

**Valuation & Research Specialists (VRS)**  
Equity Research Team  
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## OTE (HELLENIC TELECOMMUNICATIONS ORGANIZATION) S.A. [Bloomberg Ticker: HTO:GA, Reuters Ticker: OTEr.AT]

**Business Sector: Telecommunication Providers**

### Business Profile – Growth Drivers – Investment & Valuation Highlights

- OTE (HTO or Hellenic Telecommunications Organization or the Group) is an integrated telecommunications provider based in Athens, Greece, with strong presence in Southeastern Europe (Romania and Albania). The Group provides voice, mobile and broadband services in the markets it operates (it does not provide fixed line operations in Albania). OTE stock is listed on Athens Exchange. OTE ADRs trade in the US OTC (Over the Counter) market and OTE GDRs (Global Depositary Receipts) are also listed on the London Stock Exchange.
- OTE Group has the following strategic objectives: (1) Be the leader in broadband, ICT and Pay-TV services in Greece; (2) Constantly improve quality of services and value delivered to the customer; (3) Maximize shareholders' value.
- Over the past 4-5 years, OTE Group's revenues have been decreasing due to strong competition in the Greek market, and also due to the MTR (mobile termination rate) cuts and the difficult macroeconomic environment. On consolidated basis, there is a balanced EBITDA generation between the Group's two major income sources which are the fixed telephony and mobile markets in Greece with each accounting for 37% of Group EBITDA in the 12-month period ended on September 30, 2013. Furthermore, over the past years, effective overall cost management and pricing policy have significantly improved bottom line profit margins. ROE ratio is strong and debt to equity ratio has fallen notably during the period 2009 – 2013. The Group possessed strong cash position as of end September 2013.
- OTE stock has been outperforming the market for a year now (looking at last 5 years' comparative performance with the Athens Exchange General Index). Trailing P/E and P/S ratios stand at 9.17x and 0.95x respectively.

### 9-Month 2013 Financial Results

(€ million)	9M 2013	%	9M 2012
Revenues	3,008.6	-8%	3,285.7
Gross Profit *	1,057.2	-9%	1,163.5
EBT	490.2	-21%	621.1
EAT	505.4	-4%	524.7

Source: IFRS Consolidated Financial Statements.

\* Note: Gross profit is calculated by deducting cost of sales (including depreciation) from revenues. Otherwise, it is reported in line with the Company's reporting policy.

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Share Price (21/11/2013) € 8.55

# of Shares (,000)	490,150
Market Cap (in € mn )	4,190.79
A.D. Volume (p)	1,436,570
Beta Co-efficient	0.94

#### Statistical Data

Max 52 week	9.32 €
Min 52 week	3.55 €
1-M Rtn	-8.26%
6-M Rtn	33.80%
12-M Rtn	131.08%

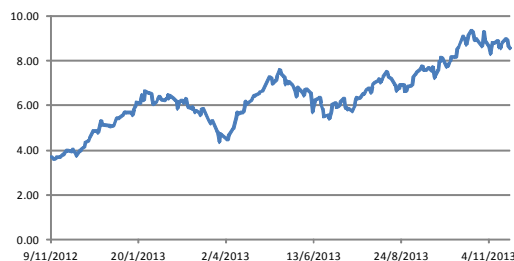
#### Shareholders' Structure

As of November 1, 2013.

Greek State	10.00%
Deutsche Telecom AG	40.00%
Other Investors & Free Float	50.00%

Source: VRS Calculations, Athens Exchange.

### Stock Price Performance (1 year, in €)



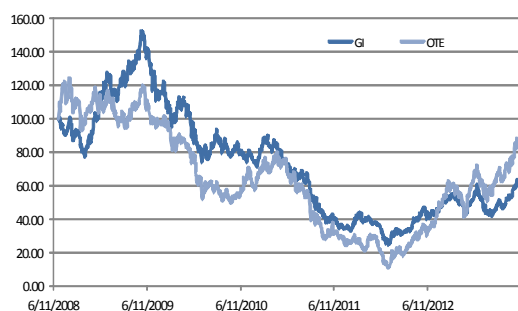
Note: Share price performance based on share price closes on Athens Exchange.

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Stock Versus General Index (Last 5 Years)



### BASIC FINANCIAL INDICATORS

(in € mn)	Sales	EBITDA	EBT	EATAM	P/E (x)	P/BV (x)	EV/EBITDA (x)	DEBT / EQUITY (x)	ROE %
2009	5,958.9	2,198.3	790.0	410.9	10.2	3.7	4.0	4.8	36%
2010	5,482.8	1,747.9	99.9	39.6	105.8	3.8	4.9	4.8	4%
2011	5,038.3	1,662.8	115.1	119.7	35.0	3.0	5.1	3.5	9%
2012	4,680.3	1,533.9	609.3	476.4	8.8	2.6	4.6	2.5	29%

Notes: (1) EATAM and equity are calculated excluding minorities. (2) P/E, P/BV and EV/EBITDA are based on current share price. Source: Official Consolidated Financial Statements (based on IFRS), VRS Calculations. n/c stands for non calculable.

### Working Capital Ratios

in EUR million		2009	2010	2011	2012
Sales	€ mn	5,958.90	5,482.80	5,038.30	4,680.30
Cost of Sales (net of depreciation)	€ mn	3,704.80	3,561.60	3,284.80	3,021.10
Gross Profit Margin	%	37.83%	35.04%	34.80%	35.45%
Net Income / Profit	€ mn	410.90	39.60	119.70	476.40
Net Profit Margin	%	6.9%	0.7%	2.4%	10.2%
Cash & Cash Equivalents	€ mn	868.80	1,004.30	683.40	1,161.60

Stock Days	Days	23	16	14	13
Stock Inventory	€ mn	229.10	160.80	125.00	111.40
Debtors Days	Days	71	67	67	64
Debtors - Receivables	€ mn	1,153.00	1,010.80	928.60	822.80
Creditors Days	Days	80	79	83	95
Creditors - Suppliers	€ mn	813.20	769.20	749.60	784.50
Operating Cycle (Days)	Days	93	84	81	78
Cash Cycle (Days)	Days	13	5	-2	-17

Source: Official Consolidated Financial Statements, VRS Calculations. Gross profit is calculated by deducting cost of sales (net of depreciation) from revenues.

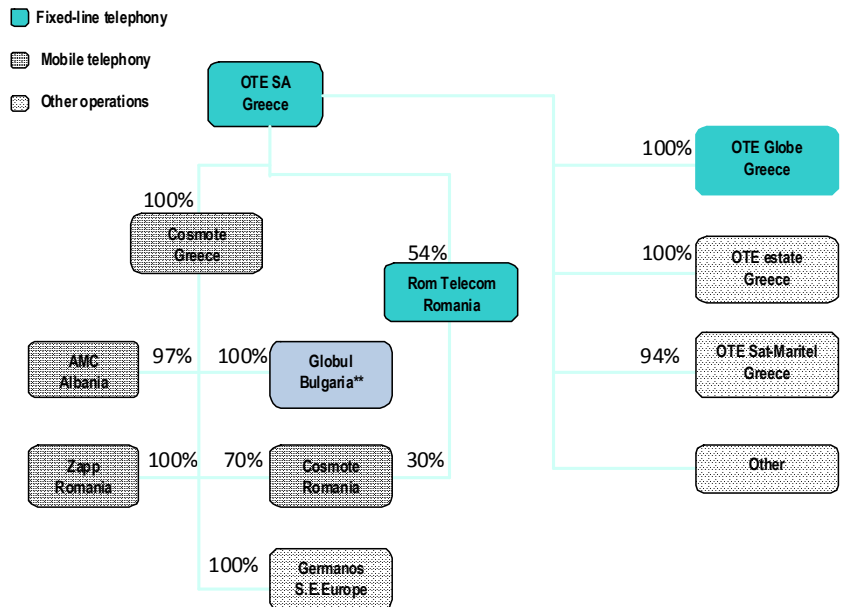
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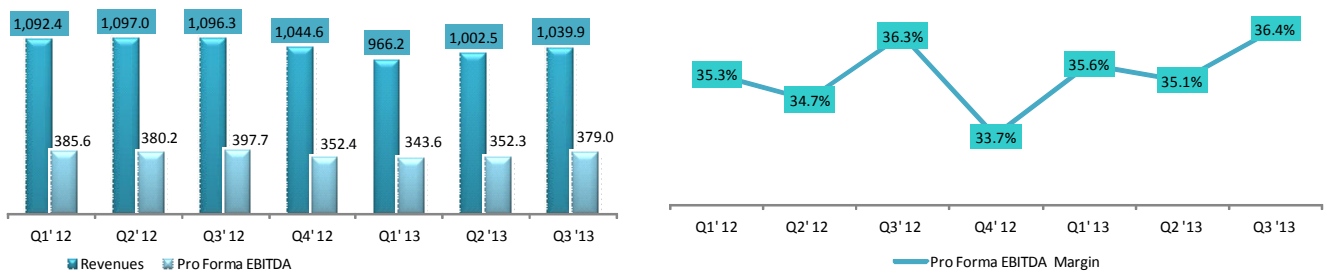
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### OTE Group Structure (\*)



\* OTE completed the sale of HellaSat on April, 2013.  
\*\* On July, 2013, OTE concluded Globul & Germanos Telecom Bulgaria A.D. sale to Telenor.

### Quarterly Evolution of Group Revenues, EBITDA and EBITDA Margin (EUR million / %, Period Q1 '12 – Q3 '13)



Source: Company.

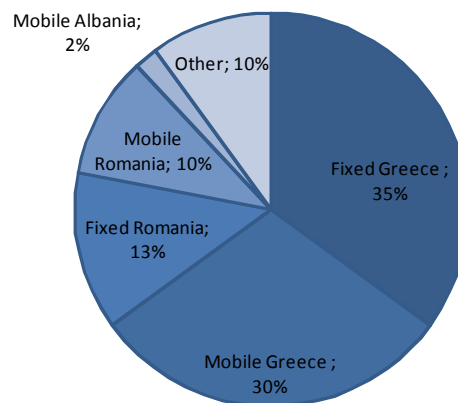
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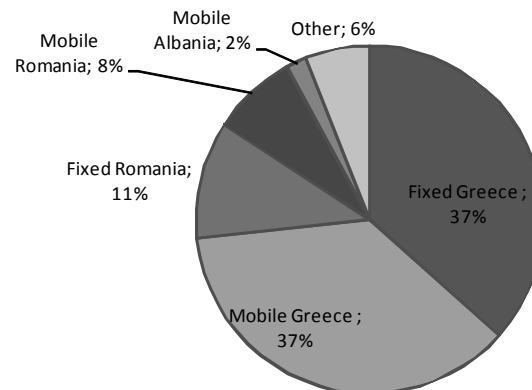
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### Consolidated Revenue Breakdown (12 Month Period ending September 30, 2013)



### Consolidated EBITDA Breakdown (12 Month Period ending September 30, 2013)



Source: Company.

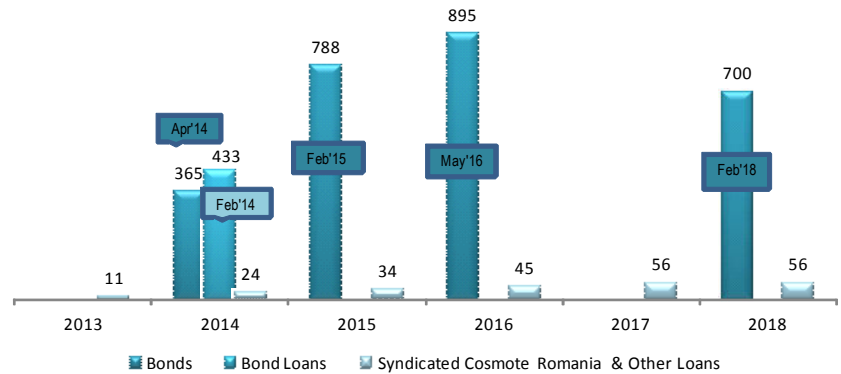
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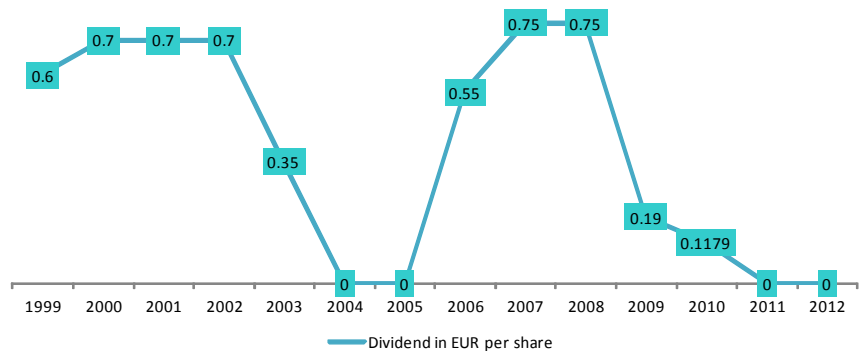
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### OTE Group Refinancing (EUR million - September 30, 2013 - Nominal Amounts)



### OTE Dividend Policy (Period 1999 - 2012)



Source: Company.

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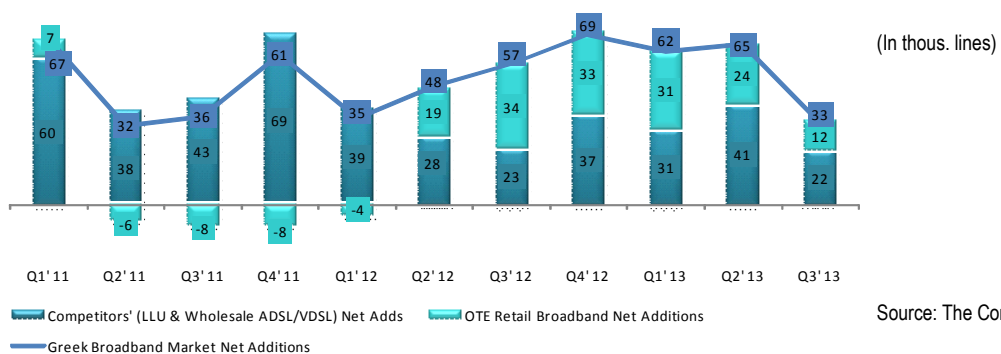
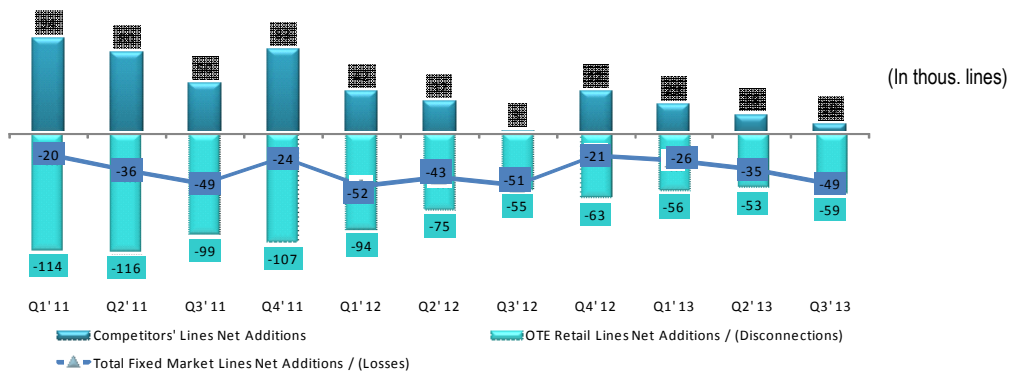
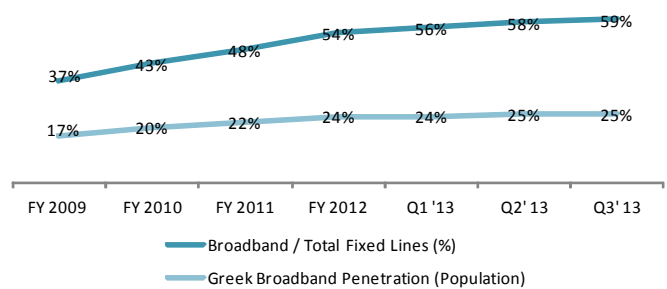
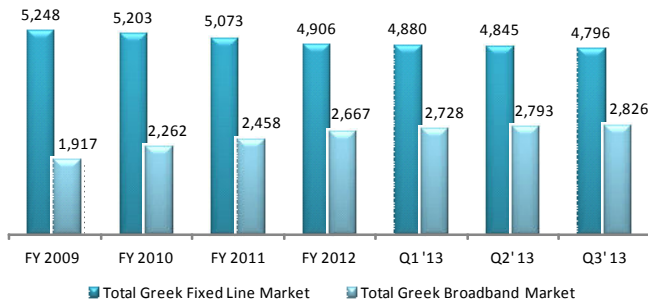
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### Evolution of Greek Fixed Telephony Market (Period 2009 – Q3 '13)

(In thous. lines)

(Broadband and Penetration)



Source: The Company.

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Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
OTE S.A.	HTO:GA	OTEr.AT	€ 8.55	November 21, 2013	2, 3

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2. VRS has sent the research report to the covered company, prior to publication or dissemination, for factual verification.
3. VRS has changed the contents of the initially sent report, with respect to: factual changes have been made.
4. VRS has received compensation from the covered company for the preparation of this research report.
5. VRS produces research reports for this company on systematic basis.
6. VRS produces research reports for this company on demand basis.
7. VRS has produced a research report for this company within the past 12 months.

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