | | 224.9 | | (0.3) | | - | | |
|  | **(56.7)** | **(71.3)** | | **-20.5%** | | **56.3** | | **(176.5)** | | **-** | | |
|  |  |  | |  | |  | |  | |  | | |
| **Profit before income taxes** | **148.9** | **135.7** | | **+9.7%** | | **644.2** | | **292.1** | | **+120.5%** | | |
|  |  |  | |  | |  | |  | |  | | |
| Income taxes | (30.7) | (31.5) | | -2.5% | | (102.0) | | (106.7) | | -4.4% | | |
|  |  |  | |  | |  | |  | |  | | |
| **Profit for the period** | **118.2** | **104.2** | | **+13.4%** | | **542.2** | | **185.4** | | **+192.4%** | | |
|  |  |  | |  | |  | |  | |  | | |
| Attributable to: |  |  | |  | |  | |  | |  | | |
| **Owners of the parent** | **109.0** | **104.4** | | **+4.4%** | | **520.1** | | **196.8** | | **+164.3%** | | |
| Non-controlling interests | 9.2 | (0.2) | | **-** | | 22.1 | | (11.4) | | **-** | | |

**EXHIBIT III – CONSOLIDATED STATEMENT OF CASH FLOWS**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **(€ mn)** | **Q3 '11** | **Q4 '11** | **Q1 '12** | **Q2 '12** | **Q3 '12** |
| **Cash Flows from Operating Activities:** |  |  |  |  |  |
| Profit/(loss) before taxes | 135.7 | (177.0) | 355.8 | 139.5 | 148.9 |
| **Adjustments to reconcile to net cash provided by operating activities:** |  |  |  |  |  |
| Depreciation, amortization and impairment | 257.3 | 524.3 | 222.6 | 229.3 | 224.5 |
| Share-based payment | 1.7 | (5.5) | 0.7 | 1.0 | (0.2) |
| Cost of early retirement program | 4.1 | 15.2 | 0.0 | 0.0 | 0.0 |
| Provision for staff retirement indemnities | 6.0 | 4.5 | 5.5 | 5.6 | 5.9 |
| Provision for youth account | 4.8 | (4.4) | 1.0 | 1.1 | 1.0 |
| Write down of inventories | 1.5 | 15.7 | 0.9 | 2.6 | 2.2 |
| Provision for doubtful accounts | 36.7 | 29.0 | 32.2 | 31.5 | 32.4 |
| Other provisions | 0.0 | (4.5) | 0.0 | 0.0 | 0.0 |
| Foreign exchange differences, net | 2.6 | 2.5 | (3.2) | 4.4 | (6.1) |
| Interest income | (6.3) | (5.1) | (4.3) | (3.9) | (3.3) |
| Dividend income | 0.0 | (17.0) | 0.0 | (3.9) | 0.0 |
| (Gains) / Losses from investments and financial assets - impairments | 0.1 | 0.3 | (225.0) | 0.1 | 0.0 |
| Release of EDEKT fund prepayment | 8.8 | 8.8 | 0.0 | 0.0 | 0.0 |
| Interest expense | 74.9 | 80.3 | 71.6 | 51.2 | 66.1 |
| ***Working capital adjustments*** | ***(2.6)*** | ***41.5*** | ***(90.2)*** | ***(108.2)*** | ***10.8*** |
| *Decrease/(increase) in inventories* | 11.3 | 9.8 | (3.7) | 7.4 | 3.6 |
| *Decrease/(increase) in accounts receivable* | 16.3 | (48.2) | (47.2) | (76.0) | 21.8 |
| *(Decrease)/increase in liabilities (except borrowings)* | (30.2) | 79.9 | (39.3) | (39.6) | (14.6) |
| Plus/(Minus): |  |  |  |  |  |
| Payment of early retirement and restructuring programs and voluntary leave scheme | (26.7) | (14.0) | (9.1) | (5.8) | (3.4) |
| Payment of staff retirement indemnities and youth account, net of employees' contributions | (32.3) | (18.0) | (16.9) | (7.9) | (10.5) |
| Interest and related expenses paid | (87.5) | (22.6) | (81.7) | (67.9) | (81.9) |
| Income taxes paid | (60.2) | (54.8) | (25.7) | (26.9) | (30.3) |
| **Net Cash provided by Operating Activities** | **318.6** | **399.2** | **234.2** | **241.8** | **356.1** |
| **Cash Flows from Investing Activities:** |  |  |  |  |  |
| Acquisition of subsidiary and business units net of cash acquired | (4.0) | 0.7 | 0.0 | 0.0 | 0.0 |
| Purchase of financial assets | (68.3) | (366.9) | (720.0) | 0.0 | (0.1) |
| Sale/maturity of financial assets | 0.0 | 93.7 | 366.1 | 358.6 | 258.1 |
| Repayments of loans receivables | 2.4 | 2.5 | 2.6 | 2.6 | 2.5 |
| Purchase of property, plant and equipment and intangible assets | (171.0) | (242.6) | (118.5) | (100.9) | (106.9) |
| Restricted Cash for telecommunication licenses | 0.0 | 0.0 | 0.0 | 0.0 | (37.0) |
| Proceeds from disposal of assets held for sale | 0.0 | 0.0 | 380.0 | 0.0 | 0.0 |
| Interest received | 2.7 | 5.9 | 2.9 | 5.1 | 5.1 |
| Dividends received | 5.2 | 5.2 | 17.0 | 3.9 | 0.0 |
| **Net Cash used in Investing Activities** | **(233.0)** | **(501.5)** | **(69.9)** | **269.3** | **121.7** |
| **Cash Flows from Financing Activities:** |  |  |  |  |  |
| Proceeds from loans granted and issued | 310.0 | 1.6 | 4.2 | 303.7 | 4.7 |
| Repayment of loans | (132.3) | (289.6) | 0.0 | (350.9) | (783.9) |
| Dividends paid to Company's owners | (52.9) | 0.0 | 0.0 | 0.0 | (0.1) |
| **Net Cash provided by/(used in) Financing Activities** | **124.8** | **(288.0)** | **4.2** | **(47.2)** | **(779.3)** |
| Net Increase/(decrease) in Cash and Cash Equivalents | 210.4 | (390.3) | 168.5 | 463.9 | (301.5) |
| Cash and Cash equivalents at beginning of period | 867.4 | 1,072.0 | 683.4 | 849.0 | 1,310.2 |
| Net foreign exchange differences | (5.8) | 1.7 | (2.9) | (2.7) | (4.9) |
| **Cash and Cash Equivalents at end of period** | **1,072.0** | **683.4** | **849.0** | **1,310.2** | **1,003.8** |
| *Below we depict OTE Group’s total liquidity adding the holdings under “Other financial assets”* | | | | | |
| *Other financial assets* | 99.2 | 353.5 | 706.8 | 347.9 | 84.3 |
| ***OTE Group's total liquidity*** | ***1,171.2*** | ***1,036.9*** | ***1,555.8*** | ***1,658.1*** | ***1,088.1*** |

**EXHIBIT IV – GROUP REVENUES**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **(€ mn)** | | **Q3 '12** | **Q3 '11** | **% Change** | | **9M '12** | **9M '11** | **% Change** |
| **Domestic Telephony:** | |  |  |  | |  |  |  |
| Basic monthly rentals | | 143.0 | 156.8 | -8.8% | | 437.3 | 489.7 | -10.7% |
| Local and long distance calls | |  |  |  | |  |  |  |
| -Fixed to fixed | | 63.1 | 81.6 | -22.7% | | 202.4 | 253.0 | -20.0% |
| -Fixed to mobile | | 28.9 | 32.4 | -10.8% | | 88.8 | 95.4 | -6.9% |
|  | | 92.0 | 114.0 | -19.3% | | 291.2 | 348.4 | -16.4% |
| Other | | 13.5 | 15.5 | -12.9% | | 40.4 | 47.8 | -15.5% |
| **Total Domestic Telephony** | | **248.5** | **286.3** | **-13.2%** | | **768.9** | **885.9** | **-13.2%** |
|  | |  |  |  | |  |  |  |
| **International Telephony:** | |  |  | |  |  |  |  |
| International traffic | 12.8 | | 15.5 | | -17.4% | 38.3 | 46.3 | -17.3% |
| Payments from mobile operators | 9.9 | | 8.9 | | +11.2% | 24.7 | 23.2 | +6.5% |
|  | 22.7 | | 24.4 | | -7.0% | 63.0 | 69.5 | -9.4% |
| Payments from International operators | 13.6 | | 20.6 | | -34.0% | 50.0 | 52.0 | -3.8% |
| **Total International Telephony** | | **36.3** | **45.0** | | **-19.3%** | **113.0** | **121.5** | **-7.0%** |
|  | |  |  | |  |  |  |  |
| **Mobile Telephony** | | **494.4** | **562.9** | | **-12.2%** | **1,485.0** | **1,568.9** | **-5.3%** |
|  | |  |  | |  |  |  |  |
| **Other Revenues:** | |  |  | |  |  |  |  |
| Prepaid cards | | 4.6 | 5.5 | | -16.4% | 13.4 | 15.4 | -13.0% |
| Leased lines and data ATM communications | | 71.5 | 81.9 | | -12.7% | 216.9 | 238.7 | -9.1% |
| ISDN, connection & monthly charges | | 26.1 | 29.5 | | -11.5% | 81.0 | 90.3 | -10.3% |
| Sales of telecommunication equipment | | 80.7 | 86.5 | | -6.7% | 222.5 | 249.0 | -10.6% |
| Internet services-ADSL | | 74.1 | 74.3 | | -0.3% | 223.5 | 223.8 | -0.1% |
| Collocation & LLU's | | 51.7 | 52.3 | | -1.1% | 156.6 | 151.7 | +3.2% |
| Metroethernet & IP CORE | | 12.3 | 12.4 | | -0.8% | 37.2 | 34.5 | +7.8% |
| Services rendered | | 38.2 | 35.3 | | +8.2% | 104.7 | 86.2 | +21.5% |
| Interconnection charges | | 13.0 | 17.5 | | -25.7% | 43.9 | 52.3 | -16.1% |
| Miscellaneous | | 27.4 | 23.1 | | +18.6% | 81.5 | 74.0 | +10.1% |
| **Total Other Revenues** | | **399.6** | **418.3** | | **-4.4%** | **1,181.2** | **1,215.9** | **-2.9%** |
| **Total Revenues** | | **1,178.8** | **1,312.5** | | **-10.2%** | **3,548.1** | **3,792.2** | **-6.4%** |

**EXHIBIT V – SEGMENT REPORTING (9M 2012)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **(€ mn)** | **OTE** | **Cosmote** | **RomTelecom** | **All Other** | **Total** | **Adjustments & Eliminations** | **Consolidated** |
| **Revenues:** |  |  |  |  |  |  |  |
| Domestic Telephony | 581.1 | 0.0 | 184.9 | 10.4 | 776.4 |  |  |
| International Telephony | 73.4 | 0.0 | 58.1 | 1.3 | 132.8 |  |  |
| Mobile Telephony | 0.0 | 1,591.3 | 0.0 | 0.0 | 1,591.3 |  |  |
| Other | 632.6 | 259.6 | 227.0 | 340.1 | 1,459.3 |  |  |
| **Total Revenues** | **1,287.1** | **1,850.9** | **470.0** | **351.8** | **3,959.8** | **(411.7)** | **3,548.1** |
|  |  |  |  |  |  |  |  |
| **Intersegment Revenues** | (93.0) | (117.1) | (16.7) | (184.9) | **(411.7)** |  |  |
|  |  |  |  |  |  |  |  |
| **Revenues from External Customers** | **1,194.1** | **1,733.8** | **453.3** | **166.9** | **3,548.1** |  | **3,548.1** |
| Other income/ (expense), net | 1.6 | (4.0) | 14.6 | 4.4 | 16.6 | (2.8) | 13.8 |
|  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |
| Personnel expenses | (423.4) | (170.7) | (85.4) | (51.0) | **(730.5)** | (3.0) | **(733.5)** |
| VRS & restructuring plans cost | - | - | - | - | **0.0** | - | **0.0** |
| Payments to international operators | (62.5) | (12.7) | (29.7) | (141.0) | **(245.9)** | 80.8 | **(165.1)** |
| Payments to domestic telephony operators | (94.5) | (171.4) | (41.9) | (0.1) | **(307.9)** | 76.0 | **(231.9)** |
| Depreciation, amortization and impairment | (223.4) | (342.1) | (82.8) | (30.3) | **(678.6)** | 2.2 | **(676.4)** |
| Cost of telecommunication equipment / write downs | (35.3) | (170.5) | (13.5) | (2.5) | **(221.8)** | 29.7 | **(192.1)** |
| Other operating expenses | (297.7) | (627.5) | (188.6) | (90.3) | **(1,204.1)** | 229.1 | **(975.0)** |
| **Total Operating Expenses** | **(1,136.8)** | **(1,494.9)** | **(441.9)** | **(315.2)** | **(3,388.8)** | **414.8** | **(2,974.0)** |
|  |  |  |  |  |  |  |  |
| **Operating Income (EBIT)** | **151.9** | **352.0** | **42.7** | **41.0** | **587.6** | **0.3** | **587.9** |
| **Pro forma\* EBITDA** | **375.3** | **694.1** | **125.5** | **71.3** | **1,266.2** | **(1.9)** | **1,264.3** |
| **as % of Revenues** | **29.2%** | **37.5%** | **26.7%** | **20.3%** | **32.0%** |  | **35.6%** |

\*Excluding impact of Voluntary Retirement Programs and Restructuring Plans

**EXHIBIT V – SEGMENT REPORTING (9M 2011)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **(€ mn)** | **OTE** | **Cosmote** | **RomTelecom** | **All Other** | **Total** | **Adjustments & Eliminations** | **Consolidated** |
| **Revenues:** |  |  |  |  |  |  |  |
| Domestic Telephony | 669.0 | 0.0 | 213.9 | 10.3 | 893.2 |  |  |
| International Telephony | 83.9 | 0.0 | 61.4 | 1.8 | 147.1 |  |  |
| Mobile Telephony | 0.0 | 1,683.6 | 0.0 | 0.0 | 1,683.6 |  |  |
| Other | 682.0 | 262.9 | 217.2 | 351.1 | 1,513.2 |  |  |
| **Total Revenues** | **1,434.9** | **1,946.5** | **492.5** | **363.2** | **4,237.1** | **(444.9)** | **3,792.2** |
|  |  |  |  |  |  |  |  |
| **Intersegment Revenues** | (116.5) | (118.3) | (20.2) | (189.9) | **(444.9)** |  |  |
|  |  |  |  |  |  |  |  |
| **Revenues from External Customers** | **1,318.4** | **1,828.2** | **472.3** | **173.3** | **3,792.2** |  | **3,792.2** |
| Other income/expense net | - | (5.1) | 12.2 | 1.9 | 9.0 | (2.6) | 6.4 |
|  |  |  |  |  |  |  |  |
| **Operating Expenses:** |  |  |  |  |  |  |  |
| Personnel expense | (512.8) | (178.3) | (96.4) | (47.4) | **(834.9)** | 7.0 | **(827.9)** |
| VRS & restructuring plans cost | (14.2) | (11.4) | (28.2) | - | **(53.8)** | - | **(53.8)** |
| Payments to international operators | (69.1) | (17.5) | (28.9) | (138.3) | **(253.8)** | 94.3 | **(159.5)** |
| Payments to domestic telephony operators | (105.9) | (195.8) | (49.6) | (0.1) | **(351.4)** | 85.4 | **(266.0)** |
| Depreciation, amortization and impairment | (249.2) | (372.2) | (120.0) | (45.7) | **(787.1)** | 1.2 | **(785.9)** |
| Cost of telecommunication equipment / write downs | (37.8) | (204.0) | (22.4) | (1.0) | **(265.2)** | 32.5 | **(232.7)** |
| Other operating expenses | (293.6) | (649.3) | (190.9) | (98.6) | **(1,232.4)** | 228.2 | **(1,004.2)** |
| **Total Operating Expenses** | **(1,282.6)** | **(1,628.5)** | **(536.4)** | **(331.1)** | **(3,778.6)** | **448.6** | **(3,330.0)** |
|  |  |  |  |  |  |  |  |
| **Operating Income (EBIT)** | **152.3** | **312.9** | **(31.7)** | **34.0** | **467.5** | **1.1** | **468.6** |
| **Pro forma\* EBITDA** | **415.7** | **696.5** | **116.5** | **79.7** | **1,308.4** | **(0.1)** | **1,308.3** |
| **as % of Revenues** | **29.0%** | **35.8%** | **23.7%** | **21.9%** | **30.9%** |  | **34.5%** |

\* Excluding impact of Voluntary Retirement Programs and Restructuring Plans

**EXHIBIT VI– MOBILE OPERATIONS**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **(€ mn)** | **Q3 '12** | **Q3 '11** | **% Change** | **9M '12** | **9M '11** | **% Change** | |
| **Revenues:** |  |  |  |  |  |  | |
| Monthly service fees | 174.5 | 197.9 | -11.8% | 544.5 | 599.0 | -9.1% | |
| Airtime revenues | 210.9 | 228.5 | -7.7% | 610.7 | 593.4 | +2.9% | |
| Interconnection revenues | 74.1 | 101.7 | -27.1% | 255.8 | 285.9 | -10.5% | |
| Roaming revenues | 19.1 | 21.6 | -11.6% | 31.3 | 35.5 | -11.8% | |
| SMS revenues and other services | 47.3 | 55.6 | -14.9% | 148.9 | 169.8 | -12.3% | |
| Sales of handsets and accessories | 79.6 | 83.7 | -4.9% | 217.6 | 237.5 | -8.4% | |
| Commission revenues | 1.7 | 1.0 | +70.0% | 6.2 | 2.1 | +195.2% | |
| Οther operating revenues | 13.4 | 8.3 | +61.4% | 35.8 | 23.3 | +53.6% | |
| **Total Revenues** | **620.4** | **698.3** | **-11.2%** | **1,850.9** | **1,946.5** | **-4.9%** | |
| Revenues from |  |  |  |  |  |  | |
| telecommunication services | 525.8 | 605.3 | -13.1% | 1,591.3 | 1,683.6 | -5.5% | |
|  |  |  |  |  |  |  | |
| Other Operating income/(expenses) | (1.2) | (3.8) | -68.4% | (4.0) | (5.1) | -21.6% | |
|  |  |  |  |  |  |  | |
| **Operating Expenses:** |  |  |  |  |  |  | |
| Interconnection | (57.4) | (73.9) | -22.3% | (184.1) | (213.4) | | -13.7% | |
| Cost of goods | (58.8) | (69.8) | -15.8% | (168.0) | (199.9) | | -16.0% | |
| Personnel Exp (incl. VRS & Restructuring) | (56.2) | (58.0) | -3.1% | (170.6) | (189.7) | | -10.1% | |
| Network operating costs | (51.9) | (52.7) | -1.5% | (158.7) | (162.4) | | -2.3% | |
| Distribution & sales | (73.8) | (86.0) | -14.2% | (220.8) | (230.9) | | -4.4% | |
| Marketing & Customer care | (31.3) | (35.3) | -11.3% | (95.8) | (111.1) | | -13.8% | |
| General & administrative | (28.8) | (28.0) | +2.9% | (92.2) | (78.1) | | +18.1% | |
| Provision for doubtful accounts | (21.1) | (27.5) | -23.3% | (62.5) | (70.8) | | -11.7% | |
| Depreciation | (114.8) | (122.7) | -6.4% | (342.1) | (372.2) | | -8.1% | |
| **Total Operating Expenses** | **(494.3)** | **(553.8)** | **-10.7%** | **(1,494.9)** | **(1,628.5)** | | **-8.2%** | |
|  |  |  |  |  |  |  | |
| **Operating Income (EBIT)** | **124.9** | **140.7** | **-11.2%** | **352.0** | **312.9** | **+12.5%** | |
|  |  |  |  |  |  |  | |
| **EBITDA** | **239.7** | **263.4** | **-9.0%** | **694.1** | **685.1** | **+1.3%** | |
| **as % of Revenues** | **38.6%** | **37.7%** | **+0.9pp** | **37.5%** | **35.2%** | **+2.3pp** | |
| **Pro forma\* EBITDA** | **239.7** | **263.5** | **-9.0%** | **694.1** | **696.5** | **-0.3%** | |
| **as % of Revenues** | **38.6%** | **37.7%** | **+0.9pp** | **37.5%** | **35.8%** | **+1.7pp** | |

\*Excluding impact of Voluntary Retirement Programs and Restructuring Plans

**EXHIBIT VII –OPERATIONAL HIGHLIGHTS**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **Sep 30, 2012** | | **Sep 30, 2011** | | **% Change** | |
| **Fixed Line Operations, Greece** |  |  | |  | |
| PSTN connections | 2,787,936 | | 3,102,912 | | -10.2% | |
| ISDN connections (BRA & PRA) | 401,238 | | 444,641 | | -9.8% | |
| **Total PSTN & ISDN connections** | **3,189,174** | | **3,547,553** | | **-10.1%** | |
| *Wholesale line rental connections* | *64,059* | | *91,384* | | *-29.9%* | |
| **PSTN & ISDN connections ex-WLR** | **3,125,115** | | **3,456,169** | | **-9.6%** | |
|  |  | |  | |  | |
| Total OTE ADSL active subscribers | 1,171,140 | | 1,137,189 | | +3.0% | |
| **OTE ADSL active retail subscribers** | **1,146,450** | | **1,105,395** | | **+3.7%** | |
| OTE TV Subscribers (IPTV & Satellite) | 96,773 | | 55,577 | | +74.1% | |
| Unbundled local loops (active) | 1,754,607 | | 1,575,721 | | +11.4% | |
| Employees | 10,436 | | 10,742 | | -2.8% | |
|  |  | |  | |  | |
| **Fixed Line Operations, Romania** |
| Voice Telephony lines (Incl. CDMA) | 2,360,033 | | 2,527,181 | | -6.6% | |
| Broadband subscribers(Incl. CDMA BB) | 1,181,447 | | 1,106,946 | | +6.7% | |
| TV subscribers (DTH, IPTV & Cable) | 1,231,077 | | 1,208,293 | | +1.9% | |
| Employees | 7,436 | | 7,663 | | -3.0% | |
| **Mobile Operations** |  | |  | |  | |
| Mobile subscribers, Greece | 7,777,585 | | 7,873,218 | | -1.2% | |
| Mobile subscribers, Albania | 1,825,025 | | 1,819,692 | | +0.3% | |
| Mobile subscribers, Bulgaria | 4,440,681 | | 4,165,597 | | +6.6% | |
| Mobile subscribers, Romania | 6,382,344 | | 6,540,235 | | -2.4% | |
| Employees | 8,513 | | 8,674 | | -1.9% | |

**EXHIBIT VIII –EBITDA AND PRO-FORMA EBITDA CALCULATION**

EBITDA and pro forma EBITDA, as defined by OTE, are financial measures that help OTE to evaluate its core business operating results, before investing and financing activities, and before the effect of depreciation, amortization and impairment and to compare the performance of OTE and its subsidiaries with that of its peer group, which mainly consists of other European incumbent telecommunications operators. The following table provides a reconciliation of profit/loss for the period attributable to shareholders of the parent to EBITDA and pro forma EBITDA.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **(€ mn)** | **Q3 '12** | **Q3 '11** | **% Change** | **9M '12** | **9M '11** | **% Change** | |
| **Profit for the year attributable to shareholders of the parent** | **109.0** | **104.4** | **4.4%** | **520.1** | **196.8** | **+164.3%** | |
| Plus: |  |  |  |  |  |  | |
| Depreciation amortization and impairment | 224.5 | 257.3 | -12.7% | 676.4 | 785.9 | -13.9% | |
| Total (profit)/loss from financial activities \* | 56.7 | 71.3 | -20.5% | (56.3) | 176.5 | -131.9% | |
| Income taxes | 30.7 | 31.5 | -2.5% | 102.0 | 106.7 | -4.4% | |
| Minority interest | 9.2 | (0.2) | - | 22.1 | (11.4) | - | |
| **EBITDA** | **430.1** | **464.3** | **-7.4%** | **1,264.3** | **1,254.5** | **+0.8%** | |
| Adjustments: |  |  |  |  |  |  | |
| Cost of early retirement programs | 0.0 | 4.1 | - | 0.0 | 53.8 | - | |
| **Pro Forma EBITDA** | **430.1** | **468.4** | **-8.2%** | **1,264.3** | **1,308.3** | **-3.4%** | |
| \* Total profit/(loss) from financial activities includes interest expense, interest income, foreign exchange differences, gains/(losses) from financial assets and dividend income. | | | |  |  |  |