

OTE GROUP REPORTS 2017 SECOND QUARTER RESULTS

- **Group Adj. EBITDA up 1%, supported by resumed growth (+3%) in Greek mobile**
- **Greece: stabilized revenues in core businesses; Adj. EBITDA up 1.5%, margin up more than 100bps, fueled by continued healthy growth in retail**
 - **Fixed: strong broadband and VDSL net additions**
 - **Mobile: post-paid subscriber and ARPU growth, higher data revenues**
- **Significant investments in Greece, mainly for FTTC development**

OTE GROUP (€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Revenues	938.8	954.7	-1.7%	1,867.8	1,883.2	-0.8%
Adjusted EBITDA	313.9	310.9	+1.0%	618.0	620.2	-0.4%
<i>Adj. EBITDA margin (%)</i>	<i>33.4%</i>	<i>32.6%</i>	<i>+0.8pp</i>	<i>33.1%</i>	<i>32.9%</i>	<i>+0.2pp</i>
Operating profit (EBIT)	110.3	99.2	+11.2%	214.8	196.4	+9.4%
Profit to owners of the parent	31.1	33.6	-7.4%	67.5	67.5	-
Adj. Profit to owners of the parent	40.8	38.3	+6.5%	79.0	75.0	+5.3%
Basic EPS (€)	0.0636	0.0687	-7.4%	0.1381	0.1381	-
Total Assets	7,420.7	7,119.5	+4.2%	7,420.7	7,119.5	+4.2%
Adj. Net Operating Cash Flow	272.9	263.4	+3.6%	446.6	452.4	-1.3%
Adjusted CapEx	223.0	138.1	+61.5%	408.0	302.8	+34.7%
Adjusted Free Cash Flow	49.9	125.3	-60.2%	38.6	149.6	-74.2%
Cash & Other financial assets	1,514.4	1,042.8	+45.2%	1,514.4	1,042.8	+45.2%
Adjusted Net Debt	527.4	736.4	-28.4%	527.4	736.4	-28.4%

OTE Fixed Line (€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Revenues	390.8	389.5	+0.3%	782.8	768.4	+1.9%
Adjusted EBITDA	163.1	161.8	+0.8%	331.1	322.9	+2.5%
<i>Adjusted EBITDA margin (%)</i>	<i>41.7%</i>	<i>41.5%</i>	<i>+0.2pp</i>	<i>42.3%</i>	<i>42.0%</i>	<i>+0.3pp</i>

Note: The purpose and calculations of all 'Adjusted' data presented in this report are detailed in the Alternative Performance Measures Section

ATHENS, Greece – August 3, 2017 - Hellenic Telecommunications Organization SA

(ASE: HTO; OTC MARKET: HLTOY), the Greek full-service telecommunications provider, today announced consolidated results (prepared under IFRS and reviewed by the auditors) for the quarter ended June 30, 2017.

Commenting on OTE's results for the second quarter of 2017, Michael Tsamaz, Chairman & CEO, noted: "We are pleased to report a solid three months of operations, marked by the first quarter of EBITDA growth in our Greek mobile activities in five years. At the top-line level, Greek fixed and mobile operations achieved higher revenues, supported by our continued success in providing adapted, cost-effective solutions to our clients. Broadband was strong, particularly VDSL, resulting from the extended reach of our network. Greek mobile service revenues turned positive, reversing a multi-year downtrend. In Romania, the ongoing success of our FMC service provided support to the fixed business. Our progress on the revenue front goes hand in hand with unwavering cost control, a priority if we want to convert revenues into EBITDA growth and cash flow generation in a period of accelerated investments".

Mr. Tsamaz added: "We are continuing to invest aggressively in the solutions that will drive future growth and customer satisfaction. In the first six months of the year, the percentage of revenues we reinvested

in networks and content rose considerably. We are more than ever convinced this is the right approach as Greece shows promising early signs of recovery.”

Outlook

OTE expects the fundamental drivers and first-half trends to remain largely unchanged in the second half. Broadband demand, notably for higher speeds, should continue strengthening, fueled in particular by the expanded reach of the VDSL offering; conversely, the number of voice-only customers should experience further decline, while growth in mobile data volume and revenues is likely to continue. Performance in Romania and Albania remains challenging. The Group will continue to invest heavily in the technologies, infrastructure and content that enable its customers to succeed across all its markets. OTE maintains its 2017 full-year guidance, namely an adjusted FCF target of approximately €250m, reflecting the increase in Capex to over €700mn, as well as exceptional income tax outlays.

OTE GROUP HIGHLIGHTS

OTE Group posted consolidated revenues of €938.8mn in Q2'17, down 1.7%.

In Greece, revenues were down 1.4% to €687.7mn as higher revenues from fixed and mobile operations, fueled by growth in retail and service revenues respectively, as well as from ICT projects, were offset by a drop in low-margin revenues related to the Rural Broadband project, now nearing completion, and by lower wholesale revenues due to a drop in the LLU regulated prices. Broadband revenues were up significantly as customers continue converting to higher-speed VDSL services, and pay-TV revenues were up once again, though at a slower pace, reflecting strong subscriber additions in the second half of 2016.

In Romania, total revenues were down 2.6%, impacted by the drop in revenues in mobile operations. Conversely, revenues from fixed operations were up 1.4%, driven by higher wholesale revenues and another period of robust performance from Telekom Romania's convergent fixed-mobile solution.

Total Operating Expenses, excluding depreciation, amortization, impairments and charges related to voluntary leave schemes, restructuring and non-recurring litigation costs, amounted to €633.9mn in Q2'17, down 2.7% compared to Q2'16.

The Group's adjusted EBITDA was up 1.0% to €313.9m. In Greece, adjusted EBITDA increased by 1.5%, yielding an Adjusted EBITDA margin of 39.6%, up more than 100 basis points. Adjusted EBITDA was up 5.9% in Romania, as a sharp increase in fixed offset the impact of continuing competitive pressure in mobile. Adjusted EBITDA was down 60.4% in Albania, where operations were further impacted by changes in international traffic patterns and termination rates.

The Group's Income Tax charge stood at €39.8mn in Q2'17, down 1.5%, reflecting lower profit before taxes.

Adjusted Group profit after minority interests (excluding one-off items) stood at €40.8mn in Q2'17, up 6.5% compared to Q2'16.

Adjusted Capital Expenditures amounted to €223.0mn in Q2'17, up 61.5%, mainly reflecting investments in Fixed-line operations in Greece at €131.1mn. Investments in Romania Fixed-line operations amounted to €20.5mn. In Mobile operations, adjusted Capex in Greece stood at €50.7mn, in Romania at €16.6mn and in Albania at €2.4mn.

In Q2'17, the Group's adjusted Free Cash Flow stood at €49.9mn, primarily reflecting the increase in Capital Expenditures.

The Group's adjusted Net Debt was €0.5bn at June 30, 2017, down 28% compared to June 30, 2016. The Group's ratio of adjusted Net Debt to 12-month trailing Adjusted EBITDA stood at 0.4x, unchanged from the prior quarter.

BREAKDOWN OF GROUP REVENUES

(€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Fixed Line Operations, Greece	390.8	389.5	+0.3%	782.8	768.4	+1.9%
Mobile Operations, Greece	292.7	291.2	+0.5%	566.2	568.1	-0.3%
Fixed Line Operations, Romania	151.6	149.5	+1.4%	295.0	286.6	+2.9%
Mobile Operations, Romania	106.5	110.1	-3.3%	214.3	223.1	-3.9%
Mobile Operations, Albania	17.2	20.1	-14.4%	32.9	40.6	-19.0%
Others	105.2	110.8	-5.1%	226.4	216.5	+4.6%
Eliminations (Mobile & Group)	(125.2)	(116.5)	+7.5%	(249.8)	(220.1)	+13.5%
TOTAL	938.8	954.7	-1.7%	1,867.8	1,883.2	-0.8%
<i>Other Operating Income</i>	9.0	7.4	+21.6%	21.2	16.1	+31.7%

BREAKDOWN OF GROUP ADJUSTED EBITDA

(€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Fixed Line Operations, Greece	163.1	161.8	+0.8%	331.1	322.9	+2.5%
<i>Margin</i>	<i>41.7%</i>	<i>41.5%</i>	<i>+0.2pp</i>	<i>42.3%</i>	<i>42.0%</i>	<i>+0.3pp</i>
Mobile Operations, Greece	99.9	97.0	+3.0%	186.8	188.9	-1.1%
<i>Margin</i>	<i>34.1%</i>	<i>33.3%</i>	<i>+0.8pp</i>	<i>33.0%</i>	<i>33.3%</i>	<i>-0.3pp</i>
Fixed Line Operations, Romania	25.4	15.2	+67.1%	46.8	35.7	+31.1%
<i>Margin</i>	<i>16.8%</i>	<i>10.2%</i>	<i>+6.6pp</i>	<i>15.9%</i>	<i>12.5%</i>	<i>+3.4pp</i>
Mobile Operations, Romania	13.8	21.8	-36.7%	29.5	40.1	-26.4%
<i>Margin</i>	<i>13.0%</i>	<i>19.8%</i>	<i>-6.8pp</i>	<i>13.8%</i>	<i>18.0%</i>	<i>-4.2pp</i>
Mobile Operations, Albania	2.1	5.3	-60.4%	2.9	9.5	-69.5%
<i>Margin</i>	<i>12.2%</i>	<i>26.4%</i>	<i>-14.2pp</i>	<i>8.8%</i>	<i>23.4%</i>	<i>-14.6pp</i>
Others	10.4	11.9	-12.6%	22.1	25.2	-12.3%
<i>Margin</i>	<i>9.9%</i>	<i>10.7%</i>	<i>-0.8pp</i>	<i>9.8%</i>	<i>11.6%</i>	<i>-1.8pp</i>
Eliminations (Mobile & Group)	(0.8)	(2.1)	-61.9%	(1.2)	(2.1)	-42.9%
OTE Group	313.9	310.9	+1.0%	618.0	620.2	-0.4%
<i>Margin</i>	<i>33.4%</i>	<i>32.6%</i>	<i>+0.8pp</i>	<i>33.1%</i>	<i>32.9%</i>	<i>+0.2pp</i>

BREAKDOWN PER COUNTRY (After Eliminations)

Revenues (€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Greece	687.7	697.3	-1.4%	1,373.1	1,376.5	-0.2%
Romania	235.5	241.8	-2.6%	465.3	475.2	-2.1%
Albania	15.6	15.6	-	29.4	31.5	-6.7%
OTE Group	938.8	954.7	-1.7%	1,867.8	1,883.2	-0.8%

Adjusted EBITDA (€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Greece	272.6	268.6	+1.5%	538.8	534.9	+0.7%
<i>margin</i>	<i>39.6%</i>	<i>38.5%</i>	<i>+1.1pp</i>	<i>39.2%</i>	<i>38.9%</i>	<i>+0.3pp</i>
Romania	39.2	37.0	+5.9%	76.3	75.8	+0.7%
<i>margin</i>	<i>16.6%</i>	<i>15.3%</i>	<i>+1.3pp</i>	<i>16.4%</i>	<i>16.0%</i>	<i>+0.4pp</i>
Albania	2.1	5.3	-60.4%	2.9	9.5	-69.5%
<i>margin</i>	<i>13.5%</i>	<i>34.0%</i>	<i>-20.5pp</i>	<i>9.9%</i>	<i>30.2%</i>	<i>-20.3pp</i>
OTE Group	313.9	310.9	+1.0%	618.0	620.2	-0.4%
<i>margin</i>	<i>33.4%</i>	<i>32.6%</i>	<i>+0.8pp</i>	<i>33.1%</i>	<i>32.9%</i>	<i>+0.2pp</i>

GREECE

OTE's retail revenues in Greece were positive in the second quarter, on both fixed and mobile fronts, as its strong operating performance drove revenue growth. OTE's total revenues in Greece were down 1.4%, as higher performances in fixed-line and mobile activities, fueled by broadband and cellular data, were offset by lower wholesale revenues and the wind-down of the Rural Broadband Project. Overall, adjusted EBITDA from combined Greek fixed and mobile businesses increased by 1.5% in Q2'17.

Fixed-Line Operations, Greece

Access Lines	June 2017	June 2016	Change
PSTN connections	1,451,966	2,091,833	-30.6%
ISDN connections (BRA & PRA)	247,205	285,701	-13.5%
Other (MSAN & VoB)	941,486	304,426	+209.3%
Access line connections (incl. WLR)	2,640,657	2,681,960	-1.5%
Retail access line connections	2,631,838	2,670,364	-1.4%
Active Broadband retail subscribers	1,682,170	1,575,383	+6.8%
<i>of which: Retail VDSL connections</i>	<i>279,581</i>	<i>186,208</i>	<i>+50.1%</i>
COSMOTE TV Subscribers	503,800	458,920	+9.8%
Unbundled local loops (active)	2,105,945	2,055,870	+2.4%

In Q2'17, the total Greek access market (OTE active retail lines, Wholesale line rental connections and full LLU subscribers) lost 5k lines, while OTE's fixed-line operations posted a net loss of 8k access lines.

OTE achieved net additions of 27k retail broadband customers in Q2'17, representing 89% of total net additions. The total number of OTE retail broadband subscribers rose to 1,682k. Penetration of OTE's high-speed VDSL broadband service continued to expand, with net additions of 27k in the quarter. At quarter end, OTE's VDSL offer had been adopted by 280k subscribers, or 16.6% of OTE's total retail broadband base, up sharply from 15.2% at the end of the first quarter of 2017. OTE's continuing success in expanding a premium service in a period of significant downward pressure on consumer spending validates the strategy of investing in VDSL. From the total number of cabinets allocated to OTE for VDSL upgrade last February, the company had activated approximately 53% by the end of the quarter, with an additional 35% close to completion.

In Q2'17, the total number of TV subscribers decreased by 1k sequentially to 504k. The anticipated slowdown in customer acquisition following a long period of particularly rapid subscriber growth reflects the maturity of this market segment, the additional taxation on pay-TV subscriptions implemented last year and a seasonal slowdown.

SUMMARY FINANCIAL DATA – FIXED-LINE OPERATIONS, GREECE

(€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Revenues	390.8	389.5	+0.3%	782.8	768.4	+1.9%
- Retail Fixed Services	224.8	223.3	+0.7%	448.8	443.9	+1.1%
- Wholesale Fixed Services	85.2	87.1	-2.2%	172.9	168.5	+2.6%
- Other	80.8	79.1	+2.1%	161.1	156.0	+3.3%
Other income/ (expense), net	1.3	0.5	+160.0%	2.8	2.8	-
Adj. EBITDA	163.1	161.8	+0.8%	331.1	322.9	+2.5%
Adj. EBITDA margin (%)	41.7%	41.5%	+0.2pp	42.3%	42.0%	+0.3pp
Voluntary leave schemes	0.0	0.0	-	(2.1)	(2.6)	-19.2%
Depreciation, Amortization & Impairments	(78.4)	(76.5)	+2.5%	(155.8)	(159.0)	-2.0%
Operating Income (EBIT)	84.7	85.3	-0.7%	173.2	161.3	+7.4%

Greek fixed-line operations posted year-over-year revenue growth of 0.3% in Q2'17. Revenues from retail fixed services rose 0.7%, supported by continued solid performances in broadband and, to a lesser extent, pay-TV. The modest drop in voice revenues was roughly in line with the trends experienced since mid-2016. These resilient performances reflect OTE's investments in high-speed networks and new solutions, improvements in customer experience, and the steady rollout of commercial initiatives aiming to drive ARPU potential and increase loyalty of our embedded base. Broadband revenues were boosted by the strong VDSL take-up in the quarter, resulting from the extending reach of the network as well as commercial efforts to increase the awareness and appeal of the service. Wholesale Revenues were negatively affected by the retroactive application of lower regulated unbundling prices.

Total Greek fixed-line Operating Expenses, excluding depreciation, amortization and charges related to voluntary leave schemes, restructuring and non-recurring litigations amounted to €229.0mn in Q2'17, a slight increase of 0.4% compared to Q2'16. Personnel expenses were down 6.4%, reflecting voluntary leave schemes last year. In order to reach its EBITDA and free cash flow targets, OTE is sustaining stringent cost-containment initiatives targeting personnel-related costs as well as all other expense lines.

Adjusted EBITDA increased by 0.8% to €163.1mn in Q2'17, boosted by revenue growth and cost-reduction initiatives. As a result, adjusted EBITDA margin in Greek fixed-line operations rose 20 basis points to 41.7% compared to Q2'16.

MOBILE OPERATIONS, GREECE

	June 2017	June 2016	Change
Mobile Subscribers	7,737,040	7,610,022	+1.7%

(€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Service Revenues	235.9	234.5	+0.6%	453.8	456.3	-0.5%
Total Revenues	292.7	291.2	+0.5%	566.2	568.1	-0.3%
Adjusted EBITDA	99.9	97.0	+3.0%	186.8	188.9	-1.1%
Adj. EBITDA margin (%)	34.1%	33.3%	+0.8pp	33.0%	33.3%	-0.3pp

As of June 30, 2017, COSMOTE provided mobile telephony services to 7.7mn customers in Greece, up 1.7% year on year.

Total Mobile revenues increased by 0.5% in Q2'17, extending the improving trend recorded in the previous quarter, driven by service revenues, which totaled €235.9mn in the quarter, an increase of 0.6%. Supported by strong data growth, this represents the first quarter after several years when a positive trend in mobile service revenues seems to take hold.

Data revenues rose by 23% in the quarter, reflecting COSMOTE's focus on providing market-leading coverage and speeds. COSMOTE's 4G and 4G+ footprints now cover approximately 97% and 86% of the Greek population, respectively. About 50% of COSMOTE's data traffic now originates from 4G devices. COSMOTE has introduced a number of new mobile propositions across postpaid and prepaid segments, addressing higher demand for mobile internet and capitalizing on the expanded 4G network capabilities.

The change in roaming regulation within the EU is proving a significant booster of roaming volume, notably in data, and of related revenues. While this impact remained marginal in the second quarter, when the tourist season was in its early stage, it should gain scale in Q3.

In Q2'17, COSMOTE Greece's blended AMOU dropped by 2.2% to 287 minutes. Blended ARPU for the same period was €10.8, down 2.2% from Q2'16, largely due to pressure in the prepaid market, whereas postpaid ARPU increased.

ROMANIA

Total revenues from Group operations in Romania were down 2.6% to €235.5m, reflecting competitive pressure in mobile, especially prepaid, partially offset by a solid performance in Fixed, driven by the Company's fixed-mobile convergent solution and wholesale.

The Group is investing in upgrading its Romanian network infrastructure, including expanding its own 4G coverage and FTTH footprint, which are key elements of its strategy in that market. Capex dedicated to extend 4G coverage will result in providing data access to a wider customer base in a more cost-effective manner. Similarly, expanded FTTH coverage, currently reaching approximately 2.1 million households, is gradually picking up pace with subscribers. Commercially, the focus on convergent bundles, including fixed, mobile and TV, is a significant differentiating factor increasingly appreciated by customers, as evidenced by growing revenues and subscriber numbers.

Combined adjusted EBITDA in Romania posted an increase of 5.9% from €37.0m to €39.2m in the second quarter of 2017.

FIXED LINE OPERATIONS, ROMANIA SUMMARY FINANCIAL & SUBSCRIBERS DATA

	June 2017	June 2016	Change
Voice Telephony Lines*	2,118,210	2,182,636	-3.0%
Broadband subscribers*	1,185,687	1,193,626	-0.7%
TV subscribers	1,470,692	1,461,287	+0.6%
<i>FMC Customers</i>	424,983	310,314	+37.0%

*Including FMC

(€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Revenues	151.6	149.5	+1.4%	295.0	286.6	+2.9%
- Retail Fixed Services	72.9	76.6	-4.8%	147.4	155.5	-5.2%
- Wholesale Fixed Services	38.1	29.9	+27.4%	67.5	54.1	+24.8%
- Other	40.6	43.0	-5.6%	80.1	77.0	+4.0%
Other income/ (expense), net	6.3	5.2	+21.2%	13.9	10.1	+37.6%
Adj. EBITDA	25.4	15.2	+67.1%	46.8	35.7	+31.1%
Adj. EBITDA margin (%)	16.8%	10.2%	+6.6pp	15.9%	12.5%	+3.4pp
Voluntary leave schemes	(7.9)	(4.2)	+88.1%	(8.3)	(4.5)	+84.4%
Depreciation, Amortization & Impairments	(28.3)	(36.6)	-22.7%	(56.3)	(69.2)	-18.6%
Operating Income (EBIT)	(10.8)	(25.6)	-57.8%	(17.8)	(38.0)	-53.2%

Romania Fixed

In Q2'17, revenues from Romanian fixed-line activities were up 1.4% from the prior-year level, primarily reflecting the company's successful Fixed-Mobile convergent (FMC) solution and wholesale revenues.

Compared to Q2'16, fixed voice revenues continued their downward trend by 14%, broadband revenues were down slightly by 0.5%, while TV revenues rose by 4.0%. Compared to June 30, 2016, the number of FMC subscribers increased by 37%, the total number of TV subscribers increased marginally by 0.6%, while the number of fixed broadband subscribers was down just 0.7%.

The decrease in other revenues largely reflects the finalization of the RoNet (Rural) project, and the seasonality of ICT revenue partially offset by FMC services. The year-on-year increase in other income in Q2'17 is primarily due to sale of real estate assets.

Total Romanian fixed-line Operating Expenses, excluding depreciation, amortization, and charges related to voluntary leave schemes, restructuring and non-recurring litigation costs, decreased by 5.0% in Q2'17 compared to Q2'16. Lower indirect costs like the abolished construction tax, rentals, network maintenance and advertising more than offset higher, customer-driven direct costs (interconnection, mobile handsets, customer premise equipment).

Romania Mobile

	Jun '17	Jun '16	Change
Mobile subscribers	4,847,866	5,589,924	-13.3%

(€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Service Revenues	72.2	76.0	-5.0%	143.2	153.1	-6.5%
Total Revenues	106.5	110.1	-3.3%	214.3	223.1	-3.9%
Adjusted EBITDA	13.8	21.8	-36.7%	29.5	40.1	-26.4%
Adj. EBITDA margin (%)	13.0%	19.8%	-6.8pp	13.8%	18.0%	-4.2pp

At June 30, 2017, Telekom Romania Mobile's customer base totaled 4.8m, down 13.3% from the year-earlier level. Of this total, 33.3% was postpaid. The total number of business customers grew by 1.7% compared to Q2'16, reflecting the Company's targeted offers for professional users and synergies with fixed-line operations.

Blended ARPU, stood at €5.0, up 5.9% compared to Q2'16, whereas blended AMOU increased by 1.3%.

Total revenue for the quarter stood at €106.5mn, down by 3.3%, mainly due to lower service revenue, as a result of lower customer base.

In Q2'17, total Operating Expenses, excluding depreciation, amortization, impairments, charges related to voluntary leave schemes, restructuring costs and non-recurring litigation costs, were up 4.4% compared to the same period last year, mainly due to cost of telecommunication services (including the cost of 4G national roaming), personnel and indirect goods and services purchased.

In Q2'17, adjusted EBITDA decreased by 36.7% compared to the year-earlier period. Working together with the Romanian fixed-line operations, Telekom Romania Mobile is taking steps to improve its performance, including enhanced 4G coverage, refocused sales efforts, and cost optimization.

ALBANIA

	Jun '17	Jun '16	<i>Change</i>
Mobile subscribers	1,863,323	1,733,480	+7.5%

(€ mn)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Service Revenues	16.5	19.1	-13.6%	31.7	38.8	-18.3%
Total Revenues	17.2	20.1	-14.4%	32.9	40.6	-19.0%
Adjusted EBITDA	2.1	5.3	-60.4%	2.9	9.5	-69.5%
Adj. EBITDA margin (%)	12.2%	26.4%	-14.2pp	8.8%	23.4%	-14.6pp

As of Q2'17, Telekom Albania's customer base, totaled 1.9m subscribers, up 7.5% compared to the same quarter last year.

Albania has traditionally relied on international terminating traffic, which has been a profitable stream of business. As terminating traffic has declined, due to retail price shifts in foreign markets, profitability has eroded, leading to an adjusted EBITDA decline of 60% compared to Q2'16.

Telekom Albania is taking steps to adapt its operating model to the changes in its market. As such, it has successfully increased outgoing revenues by 14% compared to Q2'16 and is introducing a number of changes in tariff bundles to partly offset the drop in international interconnection revenues and in conjunction with the optimization of indirect expenses lead to profitability recovery.

SIGNIFICANT EVENTS OF THE QUARTER

DIVIDEND

On June 20, 2017, the General Assembly of OTE's Shareholders approved the distribution of dividend of a total amount of €78.2mn or €0.16 (in absolute amount) per share.

SUBSEQUENT EVENTS OF THE QUARTER

BILATERAL TERM LOAN WITH EIB AND SYNDICATED FACILITY BY EBRD

On July 10, 2017, COSMOTE S.A. signed, with the guarantee of OTE, a €150.0mn bilateral term loan with EIB and a €150.0mn syndicated facility arranged by EBRD. The funds will be used to provide additional liquidity for COSMOTE's mobile broadband network coverage and capacity expansion investments in Greece. As of the date of the publication of this Report, the loans have not been drawn.

About OTE

OTE Group is the largest telecommunications provider in the Greek market and one of the leading telecom groups in Southeast Europe with presence in Greece, Romania and Albania. OTE is among the largest listed companies, with respect to market capitalization, in the Athens Stock Exchange.

OTE Group offers the full range of telecommunications services: from fixed-line and mobile telephony, broadband services, to pay television and ICT solutions. In addition to its core telecommunications activities, the Group is also involved in maritime communications, real-estate and professional training.

Additional Information is also available on: <https://www.cosmote.gr/>

Information on Financial Statements of OTE Group is available on:
<https://www.cosmote.gr/fixed/en/corporate/ir/financial-results/financial-statements-of-ote-group-and-ote-sa>

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Forward looking Disclaimer:

Certain statements in this document constitute forward-looking statements. Such forward looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. OTE will not update such statements on a regular basis. As a result, you are cautioned not to place any reliance on such forward-looking statements. Nothing in this document should be construed as a profit forecast and no representation is made that any of these statement or forecasts will come to pass. Persons receiving this announcement should not place undue reliance on forward-looking statements and are advised to make their own independent analysis and determination with respect to the forecast periods, which reflect the Group's view only as of the date hereof.



Exhibits to follow:

- I. Alternative Performance Measures "APMs"
- II. Consolidated Statements of Financial Position as of June 30, 2017 and December 31, 2016
- III. Consolidated Income Statements for the quarter and six months ended June 30, 2017 and comparative 2016
- IV. Group Revenues for the quarter and six months ended June 30, 2017 and comparative 2016
- V. Consolidated Statement of Cash Flows for the quarter ended June 30, 2017 and comparative quarters

I. ALTERNATIVE PERFORMANCE MEASURES "APMs"

The Group uses certain Alternative Performance Measures ("APMs") in making financial, operating and planning decisions as well as in evaluating and reporting its performance. These APMs provide additional insights and understanding to the Group's underlying operating and financial performance, financial condition and cash flow. The APMs should be read in conjunction with and do not replace by any means the directly reconcilable IFRS line items.

Definitions and reconciliations of Alternative Performance Measures ("APMs")

Alternative Performance Measures ("APMs")

In discussing the performance of the Group, "Adjusted" measures are used such as: Adjusted EBITDA and the respective margin %, Adjusted net operating cash flow, Adjusted CapEx, and Adjusted Free Cash Flow. These are calculated by deducting from the performance measures deriving from directly reconcilable amounts of the Financial Statements, the impact of costs or payments related to voluntary leave schemes, costs or payments for restructuring plans and non-recurring litigations and Spectrum acquisitions.

Costs or payments related to Voluntary Leave Schemes

Costs or payments related to Voluntary Leave Schemes comprise the exit incentives provided to employees and the contributions to the social security fund to exit/retire employees before conventional retirement age. These costs are included within the income statement as well as within the cash flow statement lines "costs related to voluntary leave schemes" and "payments for voluntary leave schemes". However, they are excluded from the adjusted results in order for the user to obtain a better understanding of the Group's operating and financial performance achieved from ongoing activity.

Costs or payments related to other restructuring plans and non-recurring litigations

Other restructuring costs and non-recurring litigations comprise non-ongoing activity related costs arising from significant changes in the way the Group conducts business and non-recurring legal expenses. These costs are included in the Company's/Group's income statement, while the payment of these expenses are included in the cash flow statement. However, they are excluded from the adjusted results in order for the user to obtain a better understanding of the Group's operating and financial performance achieved from ongoing activity.

Spectrum payments comprise the amounts paid to acquire rights (licenses) through auctions run by the National Regulator to transmit signals over specific bands of the electromagnetic spectrum. As those payments are of significant size and of irregular timing, it is a common industry practice to be excluded from the calculation of the Adjusted Free Cash Flow and Adjusted Capital Expenditure (CapEx) in order to facilitate comparability with industry peers.

Net debt

Net debt is an APM used by management to evaluate the Group's capital structure and leverage. Net debt is defined as short-term borrowings plus long-term borrowings plus short-term portion of long-term borrowings less cash and cash equivalents as illustrated in the table below.

Adjusted Net Debt

Net debt (adjusted) is used by management to evaluate the Group's capital structure and leverage defined as Net debt including other financial assets as they are highly liquidity assets. The calculations are described in the table below:

(Euro million)	30/06/2017	30/06/2016	Change
Long-term borrowings	1,234.9	1,734.8	-28.8%
Short-term portion of long-term borrowings	806.9	44.4	-
Short-term borrowings	-	-	-
Cash and cash equivalents	(1,508.5)	(1,035.4)	+45.7%
Net Debt	533.3	743.8	-28.3%

Other financial assets	(5.9)	(7.4)	-20.3%
Adjusted Net Debt	527.4	736.4	-28.4%

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)

EBITDA is intended to provide useful information to analyze the Group's operating performance. EBITDA is defined as total revenues plus other operating income less total operating expenses before depreciation, amortization and impairment, as illustrated in the table below. EBITDA margin (%) is defined as EBITDA divided by total revenues.

Adjusted EBITDA

Adjusted EBITDA is intended to provide useful information to analyze the Group's operating performance excluding the impact of costs related to voluntary leave schemes, other restructuring costs and non-recurring litigations. Adjusted EBITDA is defined as EBITDA adding back costs related to voluntary leave schemes, other restructuring costs and non-recurring litigations, as illustrated in the table below. Adjusted EBITDA margin (%) is defined as Adjusted EBITDA divided by total revenues.

(Euro million)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Total Revenues	938.8	954.7	-1.7%	1,867.8	1,883.2	-0.8%
Other Operating Income	9.0	7.4	+21.6%	21.2	16.1	+31.7%
Total operating expenses before depreciation, amortization and impairment	(642.1)	(657.0)	-2.3%	(1,281.7)	(1,288.8)	-0.6%
EBITDA	305.7	305.1	+0.2%	607.3	610.5	-0.5%
EBITDA margin %	32.6%	32.0%	+0.6pp	32.5%	32.4%	+0.1pp
Costs related to voluntary leave schemes	8.2	4.8	+70.8%	10.7	7.7	+39.0%
Other restructuring and non-recurring litigations	0.0	1.0	-100.0%	0.0	2.0	-100.0%
Adjusted EBITDA	313.9	310.9	+1.0%	618.0	620.2	-0.4%
Adjusted EBITDA margin %	33.4%	32.6%	+0.8pp	33.1%	32.9%	+0.2pp

Adjusted Net Operating Cash Flow

Net Cash from operating activities focuses on the cash inflows and outflows from a company's main business activities (interest expense and income tax paid included on the outflows). Adjusted Net Operating Cash Flow is defined as net cash flows from operating activities adding back payments for voluntary leave schemes, payments for other restructuring plans and non-recurring litigation expenses plus interest received, as illustrated in the table below:

(Euro million)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Net cash flows from operating activities (reported)	269.7	253.0	+6.6%	432.1	438.0	-1.3%
Payment for voluntary leave schemes	2.9	5.3	-45.3%	10.2	8.7	+17.2%
Payment for restructuring and non-recurring litigations	-	4.4	-100.0%	3.6	4.4	-18.2%
Interest received	0.3	0.7	-57.1%	0.7	1.3	-46.2%
Adjusted Net Operating Cash Flow	272.9	263.4	+3.6%	446.6	452.4	-1.3%

Capital expenditure (CAPEX) and Adjusted Capital expenditure

Capital expenditure is defined as payments for purchase of property plant and equipment and intangible assets. The Group uses capital expenditure as an APM to ensure that the cash spending is in line with its overall strategy for the use of cash. Adjusted capital expenditure is calculated by excluding spectrum payments from Capital expenditure as illustrated in the table below:

(Euro million)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Purchase of property plant and equipment and intangible assets (reported) - CAPEX	(223.0)	(138.1)	+61.5%	(423.5)	(316.3)	+33.9%
Spectrum Payments	-	-	-	15.5	13.5	+14.8%
Adjusted CAPEX	(223.0)	(138.1)	+61.5%	(408.0)	(302.8)	+34.7%

Free Cash Flow

Free cash flow is an APM used by the Group and defined as cash generated by operating activities after payments for purchase of property plant and equipment and intangible assets (CAPEX). Free cash flow is intended to measure the cash generation from the Group's business, based on operating activities, including the efficient use of working capital and taking into account its payments for purchases of property plant and equipment and intangible assets. The Group presents free cash flow because it believes the measure assists users of the financial statements in understanding the Group's cash generating performance as well as availability for debt repayment, dividend distribution and own reserves.

(Euro million)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Net cash flows from operating activities	269.7	253.0	6.6%	432.1	438.0	-1.3%
Purchase of property, plant, equipment & intangible assets	(223.0)	(138.1)	61.5%	(423.5)	(316.3)	+33.9%
Free Cash Flow	46.7	114.9	-59.4%	8.6	121.7	-92.9%

Adjusted Free Cash Flow

Adjusted Free Cash Flow facilitates comparability of Cash Flow generation with industry peers. Adjusted Free Cash Flow is useful in connection with discussions with the investment analyst community and debt rating agencies. Adjusted Free Cash Flow is calculated by excluding from the Free Cash Flow (defined earlier) the payments related to voluntary leave schemes, other restructuring plans and non-recurring litigation expenses and spectrum and adding the interest received.

(Euro million)	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Free Cash Flow	46.7	114.9	-59.4%	8.6	121.7	-92.9%
Payment for voluntary leave schemes	2.9	5.3	-45.3%	10.2	8.7	+17.2%
Payment for restructuring and non-recurring litigations	-	4.4	-100.0%	3.6	4.4	-18.2%
Interest received	0.3	0.7	-57.1%	0.7	1.3	-46.2%
Spectrum payments	-	-	-	15.5	13.5	+14.8%
Adjusted FCF	49.9	125.3	-60.2%	38.6	149.6	-74.2%

Adjusted Profit to owners of the parent

Adjusted Profit for the year attributable to owners of the parent is intended to provide useful information to analyze the Group's net profitability excluding the impact of significant non-recurring or irregularly recorded items in order to facilitate comparability with previous ongoing performance. Adjusted Profit for the year (attributable to owners of the parent) is calculated by adding back to the Profit of the year (attributable to owners of the parent) the impact upon it of the following items: costs related to voluntary leave schemes, net impact from impairments, reassessment of deferred tax, financial expenses for bond issue and bond buyback premium, other restructuring costs and non-recurring litigation expenses, as illustrated in the table below:

(Euro million) – After Tax impact	Q2 '17	Q2 '16	Change	6M '17	6M '16	Change
Profit to owners of the parent (reported)	31.1	33.6	-7.4%	67.5	67.5	+0.0%
Costs related to voluntary leave schemes	6.9	4.0	+72.5%	8.7	6.1	+42.6%
Other restructuring and non-recurring litigations	2.8	0.7	-	2.8	1.4	+100.0%
Adjusted Profit to owners of the parent	40.8	38.3	+6.5%	79.0	75.0	+5.3%

II. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Euro million)	GROUP	
	30/06/2017	31/12/2016
ASSETS		
Property, plant and equipment	2,829.4	2,852.5
Goodwill	507.8	507.0
Telecommunication licenses	468.4	491.3
Other intangible assets	428.4	490.4
Investments	0.1	0.1
Loans to pension funds	84.1	85.6
Deferred tax assets	318.8	316.5
Other non-current assets	107.5	99.4
Total non - current assets	4,744.5	4,842.8
Current assets		
Inventories	101.5	95.9
Trade receivables	745.7	730.5
Other financial assets	5.9	5.6
Other current assets	310.9	307.6
Restricted Cash	3.7	3.6
Cash and cash equivalents	1,508.5	1,585.6
Total current assets	2,676.2	2,728.8
TOTAL ASSETS	7,420.7	7,571.6
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	1,387.1	1,387.1
Share premium	496.3	496.2
Treasury shares	(14.6)	(14.3)
Statutory reserve	362.2	362.2
Foreign exchange and other reserves	(144.5)	(156.5)
Changes in non-controlling interests	(3,314.1)	(3,314.1)
Retained earnings	3,581.7	3,595.4
Total equity attributable to owners of the Parent	2,354.1	2,356.0
Non-controlling interests	282.3	295.7
Total equity	2,636.4	2,651.7
Non-current liabilities		
Long-term borrowings	1,234.9	1,941.0
Provision for staff retirement indemnities	228.6	227.6
Provision for youth account	137.4	142.5
Deferred tax liabilities	47.2	50.3
Other non – current liabilities	80.6	118.3
Total non – current liabilities	1,728.7	2,479.7
Current liabilities		
Trade accounts payable	1,146.3	1,364.1
Short-term portion of long-term borrowings	806.9	184.1
Income tax payable	152.9	79.2
Deferred revenue	138.1	152.1
Provision for voluntary leave schemes	139.0	141.9
Dividends payable	78.2	0.3
Other current liabilities	594.2	518.5
Total current liabilities	3,055.6	2,440.2
TOTAL EQUITY AND LIABILITIES	7,420.7	7,571.6

III. CONSOLIDATED INCOME STATEMENT

(Euro million)	Q2'17	Q2'16	%	6M'17	6M'16	%
Total revenues	938.8	954.7	-1.7%	1,867.8	1,883.2	-0.8%
Other operating income	9.0	7.4	+21.6%	21.2	16.1	+31.7%
Operating expenses						
Interconnection and roaming costs	(138.0)	(127.3)	+8.4%	(280.7)	(248.2)	+13.1%
Provision for doubtful accounts	(22.5)	(22.5)	0.0%	(46.8)	(43.8)	+6.8%
Personnel costs	(161.0)	(167.8)	-4.1%	(318.5)	(329.6)	-3.4%
Costs related to voluntary leave schemes	(8.2)	(4.8)	+70.8%	(10.7)	(7.7)	+39.0%
Commission costs	(35.3)	(32.0)	+10.3%	(68.9)	(67.5)	+2.1%
Merchandise costs	(62.0)	(65.5)	-5.3%	(131.3)	(127.1)	+3.3%
Maintenance and repairs	(26.2)	(26.2)	0.0%	(52.8)	(52.9)	-0.2%
Marketing	(23.9)	(27.4)	-12.8%	(45.8)	(49.6)	-7.7%
Other operating expenses	(165.0)	(183.5)	-10.1%	(326.2)	(362.4)	-10.0%
Total operating expenses before depreciation, amortization and impairment	(642.1)	(657.0)	-2.3%	(1,281.7)	(1,288.8)	-0.6%
Operating profit before financial and investing activities, depreciation, amortization and impairment	305.7	305.1	+0.2%	607.3	610.5	-0.5%
Depreciation, amortization and impairment	(195.4)	(205.9)	-5.1%	(392.5)	(414.1)	-5.2%
Operating profit before financial and investing activities	110.3	99.2	+11.2%	214.8	196.4	+9.4%
Income and expense from financial and investing activities						
Interest and related expenses	(38.0)	(35.4)	+7.3%	(70.4)	(71.5)	-1.5%
Interest income	0.4	0.7	-42.9%	0.8	1.3	-38.5%
Foreign exchange differences, net	(13.1)	(1.8)	+627.8%	(10.2)	(0.3)	-
Gains from investments and other financial assets - Impairment	0.0	0.3	-	0.0	0.6	-
Total loss from financial and investing activities	(50.7)	(36.2)	40.1%	(79.8)	(69.9)	14.2%
Profit before tax	59.6	63.0	-5.4%	135.0	126.5	+6.7%
Income tax	(39.8)	(40.4)	-1.5%	(82.7)	(77.8)	+6.3%
Profit for the period	19.8	22.6	-12.4%	52.3	48.7	+7.4%
Attributable to:						
Owners of the parent	31.1	33.6	-7.4%	67.5	67.5	0.0%
Non-controlling interests	(11.3)	(11.0)	+2.7%	(15.2)	(18.8)	-19.1%

IV. GROUP REVENUES

(Euro million)	Q2'17	Q2'16	%	6M'17	6M'16	%
Revenue						
Fixed business:						
Retail services revenues	297.3	299.2	-0.6%	595.3	598.2	-0.5%
Wholesale services revenues	159.2	155.1	+2.6%	331.1	304.3	+8.8%
Other revenues	72.3	69.8	+3.6%	143.1	144.8	-1.2%
Total revenues from fixed business	528.8	524.1	+0.9%	1,069.5	1,047.3	+2.1%
Mobile business:						
Service revenues	326.6	326.2	+0.1%	631.4	639.6	-1.3%
Handset revenues	47.6	51.5	-7.6%	97.7	102.6	-4.8%
Other revenues	4.8	5.5	-12.7%	8.4	10.0	-16.0%
Total revenues from mobile business	379.0	383.2	-1.1%	737.5	752.2	-2.0%
Miscellaneous other revenues	31.0	47.4	-34.6%	60.8	83.7	-27.4%
Total revenues	938.8	954.7	-1.7%	1,867.8	1,883.2	-0.8%

V. CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in € millions	Q2 '16	Q3 '16	Q4 '16	Q1 '17	Q2 '17
Cash flows from operating activities					
Profit before tax	63.0	97.4	28.5	75.4	59.6
<u>Adjustments for:</u>					
Depreciation, amortization and impairment	205.9	201.1	266.2	197.1	195.4
Costs related to voluntary leave schemes	4.8	35.8	6.1	2.5	8.2
Provision for staff retirement indemnities	2.8	2.8	3.4	2.7	2.8
Provision for youth account	0.7	0.8	(0.5)	0.7	0.7
Provision for doubtful accounts	22.5	24.9	21.2	24.3	22.5
Foreign exchange differences, net	1.8	(0.4)	4.4	(2.9)	13.1
Interest income	(0.7)	(0.5)	(0.4)	(0.4)	(0.4)
(Gains) / losses from investments and financial assets - Impairment	(0.3)	(18.6)	0.9	-	-
Interest and related expenses	35.4	41.3	36.6	32.4	38.0
Working capital adjustments:	(36.2)	(72.1)	110.9	(114.1)	(58.5)
Decrease / (increase) in inventories	(5.8)	(0.2)	14.6	1.7	(7.5)
Decrease / (increase) in receivables	(87.9)	(23.2)	(12.9)	(12.2)	(63.4)
(Decrease) / increase in liabilities (except borrowings)	57.5	(48.7)	109.2	(103.6)	12.4
<u>Plus / (Minus):</u>					
Payment for voluntary leave schemes	(5.3)	(35.2)	(10.0)	(7.3)	(2.9)
Payment of staff retirement indemnities and youth account, net of employees' contributions	(3.5)	(3.7)	(4.1)	(3.1)	(2.9)
Interest and related expenses paid	(24.8)	(58.5)	(21.3)	(33.6)	(3.7)
Income taxes paid	(13.1)	(41.4)	(28.5)	(11.3)	(2.2)
Net cash flows from operating activities	253.0	173.7	413.4	162.4	269.7
Cash flows from investing activities					
Sale or maturity of financial assets	-	0.5	1.7	0.2	-
Repayment of loans receivable	1.7	1.7	2.2	1.0	1.7
Purchase of property plant and equipment and intangible assets	(138.1)	(183.7)	(153.0)	(200.5)	(223.0)
Movement in restricted cash	(0.4)	(0.1)	0.2	(0.1)	-
Payments related to disposal of subsidiaries / investments	-	(4.9)	-	-	-
Interest received	0.7	0.5	0.4	0.4	0.3
Net cash flows used in investing activities	(136.1)	(186.0)	(148.5)	(199.0)	(221.0)
Cash flows from financing activities					
Share option plans	(0.2)	-	0.2	-	(0.3)
Proceeds from loans granted and issued	-	389.0	-	-	-
Repayment of loans	(411.9)	-	(42.6)	(64.8)	(22.6)
Dividends paid to Company's owners	(0.3)	(48.6)	-	-	(0.3)
Net cash flows from / (used in) financing activities	(412.4)	340.4	(42.4)	(64.8)	(23.2)
Net increase / (decrease) in cash & cash equivalents	(295.5)	328.1	222.5	(101.4)	25.5
Cash and cash equivalents, at the beginning of the period	1,329.7	1,035.4	1,364.9	1,585.6	1,483.8
Net foreign exchange differences	1.2	1.4	(1.8)	(0.4)	(0.8)
Cash and cash equivalents, at the end of the period	1,035.4	1,364.9	1,585.6	1,483.8	1,508.5