

**Valuation & Research Specialists (VRS)**  
Equity Research Team  
info@valueinvest.gr

## 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 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 the 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 5-6 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 in broader terms. Over the same period 2009 – 2014, ROE has been weakening and debt to equity ratio has fallen notably. The Group possessed strong cash position as of end 2014.
- With regard to future strategy, OTE's management has disclosed its objectives for further operating cost reduction, working capital discipline and lower debt expenses. 2015 is anticipated as stabilization year as far as the Greek operations are concerned, whereas over the same period OTE expects intense competition in the markets of Romania and Albania.
- Valuation multiples have been affected by the Group's weakening capacity to maintain its market shares and profitability in the Greek telecom sector over the long run.

### 2014 versus 2013 Breakdown of Consolidated Revenues & EBITDA

(€ mn)	2014 Revenues	As % of Total, 2014	2013 Revenues	Annual Change	2014 EBITDA	As % of Total, 2014	EBITDA Margin, 2014	2013 EBITDA	EBITDA Margin, 2013	Annual Change
Fixed Line Operations, Greece	1,511.7	39%	1,557.2	-2.9%	599.2	42%	40%	568.3	36%	5.4%
Mobile Operations, Greece	1,251.4	32%	1,336.5	-6.4%	459.2	32%	37%	500.2	37%	-8.2%
Fixed Line Operations, Romania	609.1	16%	609.5	-0.1%	159.9	11%	26%	159.3	26%	0.4%
Mobile Operations, Romania	439.4	11%	458.5	-4.2%	105.6	7%	24%	118.9	26%	-11.2%
Mobile Operations, Albania	81.5	2%	86.2	-5.5%	29.8	2%	37%	33.7	39%	-11.6%
Others	456.2	12%	448.0	1.8%	67.9	5%	15%	81.1	18%	-16.3%
Eliminations (Mobile & Group)	-430.9	-11%	-441.8	-2.5%	0	0%	0%	-5.2	1%	-
<b>TOTAL</b>	<b>3,918.4</b>		<b>4,054.1</b>	<b>-3.3%</b>	<b>1,421.6</b>			<b>1,456.3</b>		<b>-2.4%</b>
Other income	66.4		42.3	57.0%						

Source: The Company.

#### Important Note:

Information contained herein is based on data obtained from recognized statistical services, issue reports or communications, or other sources, believed to be reliable. However, such information has not been verified by VRS, and VRS does not make any representation as to its accuracy and completeness. Opinions, estimates, and statements nonfactual in nature expressed in its research represent VRS's judgment as of the date of its reports, are subject to change without notice and are provided in good faith and without legal responsibility. In addition, there may be instances when fundamental, technical and quantitative opinions, estimates, and statements may not be in concert. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation of an offer to buy any shares, warrants, convertible securities or options of "covered companies" by no means. Valuation & Research Specialists (VRS) are the sole creators and distributors of this report.

#### Share Price (4/3/2015) € 9.06

# of Shares (,000)	490,150
Market Cap (in € mn)	4,440.76
A.D. Volume (p)	1,137,585
Beta Co-efficient	1.05
<b>Statistical Data</b>	
Max 52 week	13.18 €
Min 52 week	7.32 €
1-M Rtn	23.77%
6-M Rtn	-17.64%
12-M Rtn	-29.44%

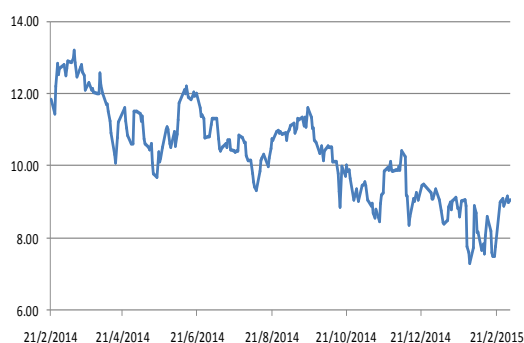
#### Shareholders' Structure

As of June 30, 2014

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

Source: VRS Calculations, Company, Athens Exchange.

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



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

## OTE (HELLENIC TELECOMMUNICATIONS ORGANIZATION) S.A. [Bloomberg Ticker: HTO:GA, Reuters Ticker: OTEr.AT]

Business Sector: Telecommunication Providers

### 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	2,168.0	790.0	410.9	10.8	3.9	4.1	4.8	36%
2010	5,482.8	1,919.4	99.9	39.6	112.1	4.0	4.6	4.8	4%
2011	5,038.3	1,731.8	115.1	119.7	37.1	3.2	5.0	3.5	9%
2012	4,330.3	1,515.9	569.3	471.9	9.4	2.8	4.8	2.5	30%
2013	4,054.1	1,456.3	314.8	316.7	14.0	2.3	4.1	1.5	16%
2014	3,918.4	1,421.6	395.4	267.4	16.6	2.1	3.9	1.2	13%

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.

**Stock Versus General Index**  
(Last 5 Years, Base = 100)



### Working Capital Ratios

in € million	2009	2010	2011	2012	2013	2014	
Revenues	€ mn	5,958.90	5,482.80	5,038.30	4,330.30	4,054.10	3,918.40
Cost (net of depreciation)	€ mn	3,704.80	3,561.60	3,284.80	2,843.70	2,646.10	2,590.90
Gross Profit Margin	%	37.83%	35.04%	34.80%	34.33%	34.73%	33.88%
Net Income / Profit	€ mn	410.90	39.60	119.70	471.90	316.70	267.40
Net Profit Margin	%	6.9%	0.7%	2.4%	10.9%	7.8%	6.8%
Cash & Cash Equivalents	€ mn	868.80	1,004.30	683.40	1,161.60	1,444.30	1,509.90

Stock Days	Days	23	16	14	14	13	12
Stock Inventory	€ mn	229.10	160.80	125.00	111.40	97.00	87.90
Debtors Days	Days	71	67	67	69	65	64
Debtors - Receivables	€ mn	1,153.00	1,010.80	928.60	822.80	720.40	684.90
Creditors Days	Days	80	79	83	101	127	141
Creditors - Suppliers	€ mn	813.20	769.20	749.60	784.50	923.70	998.40
Operating Cycle (Days)	Days	93	84	81	84	78	76
Cash Cycle (Days)	Days	13	5	-2	-17	-49	-64

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

### Important Note:

Information contained herein is based on data obtained from recognized statistical services, issue reports or communications, or other sources, believed to be reliable. However, such information has not been verified by VRS, and VRS does not make any representation as to its accuracy and completeness. Opinions, estimates, and statements nonfactual in nature expressed in its research represent VRS's judgment as of the date of its reports, are subject to change without notice and are provided in good faith and without legal responsibility. In addition, there may be instances when fundamental, technical and quantitative opinions, estimates, and statements may not be in concert. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation of an offer to buy any shares, warrants, convertible securities or options of "covered companies" by no means. Valuation & Research Specialists (VRS) are the sole creators and distributors of this report.

---

# VALUATION & RESEARCH SPECIALISTS (VRS)

Value Invest - [www.valueinvest.gr](http://www.valueinvest.gr) Investment Research & Analysis Journal – [www.iraj.gr](http://www.iraj.gr)

---

## DISCLOSURE STATEMENT (1)

VALUATION & RESEARCH SPECIALISTS (VRS) is an independent firm providing advanced equity research, quality valuations and value-related advisory services to local and international business entities and / or communities. VRS services include valuations of intangible assets, business enterprises, and fixed assets. VRS's focus business is in providing independent equity research to its institutional and retail clients / subscribers.

**VRS is not a brokerage firm and does not trade in securities of any kind. VRS is not an investment bank and does not act as an underwriter for any type of securities.**

VRS accepts fees from the companies it covers and researches (the "covered companies"), and from major financial institutions. The sole purpose of this policy is to defray the cost of researching small and medium capitalization stocks which otherwise receive little research coverage. In this manner VRS can minimize fees to its clients / subscribers and thus broaden investor's attention to the "covered companies."

VRS analysts are compensated on a per-company basis and not on the basis of their recommendations. Analysts are not allowed to solicit prospective "covered companies" for research coverage by VRS and are not allowed to accept any fees or other consideration from the companies they cover for VRS. Analysts are also not allowed to trade in the shares, warrants, convertible securities, or options of companies they cover for VRS.

Furthermore, VRS, its officers, and directors cannot trade in shares, warrants, convertible securities or options of any of the "covered companies." VRS accepts payment for research only in cash and will not accept payment in shares, warrants, convertible securities or options of "covered companies" by no means.

To ensure complete independence and editorial control over its research, VRS follows certain business practices and compliance procedures, which are also applied internationally. Among other things, fees from "covered companies" are due and payable prior to the commencement of research and, as a contractual right, VRS retains complete editorial control over the research process and the final equity analysis report.

Information contained herein is based on data obtained from recognized statistical services, issue reports or communications, or other sources, believed to be reliable. However, such information has not been verified by VRS, and VRS does not make any representation as to its accuracy and completeness. Opinions, estimates, and statements nonfactual in nature expressed in its research represent VRS's judgment as of the date of its reports, are subject to change without notice and are provided in good faith and without legal responsibility. In addition, there may be instances when fundamental, technical and quantitative opinions, estimates, and statements may not be in concert. Neither the information nor any opinion expressed shall constitute an offer to sell or a solicitation of an offer to buy any shares, warrants, convertible securities or options of "covered companies" by no means.

## DISCLOSURE CHECKLIST

Covered Company	Bloomberg	Reuters	Stock Price	Date	Disclosure
OTE S.A.	HTO:GA	OTEr.AT	€ 9.06	March 4, 2015	--

1. VRS has acted as financial consultant for the covered company within the past 24 months.
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.

---

Please contact **VALUATION & RESEARCH SPECIALISTS** for further information on Equity Research Related Fees.

---

# VALUATION & RESEARCH SPECIALISTS (VRS)

Value Invest - [www.valueinvest.gr](http://www.valueinvest.gr) Investment Research & Analysis Journal – [www.iraj.gr](http://www.iraj.gr)

---

---

## DISCLOSURE STATEMENT (2)

The current research report as well as other statements that VRS may proceed with may include future statements, regarding the future financial performance of a company or another entity or product, as well as strategies and expectations. Statements about the future may typically include expressions such as “trend”, “prospect”, “opportunity”, “course”, “believe”, “possibly”, “expect”, “current”, “intention”, “estimate”, “forecast”, continuation, “remain”, “maintain”, “target” and other similar expressions or future or hypothetical verbs such as “will”, “must”, “could”, “may be” and other expressions.

VALUATION & RESEARCH SPECIALISTS (VRS) caution that forward-looking statements are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made, and VRS assumes no duty to and does not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

In addition to factors previously disclosed in VRS reports and those identified elsewhere in this communication, the following factors, among others, could cause actual results to differ materially from forward-looking statements or historical performance: (1) the introduction, withdrawal, success and timing of business initiatives and strategies; (2) changes in political, economic or industry conditions, the interest rate environment or financial and capital markets, which could result in changes in demand for products or services or in the value of assets under management; (3) the impact of increased competition; (4) the impact of capital improvement projects; (5) the impact of future acquisitions or divestitures; (6) the unfavorable resolution of legal proceedings; (7) the extent and timing of any share repurchases; (8) the impact, extent and timing of technological changes and the adequacy of intellectual property protection; (9) the impact of legislative and regulatory actions and reforms and regulatory, supervisory or enforcement actions of government agencies; (10) terrorist activities and international hostilities, which may adversely affect the general economy, domestic and local financial and capital markets, as well as specific industries; (11) the ability to attract and retain highly talented professionals; (12) fluctuations in foreign currency exchange rates; (13) the impact of changes to tax legislation and, generally, the tax position of the covered company.

## COMPLIANCE WITH EU DIRECTIVES and GREEK LAWS

VRS prepares its equity research reports in a best effort to comply with the provisions of the EU Directive 2003/6/EK of the European Commission (L 339/73/24.12.2003, L 096/16/2003), the Guidelines 2003/125/EK and the Decision 4/347/12.7.2005 of the Hellenic Capital Markets Committee, as well as with the provisions of article 14, Greek Law 3340/2005, and the relevant clarifications with regard to the legal obligations of equity analysts. VRS analysts are certified by the Hellenic Capital Markets Committee. The latter may request from VRS analysts to justify their views and conclusions with regard to this research report.

## ANALYST CERTIFICATION

The views expressed in this report accurately reflect the personal views of the undersigned analyst(s) about the subject issuer and the securities of the issuer. In addition, the undersigned lead analyst(s) has not and will not receive any compensation for providing a specific recommendation or view in this research report.

---

### VRS Equity Research Contributors

Nicholas Georgiadis, [ngeorgiadis@valueinvest.gr](mailto:ngeorgiadis@valueinvest.gr)  
Christophoros Makrias, [cmakrias@valueinvest.gr](mailto:cmakrias@valueinvest.gr)  
Georgios A. Savvakis, [gsavvakis@valueinvest.gr](mailto:gsavvakis@valueinvest.gr)  
Maria Papadopoulou, [mpapadopoulou@valueinvest.gr](mailto:mpapadopoulou@valueinvest.gr)  
Constantina Bourelia, [cbourelia@valueinvest.gr](mailto:cbourelia@valueinvest.gr)  
Michail Rizos, [mrizos@valueinvest.gr](mailto:mrizos@valueinvest.gr)

---

### Investment Research & Analysis Journal

Dr. Efstratios Livanis  
Assistant Editor

---

Please contact **VALUATION & RESEARCH SPECIALISTS** for further information on Equity Research Related Fees.