





Together, we are one.



**2014 ANNUAL REPORT**

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# MESSAGE FROM THE CHAIRMAN

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Athens May 2015



My fellow shareholders:

In markets that remain challenging, OTE had an outstanding year.

Our strategic decision to put the customer at the center of everything we do, to offer the services people want and the quality they expect, continued to pay off.

With customer experience in mind, for yet another year we invested selectively but assertively in technology and content. We continued to reduce costs and strengthen our financial structure throughout the organization. And we sustained our constant transformation efforts to enhance customer satisfaction and boost efficiency.

In 2014, the OTE Group moved closer to stabilizing its revenue base after an extended period of erosion. We halved the rate of revenue drop, to just over 3%, and much of the remaining decline was due to rate cuts imposed by regulators in all three of our markets, Greece, Romania and Albania. All told, in 2014, we had consolidated revenues of 4 billion euros.

In Greece, we strengthened our position as the leading telecommunications operator. Following seven years of contraction, our fixed-line operations achieved their first quarterly revenue increase in the last three months of the year. For the full year, Greek fixed-line operations stemmed their revenue loss by more than two-thirds, a drop of less than 50 million euros.

The pace of our net line disconnections was reduced sharply, and we added 106,000 new broadband connections during the year, in large part due to our high-speed VDSL offering, adopted by 93,000 clients at year end. Our share of total market net broadband additions, was 42% in 2014.

Thanks to our significant investments in content, we also made huge headway with our pay TV proposition, surpassing our most optimistic forecasts, as we reached more than 350,000 subscribers by the end of 2014.

We are continuing to expand the programming available to our customers, notably in sporting events, and expect to make further gains in the current year, as we start broadcasting the UEFA Champions and Europa League tournaments and offer a growing number of high-definition channels.

We also narrowed the top-line erosion in Greek mobile, where COSMOTE is the undisputable market leader in revenues and profitability. Full-year service revenues were down just 6%, compared to more than 16% in 2013. In large part, we owe this progress to our technological and service edge, notably our industry-leading 4G coverage and competitive position in mobile data.

With the best networks and P&S offerings for businesses and individuals alike, OTE and COSMOTE are the partners of choice when it comes to reliability and quality of services.

In Romania, our fixed-line activities continue to be impacted at the traditional voice revenues front, but solid trends in broadband and television, combined with higher wholesale and other revenues, led to a nearly unchanged top-line performance in the full year. This validates the longstanding strategy of our Romanian subsidiary - now operating, together with our mobile arm, under the "T" umbrella - to aggressively tap new revenue streams. In Romanian and Albanian mobile, the revenue drops recorded in 2014 were entirely due to the lower interconnection tariffs imposed by regulators, while our underlying strengths and competitive positions remained undiminished.

As we work assiduously to stabilize our top line, we are also keeping a tight control over our costs. In 2014, OTE's total operating expenses were cut by nearly 3%. The bulk of our savings comes from our Greek fixed-line operations, where we achieved a cost reduction of more than 8%. Our top priority over the past five years has been to adjust our human resources to a changing technological and marketing landscape. This has entailed substantial headcount reduction initiatives, carried out in a socially responsible manner and funded from our own resources. In 2014, we achieved a 15% reduction in personnel costs at the OTE Group level, with a 29% drop in Greek fixed-line alone, on the back of the voluntary retirement scheme implemented in the final weeks of 2013. Moreover, just before the end of 2014, we signed a new collective agreement, offering present and future employees secure and fair working conditions, while giving OTE the flexibility it requires to remain competitive and profitable.

Across the board, our cost-control efforts of the past years are having a structural, durable impact on our results. In 2014, we delivered a further 40 basis point improvement in Group EBITDA margin, to 36.3%, despite the direct hit to profitability coming from lower termination rates. In Greek fixed-line operations alone, our EBITDA margin rose by more than three percentage points, to a strong 39.6%.

We also continued to reinforce our financial position throughout the year, cutting down our net indebtedness by nearly one-fourth to a low of 0.8 times EBITDA. Through debt reduction and an active refinancing program, we were able to shrink our full-year financial expenses by 46 million euros and improve consolidated net income by some 30%.

# MESSAGE FROM THE CHAIRMAN

The substantial cash flow generated by OTE's operations enables us to maintain a high level of investments at the same time as we are cutting down our debt. We are far and away the largest telecommunications investor in Greece. Over the past five years, we have invested about 2 billion euros in our Greek operations, and we have another 1.2 billion euros planned for the current four years. In 2014, we increased capital expenditures by about 18%, investing 557 million euros in our networks, systems and contents, accounting for 60% of the total market investments, more than all our competitors combined.

But size is not all - we are also investing wisely, focusing on innovative, cost-effective technology solutions, such as next generation networks and hybrid access, and collaborating on advanced research projects with accomplished partners from business and education.

We are further enhancing our 70% 4G population coverage in Greece, aggressively expanding the addressable VDSL market, and building the rural broadband infrastructure required by agribusinesses and other local industries to thrive, supporting the local economy. At the very beginning of 2015 COSMOTE launched its 4G+ network commercially, confirming its technological superiority.

Our overall investments be they in networks, content or significantly improving all customer facing platforms, do not go unnoticed - in customer satisfaction surveys, our brands distinguish themselves by far, ranking high on customer experience. We have dramatically cut down the time it takes to install a new telephone line and repair faults. We refreshed our stores, improving their looks and functionality. We simplified our offers, making our proposals straightforward and intuitive.

Finally, as a result of the strong cash flow generated, OTE's Board of Directors, recognizing the progress accomplished in 2014, has decided that the time has come, after a five-year hiatus, to reinstate the payment of a dividend, proposing a dividend of 8 eurocents per share.

2014 was a successful year on all fronts. For that, I would like to thank all OTE Group employees. None of the past year's achievements and milestones would have been possible without their determination in implementing Group strategy and passion in taking this company one step further.


We have entered 2015 continuing to build on our strengths. It's not an easy task, given the turbulent environment we operate in, but we know the drill. Our winning strategy will continue to set the tone across our footprint, under six pillars:

1. **Technology Leadership:** Traditionally, we are technology pioneers. In 2015 4G and VDSL will be our most valued "players".
2. **Best Customer Experience:** Our customers and their needs are at the core of every decision we make on strategy.
3. **Revenue Transformation:** We will continue putting emphasis on new services, including OTE TV, 4G, VDSL, ICT, Cloud, M2M.
4. **Lead in Core Business:** We aim to preserve our leadership in fixed and mobile telephony, as well as Internet services. We know how to do it, we are at it for years and we will keep on the same track.
5. **Operational and Cost Optimization:** We shall continue putting our own house in order; tending to our

finances; rationalising our costs and re-evaluating every cost line; simplifying systems and procedures.

6. **People Strategy:** We will keep on developing our human capital with the right conditions and incentives to perform effectively and develop their talents.

Realizing our strategy, we expect revenue stabilization to continue, supported by the availability of new services and contents, as well as the diminishing impact of termination rate cuts. Despite the challenging year ahead, I am confident that OTE will continue its successful course. I would like to thank you for your continuing support and confidence in our Company, even more so as we undergo times of uncertainty and volatility.

A handwritten signature in black ink, appearing to read 'Michael Tsamaz', written in a cursive style with a long horizontal line extending to the left.

**Michael Tsamaz**  
Chairman & CEO of OTE SA





**WHO WE  
ARE**

# WHO WE ARE

**Together  
We Are One**

OTE Group is the largest telecommunications provider in Greece and one of the leading telecommunications providers in Southeastern Europe.

It is a member of the Deutsche Telekom Group (DT holds a 40% share) and comprises the parent company, OTE SA, and its subsidiary companies. The OTE Group offers fixed telephony (voice, broadband services, ICT), TV and mobile telephony services in Greece and Romania, as well as mobile telephony services in Albania. OTE's services are aimed at consumers, businesses and telecom providers.

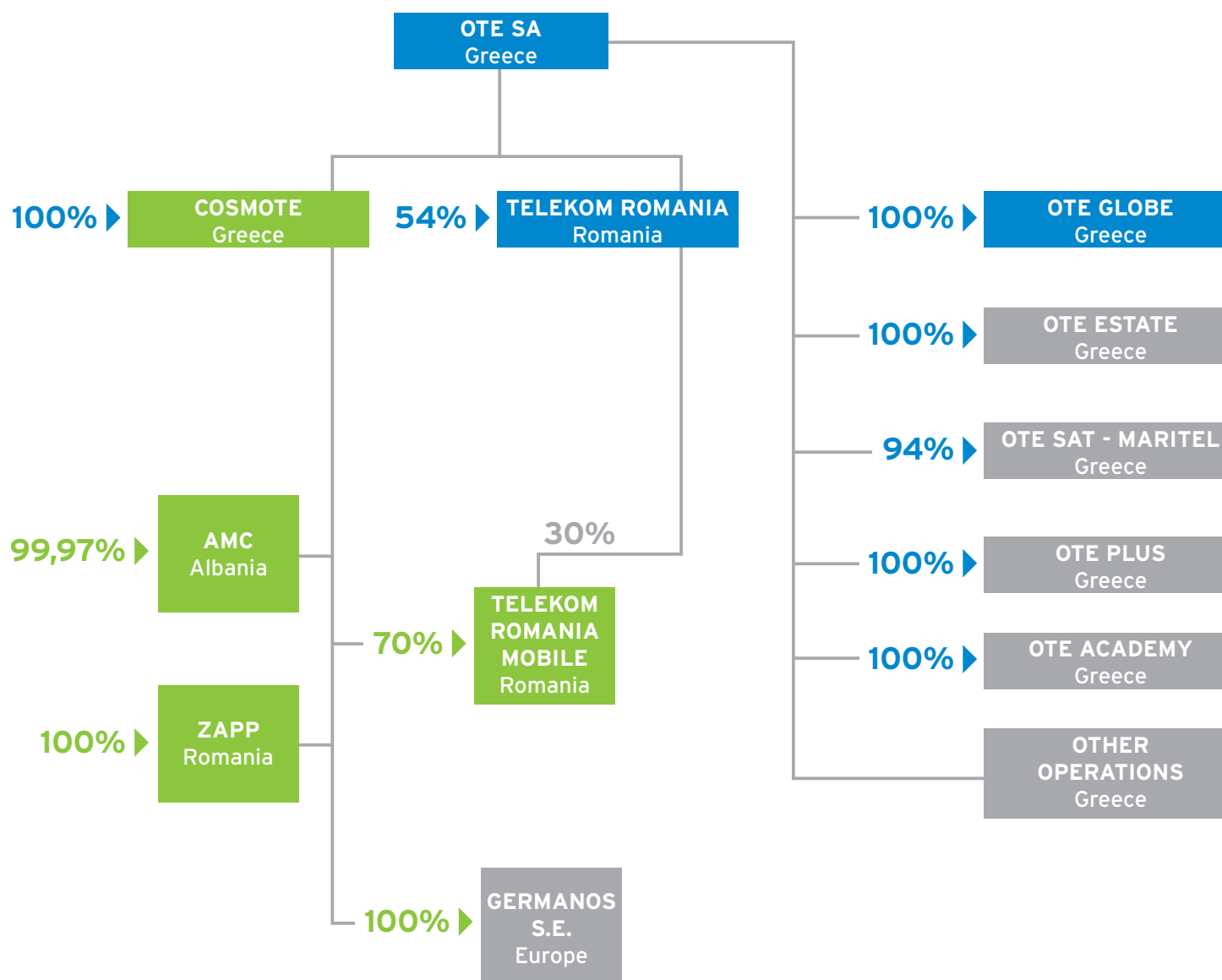
In addition to its main telecommunications services, in Greece the Group is involved in real estate and professional training, and offers telecommunications solutions to the Greek and international shipping industry.

OTE is inspired by the everyday life of its customers, listens to their needs and meets them dynamically, with versatility and efficacy.

With technologically advanced, economical and innovative proposals regarding fixed-line and mobile telephony, accessible and comprehensive entertainment through OTE TV, with continuous investments in infrastructure, state-of-the-art customer service and a contemporary product distribution network, OTE comes even closer to its customers and aspires, through reliability, immediacy and sincerity, to be their first choice when it comes to quality communication.



# OTE GROUP OPERATIONS



- Fixed line telephony
- Mobile telephony
- Other operations



# 01. WHO WE ARE

## OTE GROUP OPERATIONS

### **FIXED LINE TELEPHONY**

#### **OTE**



Together, we are one.

- Parent company of the OTE Group
- Country of operation: Greece
- Fixed-line services for residential and business customers (voice, broadband services, ICT, services for telecom operators)
- Fixed-line subscribers: 2,726,448
- Broadband subscribers: 1,367,388
- LLU subscribers (Local Loop Unbundling): 2,015,940

#### **TELEKOM ROMANIA COMMUNICATIONS**



- Country of operation: Romania
- Telecom incumbent, offers fixed-line services (voice, broadband services, ICT)
- Fixed-line subscribers: 2,180,642
- Broadband subscribers: 1,232,075

#### **OTEGLOBE**



- Country of operation: Greece
- International telephony, Internet and data services (wholesale)

### **MOBILE TELEPHONY**

#### **COSMOTE**



- Country of operation: Greece
- Mobile services for residential and business customers (voice, mobile Internet-3G/4G)
- Mobile telephony subscribers: 7,279,669

#### **AMC**



- Country of operation: Albania
- Mobile telephony services for residential and business customers (voice, mobile Internet 3G/4G)
- Mobile telephony subscribers: 2,056,413

#### **TELEKOM ROMANIA MOBILE COMMUNICATIONS**



- Country of operation: Romania
- Mobile services for residential and business customers (voice, Mobile Internet-3G/4G)
- Mobile telephony subscribers: 5,953,517



## **PAY TV**

### **OTE**

- Country of operation: Greece
- Pay-TV services via broadband connection and via satellite
- TV subscribers: 353,482



## **TELEKOM ROMANIA COMMUNICATIONS**

- Country of operation: Romania
- Pay-TV services
- TV subscribers: 1,414,408



## **OTHER OPERATIONS IN GREECE**

### **OTE PLUS**

- Country of operation: Greece
- Consulting services for telecommunications technologies and strategic, organizational and operational issues for businesses



### **OTE SAT-MARITEL**

- Country of operation: Greece
- Inmarsat and Iridium satellite services and integrated telecommunications solutions for the Greek and international shipping industry



### **OTE ESTATE**

- Country of operation: Greece
- Management and commercial development of OTE Group's real estate portfolio



### **OTE ACADEMY**

- Country of operation: Greece
- Professional training services



# OUR ENVIRONMENT – INDUSTRY TRENDS

### KEY TRENDS IN THE EUROPEAN TELECOMMUNICATIONS MARKET

- Mergers and acquisitions (M&A) is a key trend, with European telecom operators disposing of peripheral assets and strengthening their operations via in-country consolidation rather than expansion in markets abroad. Domestic telecom incumbent operations represent the majority of value of the European countries, approximately 60% of telecom incumbent's value on average
- Low revenues in the industry are also a key trend (compared to the respective industries of America and Asia), but together with a high demand for data services
- The need for investment of billions in infrastructure area which will meet the increasing demand (and speed requirements) for data transfer and the development of the relevant markets
- Regulation on a European level (the need for clear, European regulations regarding the development of telecommunications) continues to impede the development of the industry, its main features being legislative complexity (as a result of the co-existence of national and European regulatory frameworks), interventionist policy with respect to pricing and access, as well as the favourable treatment of providers who do not invest in infrastructure (lack of regulation for OTTs -Over the top content providers).

#### ➤ Fixed telephony

- The European fixed-line services (voice and Internet) market shows signs of maturity, with high percentages of saturation
- There is an increased demand for data services, such as information and communication technology (ICT) services
- Pay-TV services continue to post growth.

#### ➤ Mobile telephony

- There is the need for price stabilization, as part of the continued drop of prices on a European level over the past 10 years, and a need to diversify products and services in terms of the competition
- There is the need for an integrated radio spectrum policy throughout the European Union
- Emphasis on 4G services and the need to meet the increasing demand for "fast" data services.

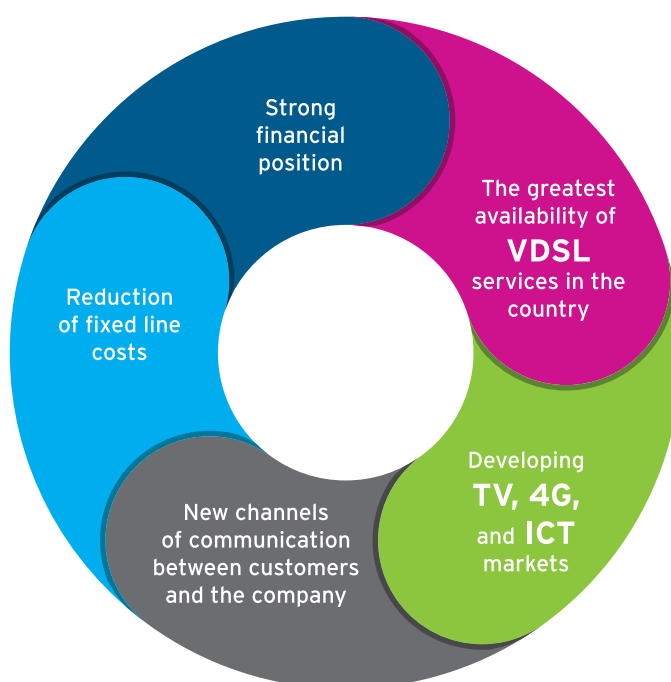
### KEY TRENDS IN THE GREEK TELECOMMUNICATIONS MARKET

- An adverse macroeconomic environment (unemployment, austerity measures, reduced consumer spending)
- Intense competition and aggressive offers on the part of the competition have increased as a result of this environment
- There is a need for telecom operators to diversify in terms of quality of services and customer contact
- Regulation continues to hinder growth: excessive regulation in fixed telephony deters investments in next generation networks; lack of a regulatory framework for IP technology/infrastructure
- The need to move (through investments in infrastructure and regulatory support) from markets that are exhibiting signs of saturation to developing markets, such as the fixed-line and mobile telephony data services, ICT services and pay-TV markets.



### OPPORTUNITIES FOR OTE

- OTE has proceeded to reduce fixed-line costs, also through successful voluntary exit schemes, since 2008 when the financial crisis began in Greece
- Through a successful plan for refinancing its debt and the efficient management of its operations portfolio the company is in a solid financial position
- OTE is the only telecom operator in Greece that is developing an NGA network with FTTC (Fiber To The Cabinet), and thus has the greatest availability of VDSL services in the country
- Besides its VDSL services, OTE focuses on the growth of its developing TV, 4G, and ICT markets
- New channels of communication between customers and the company; the full use of new technologies; the increased use of the Internet and “smart” handhelds; the automation of the process of submitting and handling a large percentage of customer requests for the management of their connection and service portfolio; the upgrading and simplification of complex procedures for taking orders and managing faults - all these are the main areas on which the company focused during 2014, in keeping with its strategy of offering best-in-class customer experience and developing the infrastructure to provide self-service capabilities.



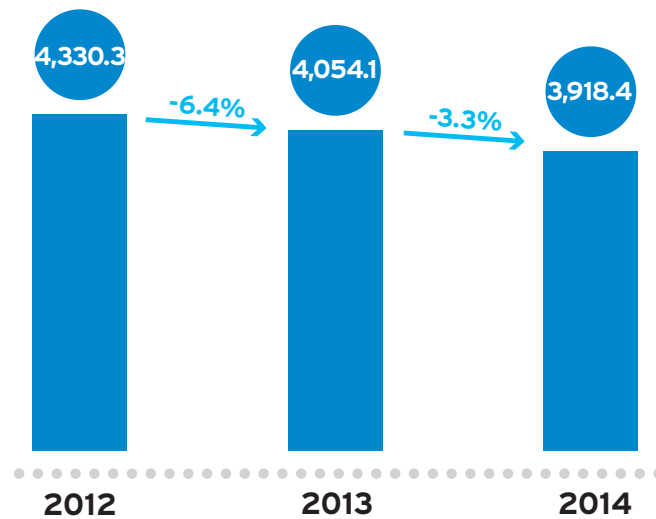




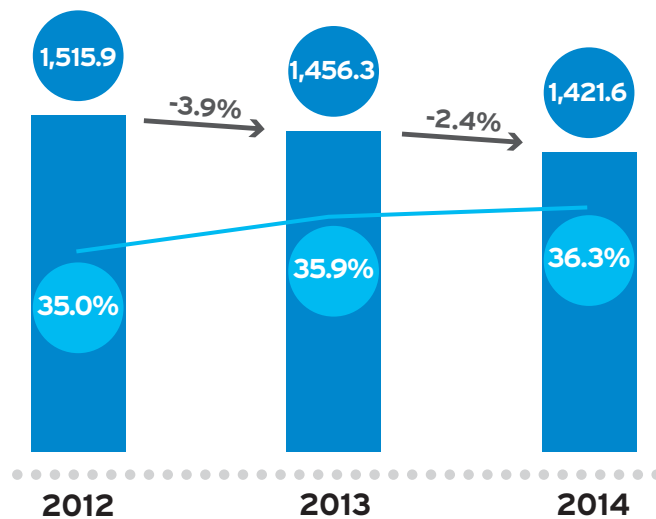
# **2014 AT A GLANCE**

# OTE GROUP FINANCIAL PERFORMANCE

Revenues (€ mn)



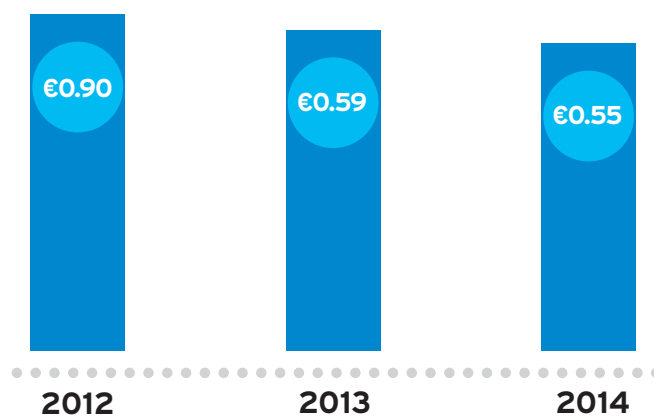
Pro forma EBITDA\* (€ mn)



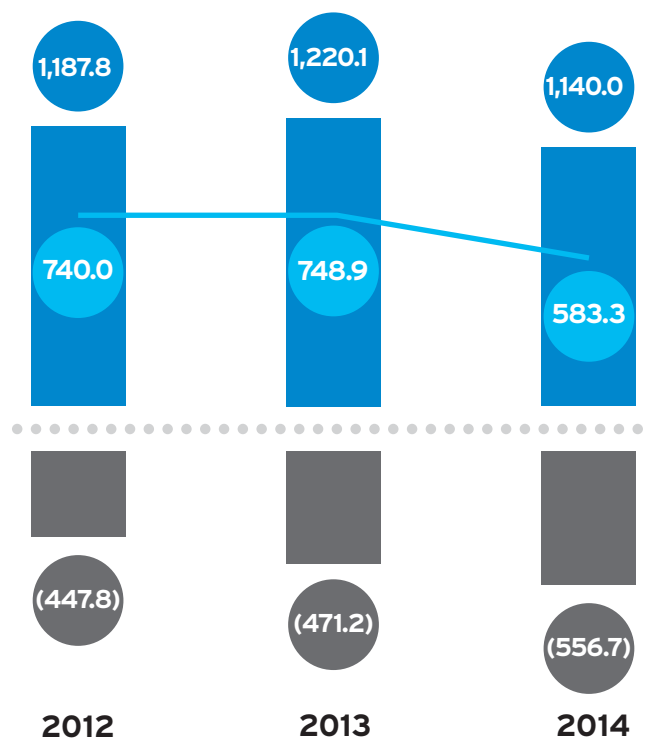
- Pro forma EBITDA\* (€ mn)
- Pro forma EBITDA margin %

\*Excluding the impact of Voluntary Exit Programs and Restructuring Plans

### Earnings per Share (€) (from continuing operations)



### Free Cash Flow\* (€ mn)



- Adjusted Capex\* (€ mn)
- Adjusted Net Operating Cash Flow\* (€ mn)
- Adjusted Free Cash Flow (€ mn)

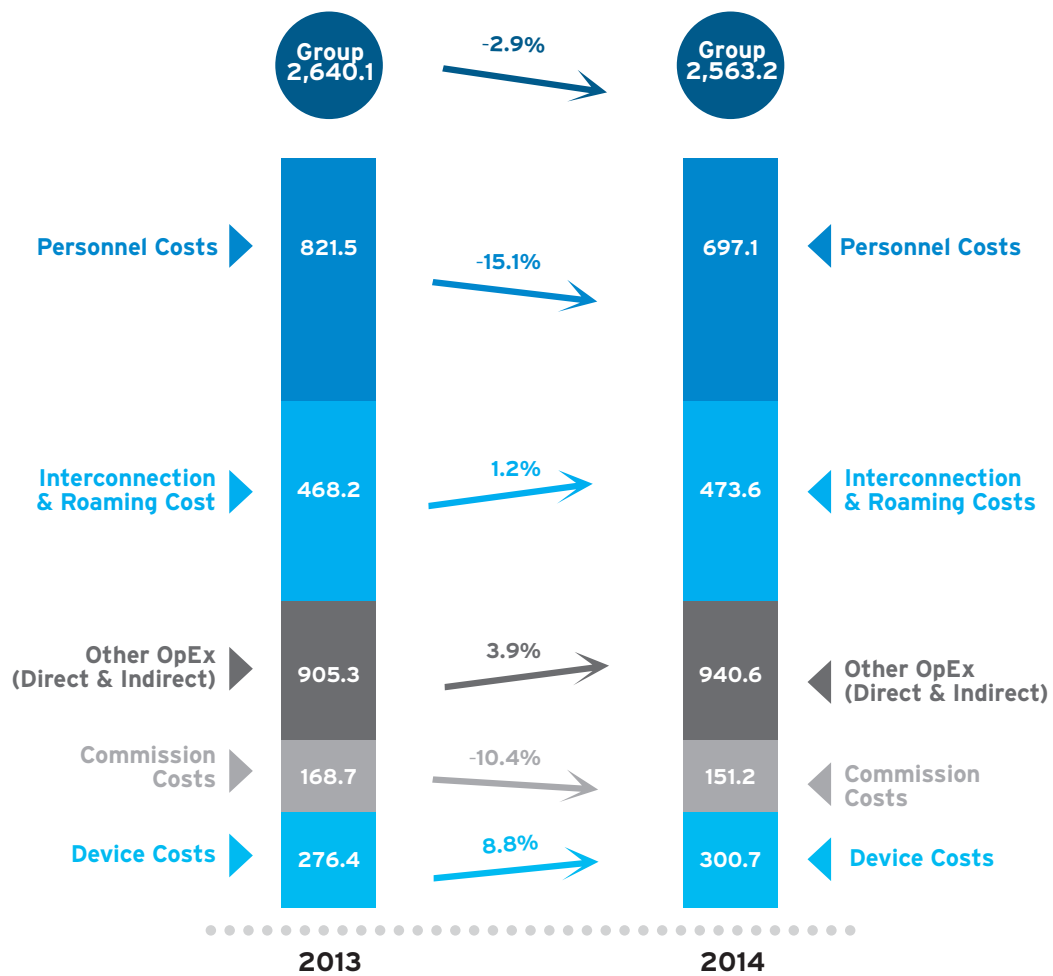
\*Cash flow includes interest received but excludes Voluntary Exit Programs, Restructuring Plans and/or Spectrum Payments



## 02. 2014 AT A GLANCE

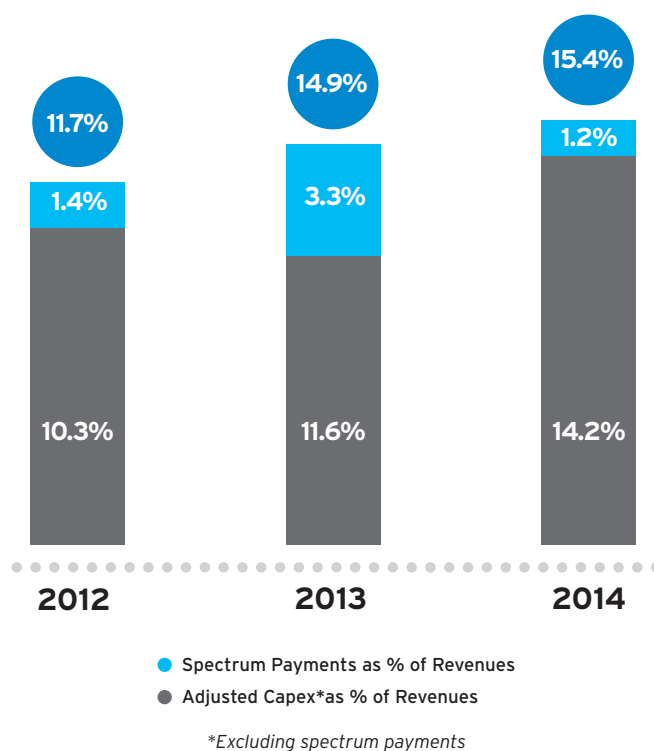
### OTE GROUP FINANCIAL PERFORMANCE

Operating expenses breakdown\* (€ mn)

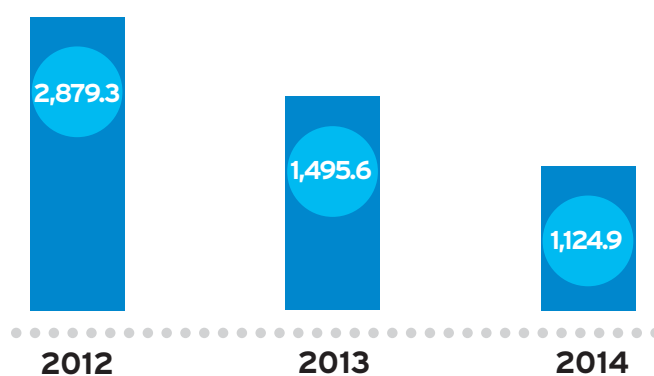


\* Excluding D&A, impact of Voluntary Exit Programs and Restructuring Plans

### Total Capex as % of Revenues



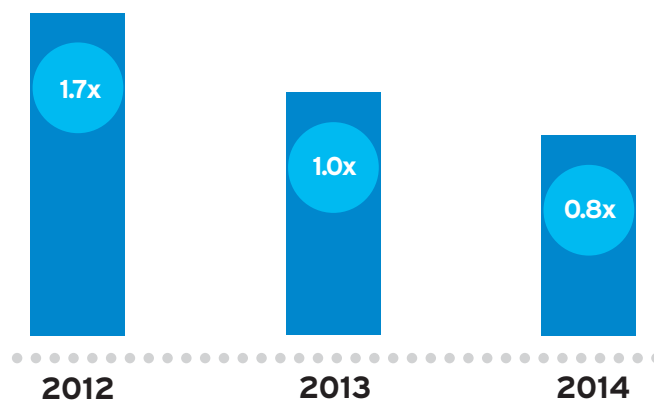
### Underlying Net Debt (€ mn)



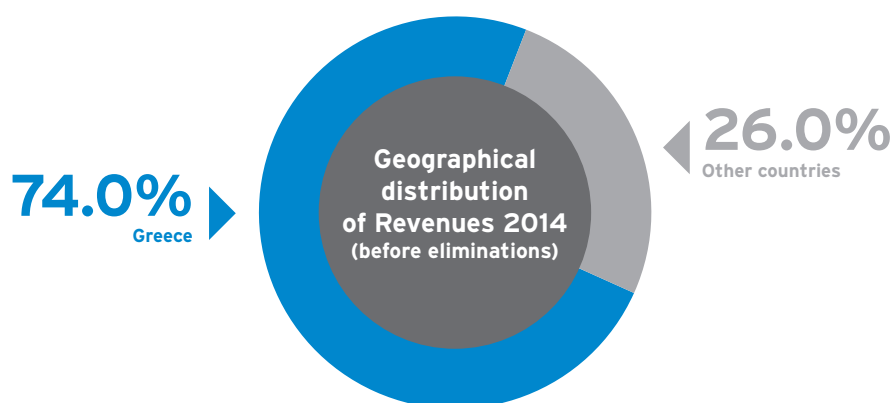
## 02. 2014 AT A GLANCE

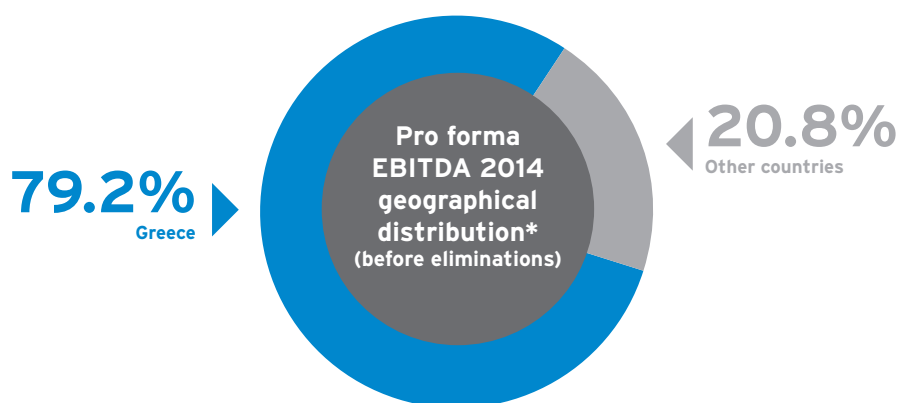
### OTE GROUP FINANCIAL PERFORMANCE

Underlying Net Debt/Pro forma EBITDA\*

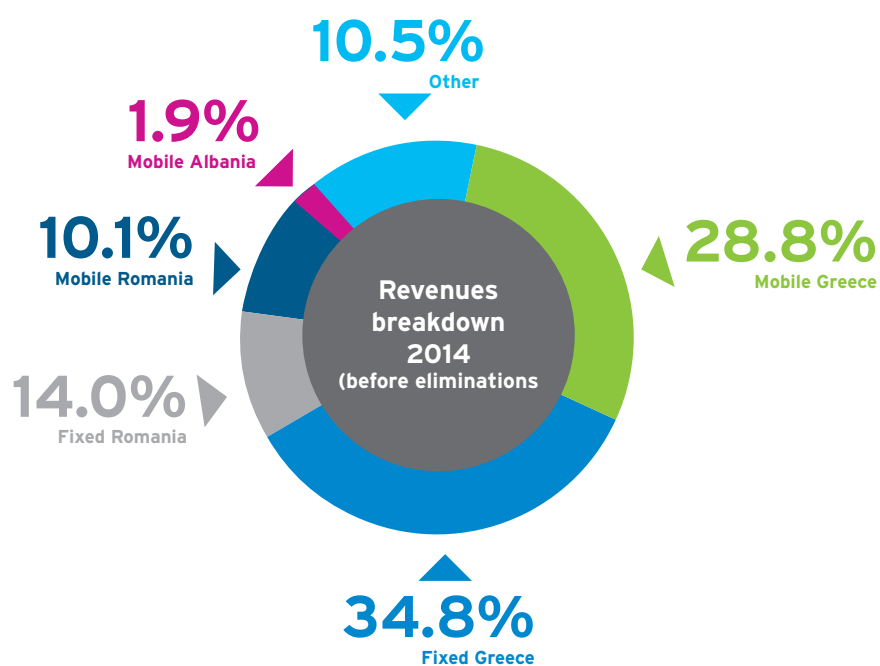


*\*Excluding the impact of Voluntary Retirement Programs and Restructuring Plans*



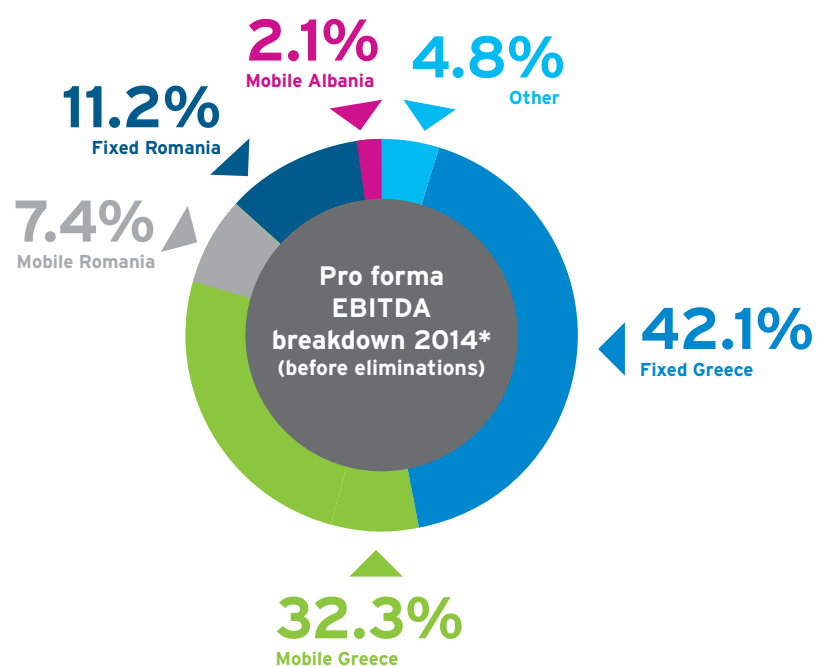


\* Excluding the impact of Voluntary Retirement Programs and Restructuring Plans



## 02. 2014 AT A GLANCE

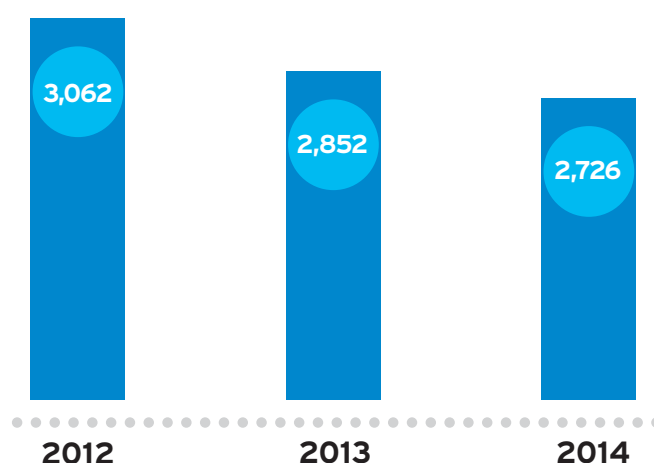
### OTE GROUP FINANCIAL PERFORMANCE



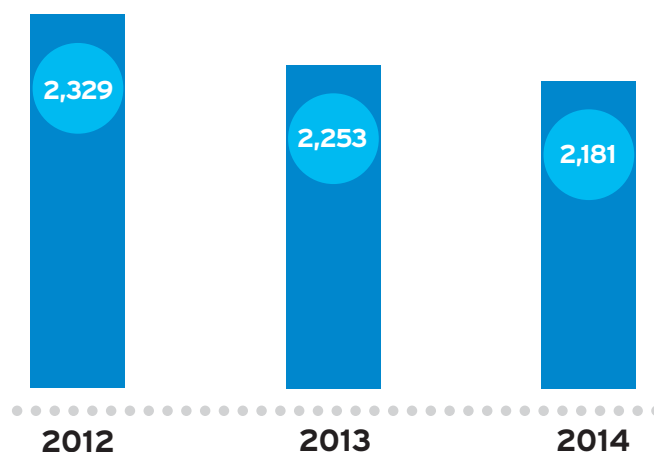
\*Excluding the impact of Voluntary Retirement Programs and Restructuring Plans

# OTE GROUP OPERATIONAL PERFORMANCE

OTE fixed line connections (000)



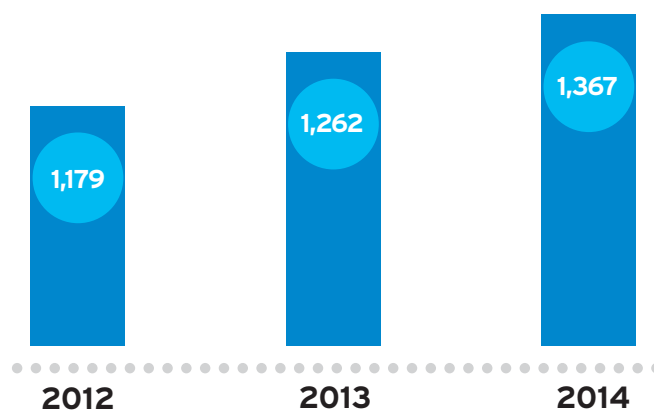
Telekom Romania fixed line connections (000)



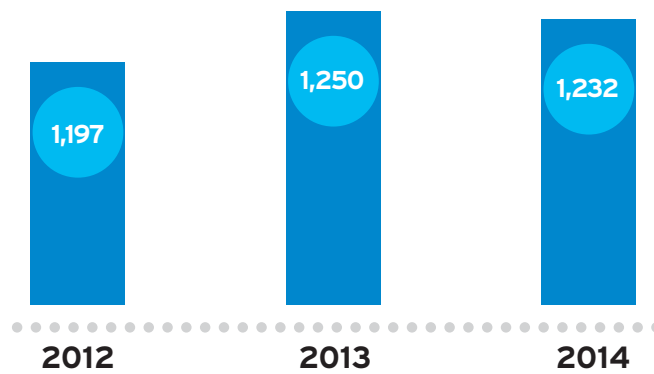
## 02. 2014 AT A GLANCE

### OTE GROUP OPERATIONAL PERFORMANCE

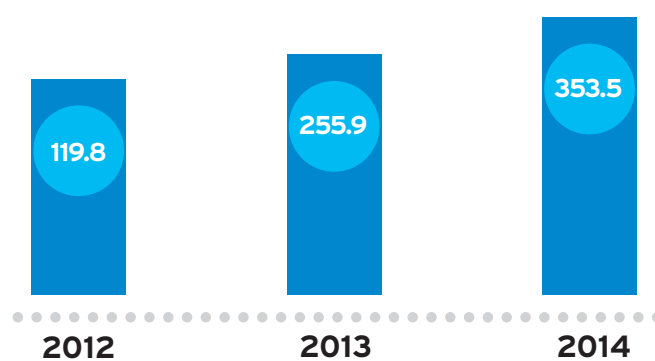
OTE retail broadband subscribers (000)



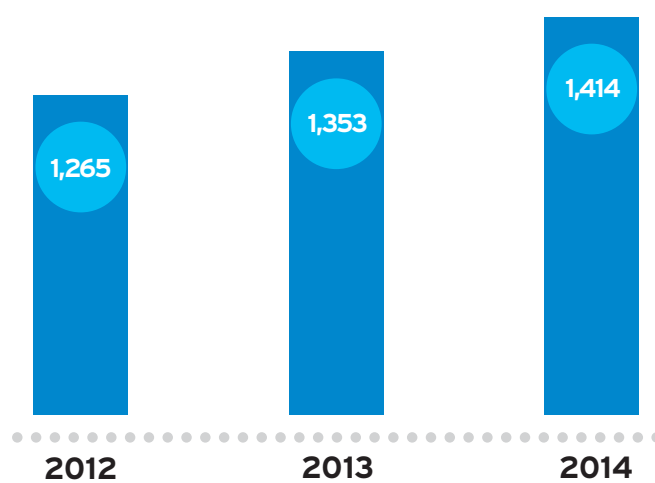
Telekom Romania broadband subscribers (000)



OTE TV subscribers (000)



Telekom Romania TV subscribers (000)

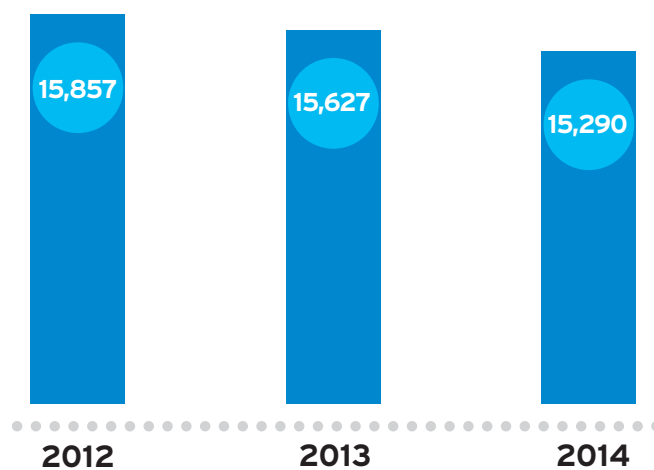




## 02. 2014 AT A GLANCE

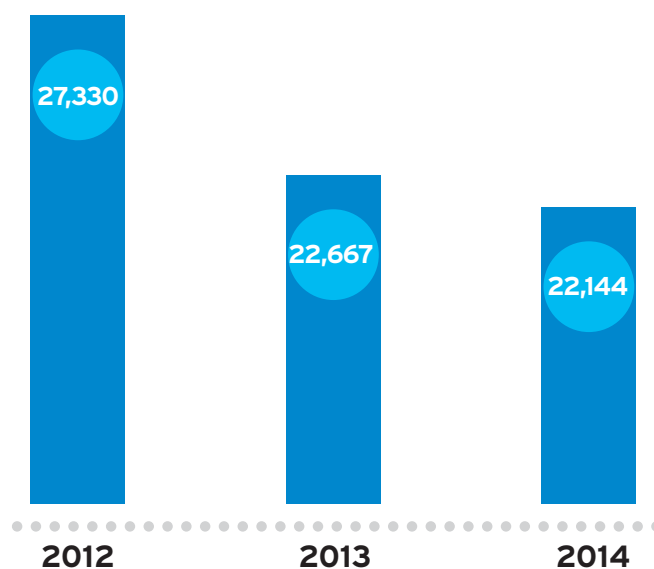
### OTE GROUP OPERATIONAL PERFORMANCE

Mobile telephony subscribers\* (000)



*\*Continuing operations*

OTE Group employees evolution\*



*\*Including discontinuing operations*

# HOW THE INVESTMENT COMMUNITY SAW US IN 2014

## OTE SHARE

OTE's shares are traded on the Athens and London (GDRs) Stock Exchanges. As of September 2010, OTE's shares ceased to be traded on the New York Stock Exchange.

Following OTE's delisting from the New York Stock Exchange, its American Depositary Shares (ADRs) trade in the OTC (Over the Counter) market with the ticker symbol HLTOY through the Level I ADRs program.

## ATHENS STOCK EXCHANGE

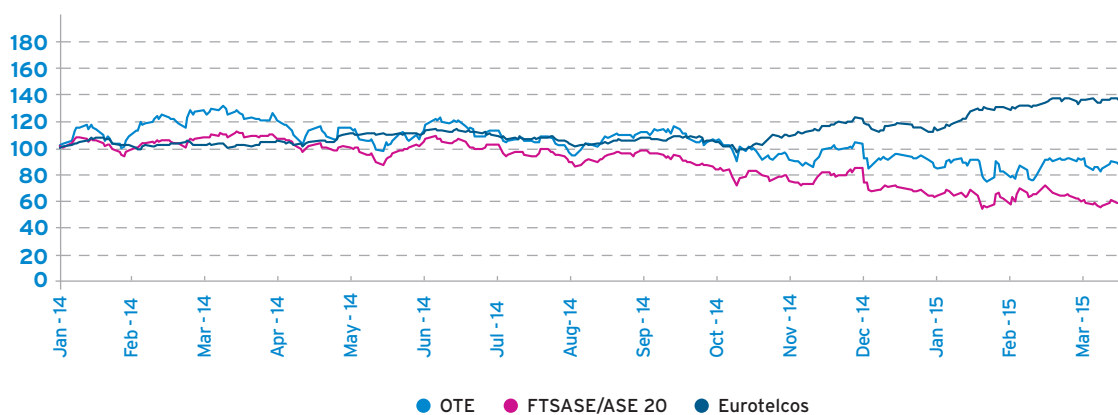
Ticker	>	OTE
Bloomberg Ticker	>	HTO GA
Reuters Ticker	>	OTEr.AT

## 31.12.2014

Market capitalization	>	€ 4,460.4 mn
Maximum annual price	>	€ 13.18
Minimum annual price	>	€ 8.35
Average Trading Volume	>	1,077,266

## Relative performance chart of OTE share price, FTASE/ASE 20 index & Eurotelcos

Jan. 2014 - Mar. 2015

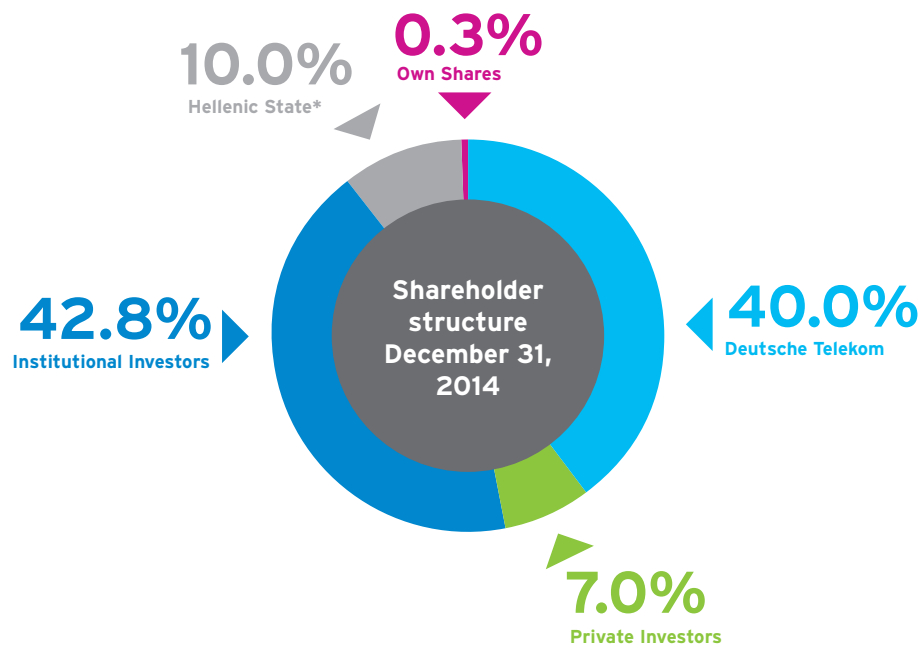
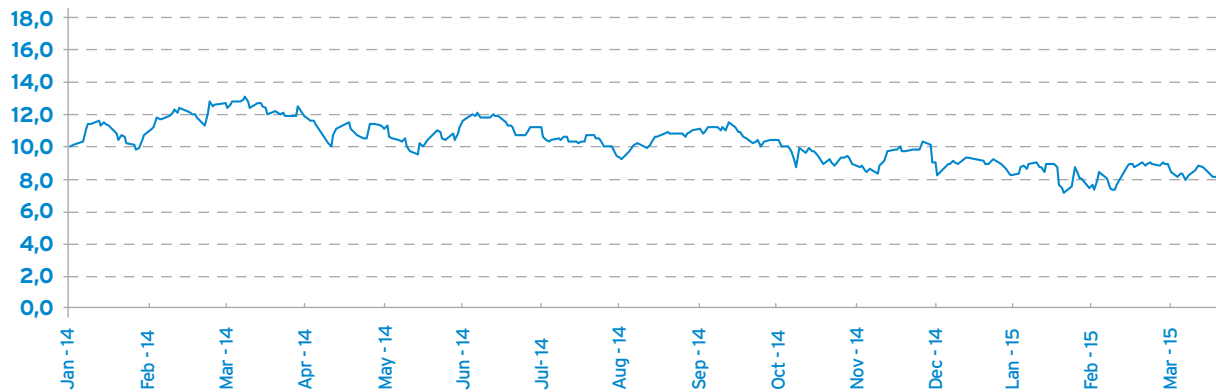


## 02. 2014 AT A GLANCE

### HOW THE INVESTMENT COMMUNITY SAW US IN 2014

OTE share price performance chart

Jan. 2014 - Mar. 2015 (€)



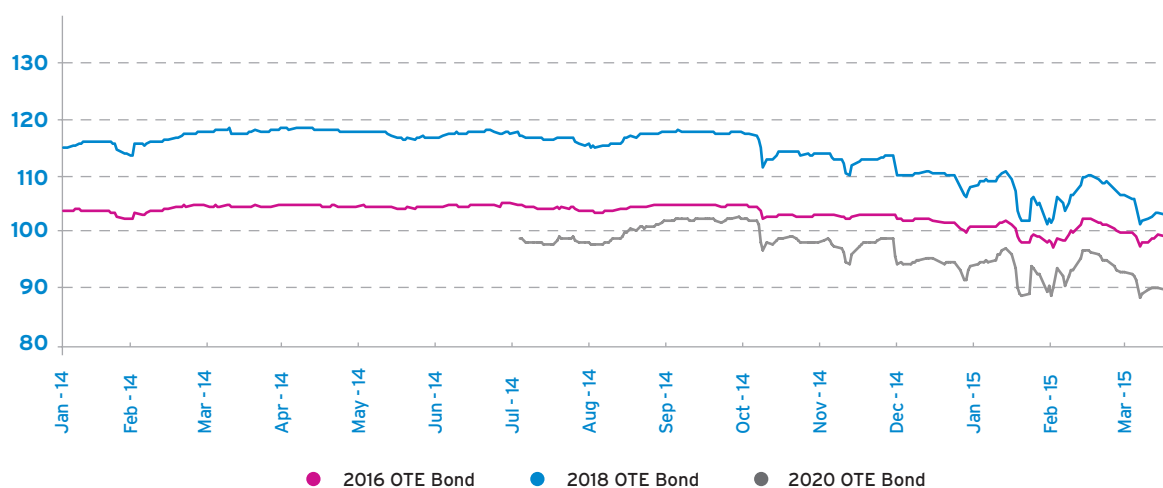
\*Including 4% voting rights attached to the share capital transferred to IKA pension fund

## BONDS

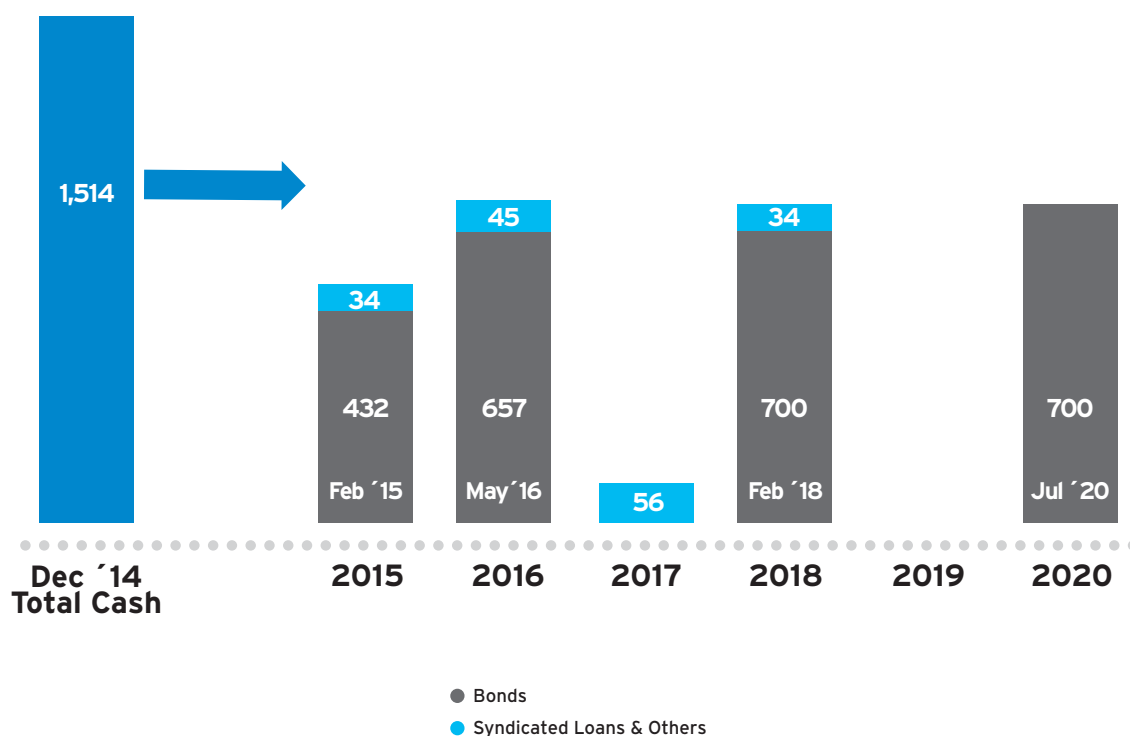
OTE issues notes under the Global Medium Term Notes program. These are listed on the Luxembourg Stock Exchange and are traded in the secondary market.

### OTE Bonds chart

Jan. 2014 - Mar. 2015 (€)



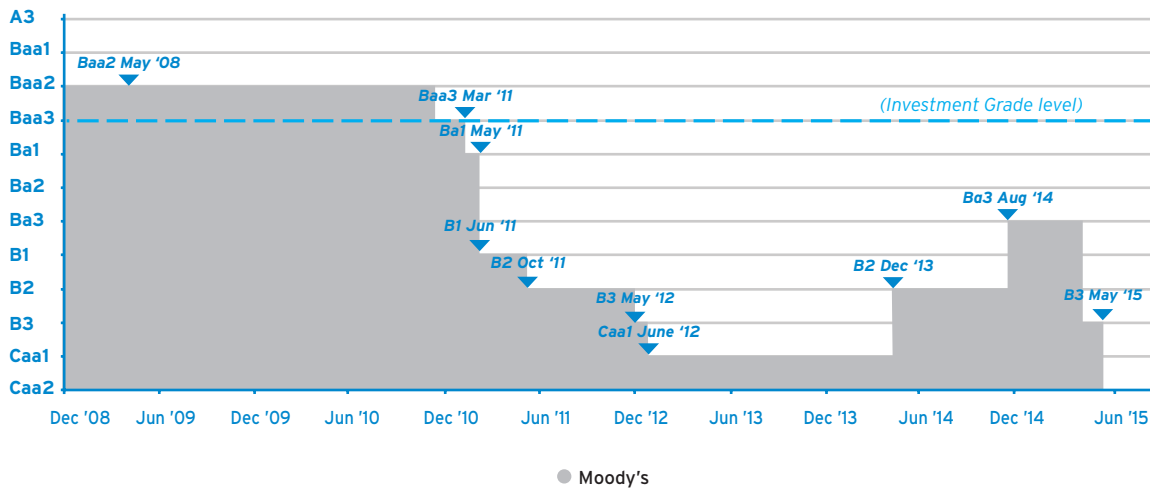
### OTE Group debt maturity profile as of December 31, 2014 - Nominal amounts (€ mn)



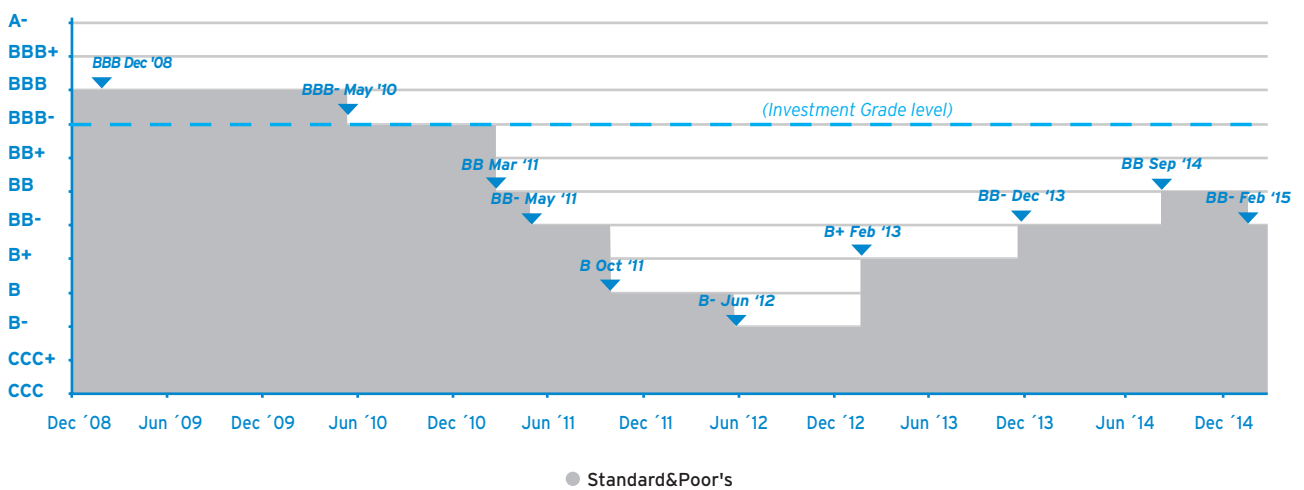
## 02. 2014 AT A GLANCE

### HOW THE INVESTMENT COMMUNITY SAW US IN 2014

OTE - Moody's rating evolution



OTE - Standard&Poor's rating evolution



# THE YEAR 2014 FOR THE OTE GROUP

Providing  
top-level  
services,  
building on the  
distribution  
network and the  
points of contact  
with customers

In 2014, major business goals were met in the context of the Group's strategy and that of OTE in particular, towards making customer experience the top priority, enhancing the company's operational performance, reducing costs and strengthening the company's financial position.

## **STRENGTHENING THE COMPANY'S FINANCIAL POSITION AND REDUCING COSTS**

### **> A fixed-rate note of €700 mn was issued for OTE by the international markets**

OTE successfully completed the book building process for the issue of a 6-year fixed-rate note, totalling €700 mn. The issue was significantly oversubscribed, with the demand set at an amount in excess of €2.5 bn.

### **> Conclusion of tender offer for OTE PLC notes**

OTE's subsidiary OTE PLC concluded a tender for cash of its February 2015 Notes and its May 2016 Notes. The tender was financed via the proceeds of the €700 mn new bond issue of OTE PLC. Following the completion of the tender, the outstanding nominal amounts of the February 2015 and May 2016 Notes were €482.7 mn and €700 mn respectively.

### **> New recruitments**

Following two voluntary exit scheme programmes of OTE employees in a socially responsible way (during 2012-2013), more than 1,500 new jobs were created at OTE Group over the past two years (2013-2014).

## **EMPHASIS ON CUSTOMER EXPERIENCE**

### **> Enhancing current services/new services**

#### ***Enriching the content of OTE TV***

New major sports events, new collaborations with big Hollywood studios and independent production companies, exclusive popular series and new special interest channels uniquely enriched the TV experience offered by OTE TV in the past year. This resulted in over 350 thousand households enjoying quality pay-TV at the most affordable prices on the market.

#### ***Acquisition of broadcasting rights for all the matches of the UEFA Champions League and the UEFA Europa League***

OTE obtained the broadcasting rights for all the matches of the UEFA Champions League and the UEFA Europa League from 2015 to 2018. Regarding the Champions League, OTE TV will broadcast exclusively 133 out of 146 matches and the remaining 13 in parallel broadcast with a free broadcast channel. Regarding the Europa League, OTE TV has acquired the exclusive rights for all 204 matches of the tournament up until the final.

#### ***Better 4G services from COSMOTE, through the acquisition of 800MHz and 2.6GHz spectrum bands***

COSMOTE has secured the rights to use radio frequencies in the 800MHz and 2.6GHz spectrum bands, following the auction process conducted by the Hellenic Telecommunications and Post Commission (HTPC). Through this acquisition, COSMOTE is further enhancing the speed and coverage of its extensive 4G network, both in urban and rural areas, thus meeting its customers' needs for ultra-high speeds and advanced communication services.

#### ***OTE VDSL is dynamically expanding to new areas***

OTE is continuing to dynamically expand its fibre optics network throughout the country with ultra-high VDSL speeds of up to 50 Mbps. Today, more than 1,400,000 households and businesses have access to VDSL technology and 3,300 outdoor cabinets have been installed across Greece.

Dynamic  
expansion of OTE  
VDSL - Better  
4G services from  
COSMOTE

## 02. 2014 AT A GLANCE

### THE YEAR 2014 FOR THE OTE GROUP

#### Aesthetic and operational upgrade of the OTE shops

##### ***OTE offers free Wi-Fi***

OTE, in collaboration with the global WiFi Fon network, offers in Greece and OTE Double Play customers the opportunity to use their connection and access the Internet for free from over 14,000,000 WiFi spots in 15 countries worldwide.

##### ***OTE is developing its ICT services***

ICT (Information and Communications Technology) is a combination of services which combine network provision, equipment (networking), value added systems and services, i.e., integrated solutions which combine telecommunications and Systems Integration. Behind ICT lies the need for innovative services for the benefit of society and businesses. Services which help the company's efficiency and productivity such as Cloud & Machine to Machine, but also solutions which are usually applied in the fields of health, tourism, education, energy, the state and the operation of agencies in general. For the OTE Group, ICT constitutes a new, key source of revenue, lying at the center of its strategy, in convergence with the broader strategy of the DT Group.

##### ***The new OTE Satellite Internet service***

The new OTE Satellite Internet service offers fast Internet speeds of up to 22 Mbps, even at the most remote and inaccessible part of the country or in areas where there is no network for fixed Internet. Moreover, subscribers can combine OTE Satellite Internet with OTE TV via Satellite, using the same antenna.

##### ***The new COSMOTE Online Chat service***

Immediate online customer service from the specialized group of Customer Care representatives is now available to [www.cosmote.gr](http://www.cosmote.gr) visitors, whether they are subscribers or not.

##### **➤ OTE takes part in the SPIRIT research project**

OTE is participating in the SPIRIT research project which aims at the development of an optical transceiver for fibre optic networks. The new transceiver will support ultra-high data transfer speeds, thus ensuring high quality services for end-users.

##### **➤ OTE participates in the E3NETWORK research project**

OTE is taking part in the E3NETWORK research project for the development of an ultra-high speed transceiver of 4th and 5th generation wireless communications. This transceiver will deliver transfer data speeds of up to 10 Gbps over 1 km with an availability of 99.995%. This development will mean network infrastructure which can meet the increasing demands of today's consumers for broadband, high quality services and technological convergence. It also means lower levels of electromagnetic radiation and the immediate expansion of radio coverage.

##### **➤ Upgrade of the distribution network and customer points of contact**

##### ***Revamping and operational upgrade of the OTE shops***

In 2015, OTE is continuing the upgrading of the remainder of its retail shops in remote locations, as well as the continued improvement of the revamped shops, with an aim to incorporate new product categories and Digital Means of communicating and promoting offers. The company will also proceed with the refurbishing of the COSMOTE shops, along the same lines as the OTE shops.

##### **➤ The B2B Power Performance Expertise-Solutions-Simplicity program**

The B2B Power Performance Expertise-Solutions-Simplicity training program aspires to further develop the knowledge and the qualifications of corporate sales people, in order for them to offer tailored solutions in a straightforward and effective way, and thus successfully transition to the age of ICT.

##### **➤ A new training programme for the OTE TV team**

A new training programme which enhances and promotes innovation was designed and implemented for the

**13888... at the  
top of customer  
service**

first time for the OTE TV team. The programme focuses on creative thought and innovation and how these connect with the company's business challenges. The programme is based on the three phases of the "Design Thinker" method: INSPIRATION, IDEATION, IMPLEMENTATION. The innovative process of the 3-phase workshop attended by the OTE TV team included observing the behaviour of users in a real environment; pinpointing and documenting their "hidden" desires; and finally creating the "prototype" of a new service or a process which would meet their needs. The programme, designed by the Department of Staffing, Human Resource Development & Change Management, will soon be attended by other teams.

#### ➤ **ACT2: Continued training and skills enhancement for OTE Group's field technicians**

In 2014, ACT2 (Advanced Certification in Telecommunications Technologies), a continued training and skills enhancement programme exclusively for OTE Group's field technicians, continued to be offered. Through ACT2, OTE adds value to the knowledge and skills of its field technicians, who, upon completing the programme, receive a professional certification, which ensures their telecom technology excellence in the market. In 2014, approximately 1,500 field technicians attended the ACT2 programme.

#### ➤ **Certifications/Distinctions in Customer Experience**

##### ***ISO 9001:2008 certification***

The successful redesign of all corporate processes in order to achieve better customer experience gained OTE certification to the internationally recognized ISO 9001:2008 Quality Management System standard - for the first time - for the entire spectrum of its activities. In order to achieve the certification, over the past two years OTE implemented new and innovative methods of analyzing, documenting and improving its processes and procedures, while at the same time eliminating obsolete practices and regulations, in cooperation with business units across Greece.

##### ***13888 "Customer Service Centre of the Year - Large Team"***

OTE's Customer Care won first place in the "Customer Service Centre of the Year - Large Team" category of the National Customer Service Awards of the Hellenic Institute of Customer Service for 2014. Orientated to the Group's values and placing the customer in the centre stage, OTE's Customer Care team, through its hard work, consistency and dedication, achieved this distinction despite other worthy candidates.

##### ***Certification in customer experience management through the BC2X training programme***

A certification exam in the modern principles of customer experience management concluded the BC2X training program for COSMOTE and GERMANOS employees. In 2014, through the BC2X training programme, approximately 2,000 employees from all the operational units of COSMOTE and GERMANOS were introduced to the Customer Experience Management principles. By the end of 2015, it is expected that all OTE Group employees will have received this training.

##### ***COSMOTE excellence in Mobile Data services in Greece***

With two certificates of excellence, P3 Communications, the internationally acclaimed network measurement company, confirmed that COSMOTE offers the "best data services for Smartphones" and the "best data services for mobile broadband" among all the other mobile networks in Greece. COSMOTE ranks among the top 20 out of more than 140 operators in Europe, as it provides the Greek market with the best customer experience with incredibly fast mobile Internet.

#### ➤ **Company's distinctions**

##### ***Distinction for OTE at the Environmental Awards 2015***

OTE received a distinction at the Environmental Awards 2015 for its best practices and its outstanding performance in environmental protection and sustainability. At the ceremony, the company was presented with



## 02. 2014 AT A GLANCE

### THE YEAR 2014 FOR THE OTE GROUP

3 Gold Awards and 1 Grand Award. OTE implements an integrated programme for calculating greenhouse gas emissions (GHG). Furthermore, measures are taken to reduce emissions by utilizing renewable energy sources, investing in the modernization of the telecommunications network and equipment, and implementing measures in buildings and shops (connecting to the natural gas grid and implementing energy upgrade programmes for buildings).

#### ***Distinction for OTE at the Social Media Awards 2014 and the e-volution awards***

It was a big day for innovation and creativity at the Social Media Awards 2014, where OTELife won the Bronze Prize for Best Corporate Blog. Having been online for about a year and a half, OTELife has managed not only to stand out, but also to become a point of reference for readers and consumers seeking a blog which offers both technical information and diversion, keeping them up to date, advising, helping and entertaining them.

Furthermore, in recognition of OTE's implementation of best practices in electronic commerce and business, ote.gr received the Silver Award in the "E-mail Marketing Campaign" category of the e-volution awards for its "Personalized Campaigns @ OTE" project. The distinction concerns personalized newsletter campaigns, through which users are informed of new, exclusive offers, tailored to their needs.

#### ***OTE is named Company of the year at the InfoCom World Awards 2014***

A distinction recognizing OTE Group's steadily leading role in the Greek telecom market and its investment in innovation, the evolution of technical infrastructure and the development of the country, was presented to OTE at the awards ceremony of the 16th InfoCom World International Congress.

#### ***Distinction for OTE at the HR Excellence Awards 2014***

OTE was presented with the Silver Prize in the "Change Management - Redefining culture and internal communication - Acquisitions and mergers" category for its actions regarding human resources, as part of the overall restructuring of the company. In particular, an assessment was made of actions and good practices which were designed and implemented for the support of employees during the changes taking place in the company, as well as of programmes which contribute to establishing a single corporate culture. Typical examples of these actions are the Voluntary Exit Schemes in a socially responsible way for employees who were close to retirement; the recruitment of the company with primarily young people over the past 2 years; as well as the new training programmes, such as the ACT2, for the further training of the company's field technicians in modern technology, and the C2X/BC2X programmes for the cultivation of a customer experience culture throughout the company.

#### ***Two gold awards presented to OTE Group for its Health and Safety management***

OTE Group won major distinctions at the Health & Safety Awards 2014, for the practices followed and the outstanding performance achieved in the management of Health & Safety issues in the workplace: The Gold Award in the "Health & Safety" category of the telecom sector for the company leadership's commitment to and support of employee safety, health and wellbeing, and the Gold Award in the "Health and Wellness Programmes" category, for the intervention programme promoting the non-pharmaceutical treatment of high blood pressure and its prevention through a change in lifestyle and the adoption of healthy behaviours among employees with high blood pressure problems.

#### ***Distinction for OTE-COSMOTE's responsible business practices***

For the first time, OTE and COSMOTE jointly participated in the Corporate Responsibility Index (CRI), achieving a Platinum Distinction for their performance in implementing responsible business practices in 2013, and receiving the "Best Award Marketplace", based on the National Corporate Responsibility Index (CR Index). The CRI is a major international index which measures companies' performance in terms of Corporate Social Responsibility (CSR), while also constituting a point of reference for the benchmarking of CSR performance.

**OTE is named  
Company of the  
year at the  
Infocom World  
2014 Awards**

***International distinction for OTE and the LiveCity research programme***

OTE, as project leader of the LiveCity EU-funded research project, received the Best Demonstration Award at the Future Internet Assembly 2014 (FIA-2014) which was held in Athens. FIA-2014 is an event with global reach, at which actions and the results of European research projects and other research and development initiatives were presented, in the presence of European Commission representatives, stakeholders from the academic and research sector, and representatives from the European telecom market. The demonstration and testing pavilion for the applications of the LiveCity programme stood out from among 48 similar research programme demonstrations. Through the use of live video via the Internet, LiveCity utilizes the development of communication applications for education, health, cultural information and citizen services.

# STRATEGIC PLAN

The company's business model is called upon to adapt to an adverse macroeconomic environment, not only in Greece but also in the rest of the European countries in which OTE operates, and at the same time to respond to the fast-track and high demand market of telecommunications.

As part of its transformation into a high performance company, OTE is focused, through its strategic plan, on remaining a financially robust company and reinforcing its operational performance in order to be able to continuously offer best-in-class services and a unique customer experience, based on its technologically advanced telecommunications network.

Specifically, OTE aspires to:

➤ **Provide its customers with best-in-class services based on advanced, high-performance networks**

- Network upgrade and transformation in fixed-line and mobile telephony
- Dynamic development of Next Generation Networks
- Network homogenization as part of the fixed-line and mobile telephony synergies.

➤ **Ensure that the Company delivers the best overall customer experience**

- OTE must be customers' number one choice
- Emphasis should be placed on best-in-class services, on customer service and on enhancing a corporate culture based on customer experience
- Optimization of procedures that concern the customer.

➤ **Remain the undisputed leader in fixed-line and mobile telephony service offering (core businesses)**

- Enhance competitiveness (through best-in-class single, double, triple play products and fixed-line and mobile telephony convergence)
- Retain market shares.

➤ **Achieve a leading position in the emerging broadband markets (fixed-line and mobile), ICT, cloud, M2M and Pay-TV in Greece and create new revenue streams.**

➤ **Become the best employer in Greece, work towards the continuous development of its personnel and attract talented employees.**

➤ **Enhance the value generated for its shareholders through the optimization of its operations and cost reduction.**

➤ **Maximize the benefits from the participation of Deutsche Telekom in OTE Group.**

**Customer  
experience  
is our priority**







# **OUR ACTIVITIES IN 2014**

# TECHNOLOGICAL DEVELOPMENT BASED ON NEXT GENERATION NETWORKS

**OTE is the main  
telecom provider in  
Greece developing  
an NGA network  
with FTTC (Fibre  
To The Cabinet)**

OTE Group has the largest fixed-line and mobile telephony subscriber base in Greece. In order to ensure that it provides top quality services and the best-in-class customer experience, the Group focuses on the continuous development and evolution of its networks and infrastructure, by utilizing state-of-the-art and most up-to-date technologies.

The Group's investments are aimed, as regards OTE, at transforming the existing fixed-line TDM network into an integrated Next Generation Network (NGN), as well as the development of an NGA (FTTx) network; as regards COSMOTE, it is to expand 4G coverage and to continue to implement the Single Radio Access Network (SRAN) Project. The goal of these investments is to maintain OTE and COSMOTE's technological competitive edge, while placing priority on customer trust.

OTE is the main telecom provider in Greece building an NGA network with FTTC (Fiber To The Cabinet), and thus offers the most extended VDSL availability in the country. COSMOTE was the first to introduce 4G service in Greece and today it offers the greatest 4G coverage nationwide.

The architecture of the NGN network, which is based on IP technologies, allows for the automated control from a central location and can support existing and new infrastructure. Likewise, the IMS network architecture, on which New Generation Networks are based, allows for the convergence of fixed-line and mobile telephony, and the provision of new services.

### 2014 AT A GLANCE

#### > Upgrade of fixed-line networks

#### ***NGA (FTTx): Development of an NGA network in various regions of Greece and expansion of the commercial availability of VDSL services***

OTE has been developing an NGA network by placing fiber optic cable to the access network close to the subscriber (FTTC) and installing MSAN/VDSL2 equipment (both at local exchanges and at cabinets) in order to offer broadband services at speeds of up to 50Mbps.

In 2014, 12 new BNG nodes were installed, to gather VDSL traffic.

The table below depicts the development of the NGA network, in numbers, for the period 2013-2014.

NGA network development statistics	End of 2013	End of 2014
VDSL Number of OTE exchanges with VDSL services availability	277	427
Number of KVs with VDSL services availability	8,940	9,972
Commercially available cabinets offering VDSL services (FTTC)	1,902	3,300

### **ADSL: Network quality upgrade and expansion**

OTE has been utilizing Ethernet technology (ETH DSLAM at 50 new PoPs in 2014), while at the same time greatly restricting the use of ATM technology through the dismantling of 203 DSLAMs in 2014.

In 2014, the installed ADSL ports came to 1,827,000.

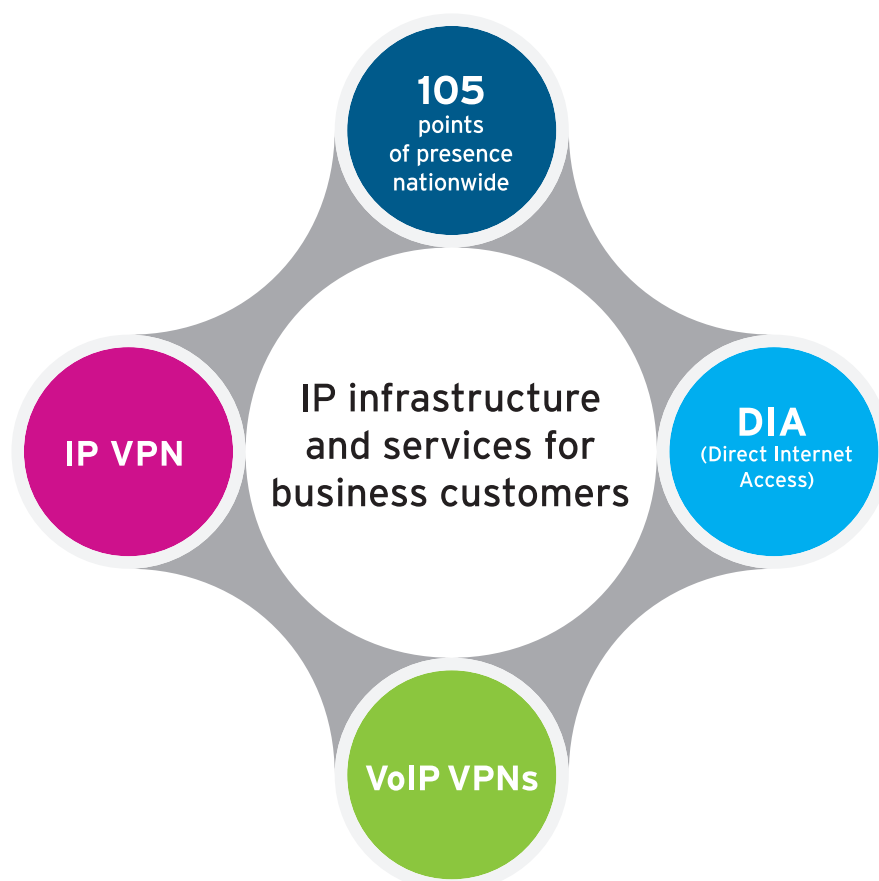
### **Local Loop**

In late 2014, there were 2,020,023 local loops with shared and fully unbundled local loop access, compared to 1,911,570 in 2013. During the same period, the number of local exchanges with active physical collocation was 174; the number with active remote collocation was 785; and the number of local exchanges with both active Remote and Physical Collocation was 55.

### **IP Network: Upgrade of the IP core network**

OTE's IP infrastructure:

- Consists of 105 points of presence nationwide
- Offers IP VPN, VoIP VPNs & Direct Internet Access (DIA) services to business/corporate customers
- Supports all broadband and IP services (wholesale and retail)
- Includes BRAS systems (at 15 points of presence) and BNG systems for use by residential and corporate broadband customers. The IP Core network consists of 6 points of presence throughout Greece (the network's node connections are carried out exclusively through n x 10 Gbps circuits).





## 03. OUR ACTIVITIES IN 2014

### TECHNOLOGICAL DEVELOPMENT BASED ON NEXT GENERATION NETWORKS

In 2014 the IP network was upgraded through an increase in the capacity of the links between nodes, as well as the links with countries outside Greece (increased interconnection through OTEGLOBE for international Internet at 280 Gbps and optimization of their distribution to the IP core routers). Moreover, 9 BNG nodes were installed in order to replace Metro Ethernet nodes and BRAS functionality.

#### **IMS Network**

In 2014, an upgrade of its Software Release Version was carried out and new services were added to the IMS system for the transition of telephony services from Digital Exchanges (TDM) to VoIP (IMS).

The IMS network consists of 16 points of presence, two of which are central (IMS Core). It facilitates the provision of VoIP services to the SYZEFXIS project, as well as to OTE residential and corporate customers.

In 2014, the transition of residential and corporate customers using MSAN continued. By the end of the year, 85,000 SIP Trunk type connections and 18,000 telephone connections had been installed using MSAN.

#### **> Upgrade of fixed-line infrastructure and equipment**

By the end of 2014, the following investments had been made in infrastructure and equipment:

- in 427 telecommunications Central Offices, which cover most of the country's urban Central Offices, offering VDSL services to subscribers who are close to the Central Offices
- in 3,300 integrated and commercially available (outdoor) VDSL cabinets in specific urban areas in Greece

The quality indices of the network and infrastructure, which support the OTE fixed-line services, in 2014 are presented in the table below.

Network quality indices for voice-Internet-iptv	2013	2014
Fault repair time FCT 80% (for 80% of the worst fault) in hours	88.56	69.24
Time needed to install a new CT service 80% (for 80% of the worst installation) in days	13.05	10.01

The improvement of the quality indices y-o-y may be attributed to:

- Targeted actions towards the improvement of fault repair procedures and communication with customers
- Relevant training of technicians
- Utilization of work force management (WFM) tools for field technicians

In the context of preserving resources, recycling materials and limiting its carbon footprint, in terms of technology the company is continuing with the following actions:

- Optimization of the network through the re-use of active DWDM/SDH equipment
- Dismantling Legacy - SDH rings
- Dismantling of 215,000 PSTN lines (capacity in abeyance) and eliminating 3 parent Digital Centres, thus reducing the consumption of energy
- Dismantling of the network's inactive and decommissioned copper cables (193 kilometres), leading to the accumulation of over 2,700 tons of cable, from which the copper and lead were stripped and recycled
- Recycling of accumulators (224 tons)
- Oil recycling of diesel generators (9 tons).



**4G population  
coverage  
increased from  
55% in 2013 to  
70%**

## **> Upgrade of OTE's Special Networks**

### **TETRA**

The "OTE TETRA SERVICES" (OTS) network facilitates individual and group calls, calls to other fixed-line and mobile networks, and the safe transmission of data through encryption. The "OTS" network consists of a Network Transfer and Management Centre and 118 base stations (three new base stations were installed in 2014), 49 of which are installed in Athens (the network covers Attica, the main highways and major Greek cities).

### **Satellite solutions**

OTE's integrated satellite solutions are based on the Satellite Communication Centres in Thermopylae and Nemea. Customers are telecommunications companies, ISPs, satellite operators, the mass media, maritime and public companies. The solutions provided by OTE include satellite pay-TV, radio and television content distribution, international data interconnection/transfer, Inmarsat maritime communications, satellite control services (telemetry and orbital position control), as well as solutions for governmental agencies. Regarding pay-TV and TV content distribution, procedures and infrastructure were implemented with an aim to protect transmissions from catastrophic failure and extreme weather phenomena. Moreover, OTE TV's satellite capacity was increased by 20% and also the satellite distribution services were more than doubled, in order to meet the needs of digital transition nationwide. Finally, the respective capacity for international satellite interconnection services was increased by about 20%.

### **Radio-maritime services and networks**

The Olympia Radio maritime telecommunications network operates in the VHF/HF/MF frequency bands and offers national and global coverage for Safety of Life at Sea (SOLAS).

Olympia Radio comprises base stations which are appropriately positioned throughout Greece in order to provide overlap and full coverage. Operating under a central network management, they are involved in the continuous reception and handling of distress calls or urgency and safety signals at sea. On a routine basis and in emergencies, the Olympia Radio personnel works closely with the Coast Guard's Search and Rescue Centre in order to transmit instructions, to coordinate nearby vessels and other means of saving life and to warn of dangers (weather phenomena, obstacles, etc.).

In 2014, Olympia Radio handled 54 Mayday signals, 199 emergency signals, 2,064 informative signals and 14,408 NAVTEX (a system for the delivery of printed information to ships) signals. Moreover, it cooperated in 145 cases of Shipwrecks - Safety of Life at Sea, in which 2,871 people were saved.

## **> Upgrade of mobile telephony networks and infrastructure**

### **4G/LTE technology**

During 2014, the established 4G/LTE base stations increased significantly and the respective population coverage (4G services) rose from 55% to 70%, covering all cities with over 50,000 inhabitants, many smaller towns nationwide, and Greece's most popular tourist destinations, offering more than double the coverage offered by other networks.

### **SRAN**

The Single Radio Access Network (SRAN) project aims at transforming the mobile communications access network in order to establish a common 2G/3G/4G infrastructure per base station location and for the respective networks to be geographically homogenized (in terms of the supplier). The project includes the modernization of the base station equipment (BTS/Node-B) and the base station controllers (BSC/RNC), as well as the transformation of the data transmission networks into IP networks.

SRAN's main benefits involve the cost reduction due to the economies of scale in equipment prices, the

## 03. OUR ACTIVITIES IN 2014

### TECHNOLOGICAL DEVELOPMENT BASED ON NEXT GENERATION NETWORKS

reduced energy consumption, lower volume/size in infrastructure per location, as well as less maintenance requirements.

In 2014, a significant number of locations (Attica, Thessaloniki, Central and East Macedonia, Thrace) transformed into SRAN, thus covering a large percentage of the mobile telecommunications access network infrastructure. The project is expected to be completed in 2017.

#### **WiMAX wireless broadband networks**

WiMAX networks provide double play services to remote and inaccessible areas, either through direct wireless access to the subscriber, or through the use of the local copper network, functioning as a backhaul network in an MSAN.

For the time being, Wimax networks are in operation in fifteen prefectures across Greece, with approximately 170 points of presence (PoPs), providing the necessary infrastructure for voice and broadband services to about 5,000 subscribers. To approximately 4,500 of them, the service is provided via 53 PoPs in areas with a central point of wireless access and an MSAN interface at the WiMAX NTE.

#### **MSAN**

In 2014, MSANs continued to be installed at new points of presence, in order to provide broadband services, even to the subscribers of OTE's smallest local exchanges.

#### **► Television services: Launching of HD (high definition) services via satellite**

OTE provides pay-TV services via satellite (SAT TV) as well as via broadband connection (IPTV), covering the greatest part of the country.

With respect to its satellite TV services, in 2014 OTE continued to increase the quality and number of television flows, reinforced its technological infrastructure with multiple levels of backup, and implemented Disaster Recovery plans (in the event of a disastrous equipment failure and extreme weather conditions). In January 2014, the company launched a trial offering of HD channels via IPTV and in December 2014 it also launched a trial offering of OTE TV to smartphones and tablets (Internet TV via a 2nd screen).

Finally, the OTE TV offering was enriched in 2014 with more Standard & High Definition channels.

#### **OBJECTIVES FOR 2015**

In 2015, OTE's key investments will concern the following:

- Further development of the NGA network through the:
  - Installation of VDSL MSANs in outdoor cabinets (FTTC) in Central Offices outside Attica and Thessaloniki
  - Installation of VDSL MSANs in 100 additional local exchanges throughout Greece
  - Utilization of Vectoring technology and pilot development of FTTB/FTTH for the provision of broadband services of up to 50Mbps
  - Upgrade of the IP core network for the provision of broadband services of up to 50Mbps
- Quality upgrade and further expansion of the ADSL network through the reinforcement of the existing points of presence and the installation of MSANs at new PoPs (closer to the subscribers)
- Expansion of the Metro Ethernet network through the installation of new Ethernet switches and upgrade of the existing Metro Ethernet nodes
- Installation of new BNG nodes
- Reinforcement of the transmission network through the upgrade of the existing DWDM, POTP and NG-SDH rings
- Expansion of the infrastructure for terrestrial and submarine fibre optics cables



- Design, planning, installation and operation of new WiMAX systems to replace the Subscriber Agricultural Networks at approximately 250 PoPs, in order to provide double play services to about 7,000 subscribers in remote and inaccessible settlements. Also, completion of the installation of approximately 180 WiMax systems PoPs from the 2014 rollout, to serve approximately 7,000 subscribers
- Installation of new TETRA base stations and repeaters for the expansion of the existing wireless coverage
- Installation of new SBCs and the expansion of IMS functionality for the support of IP Interface with the telephone networks of other providers. Extension of the capacity to provide VoIP services to residential users on a broadband connection (VoBB), as part of the "IP Migration" project
- Upgrading of the platform for the support of more Internet television TV channels through a 2nd screen (mobile, tablet, PC)
- Enrichment of its IPTV platform (OTE TV through a xDSL broadband connection) with additional High Definition TV channels
- Upgrade of the OTE TV service offered, through the addition of Hybrid TV
- Upgrade of the e-mail service provided by OTE to residential and business customers
- Creation of a backup head-end in the event of inability on the part of the existing satellite to provide the service.

On the level of technology of its mobile telephony services, in 2015, OTE plans to further expand its 4G coverage, with its established 4G/LTE base stations increasing significantly, while at the same time it continue the implementation of the Single Radio Access Network (SRAN) Project.

# REGULATORY DEVELOPMENTS ON A EUROPEAN AND NATIONAL LEVEL

**Objective:**  
**A stable regulatory environment**

### TRENDS IN THE REGULATORY ENVIRONMENT - CHALLENGES AND OPPORTUNITIES

#### ➤ Developments on a European level

The European Commission's work programme for 2015 aims chiefly at an effective intervention in sectors which will contribute to growth, to the promotion of investments and the reinforcement of employment.

As regards the sector of electronic communications in particular, a package of measures will be announced for the Digital Single Market, with an ultimate aim to create the necessary conditions for the enhancement of the digital economy and society through:

- reviewing the regulatory framework for electronic communications
- modernizing intellectual property rules
- simplifying the rules for consumers who make online purchases
- reinforcing Internet safety
- facilitating the creation of start-ups by reducing bureaucracy, and
- digitizing all sectors of the economy and public administration

Moreover, the priorities of the European Commission presidency for the first half of 2015 focus on putting forward Directive drafts concerning the reinforcement of Internet safety (NIS) and the promotion of digitization in various sectors of society (Web Accessibility) and public administration (ISA2), as well as on continuing discussions between EU institutions on the "Connected Continent" Regulation draft (which was presented in September 2013). These discussions have come to focus on two of the originally seven proposed main topics (abolishing additional roaming fees and Internet neutrality). These discussions are not expected to be completed before the second half of 2015.

### 2014 AT A GLANCE

#### ➤ OTE's regulatory policy

The company's regulatory policy for 2014 aimed at defending OTE's positions vis-à-vis the Regulatory Authorities on a national level, as well as vis-à-vis other European and international bodies regarding matters such as:

- The elimination of regulatory measures in markets in which competition has grown satisfactorily
- Dealing with regulatory issues that occur within the context of the offering of bundled services and specifically the approval of OTE's tariff plans by the Hellenic Telecommunications and Post Commission (EETT)
- A stable regulatory environment which will encourage the company's investments, especially investments in the development of new generation networks.

#### ➤ Regulatory developments

The key developments in 2014 that also concerned OTE included the following:

- The release of the Recommendation by the European Commission (9/10/2014) regarding the electronic communications services markets which are subject to an ex-ante regulation, which reduces these markets from seven (7) to four (4). The new round of market analyses is expected to begin in 2015
- Promulgation of Law 4313/2014 which amends Law 4070/2014 on electronic communications on matters relating primarily to the provision of facilities in licensing antenna systems
- Promulgation of the Decision of the Ministry of Infrastructure, Transport and Networks, following the relevant recommendation of the EETT, on the definition of a reasonable request under the universal service
- Public consultation of the EETT regarding the contract documents of the auction for the selection of the obliged provider of Universal Service nationwide, a process which is expected to be completed in 2015
- Issuance of EETT's decision regarding the wholesale markets for the interconnection of public fixed-line networks and the model for the calculation of the call termination costs for fixed-line networks, which will be significantly reduced and symmetrical for all providers



- Auction by the EETT for granting the rights to use radio frequencies in the 3.4-3.8 GHz band
- Full enactment of the Portability Regulation
- Submission of a proposal by OTE, as part of its strategy for the development of New Generation Access Networks, for the introduction of the VPU Light product and the introduction of VDSL Vectoring technology into the access network
- In regard to requests made by OTE concerning the approval of new programmes and promotional actions during 2014, it is noted that the average response time of the Regulatory Authority was reduced by about 2 months, i.e., from 4.68 to 2.82 months on average.

### **OBJECTIVES FOR 2015**

The main regulatory issues that will concern OTE in 2015 include the following:

- Continuing the dialogue among EU institutions regarding the creation of a new European framework for electronic communications which will affect in multiple ways various issues which are related to the company's activities and, by extension its business choices
- Securing the timely approval of OTE's submitted discount packages by the EETT, the optimization of the approval model of OTE's packages, and the lifting of the relative obligations regarding price approval in services in which there is sufficient competition (The average time for the launching of the current product/service portfolio in the residential and business/corporate customer market is 12 months.)
- Market analysis based on the new European regulatory framework and specifically of the market for access to the public telephone network at a fixed location and the wholesale access markets
- Approval of the VPU Light service and issuing of the regulation for importing VDSL Vectoring technology to Greece.

# BEST PLACE TO PERFORM AND GROW

OTE Group's strategic goal today is to be a modern, dynamic, customer-oriented, high-performing company with a leading position in the markets in which it is active. In order to achieve this goal, the company relies on a transformation programme which centres on best-in-class customer experience, innovation in products and services, simplification and optimization of procedures, superiority of the company's infrastructure, improvement of its competitiveness through the rationalization of the operational costs, and people development.

Especially with respect to HR issues, OTE and COSMOTE promoted the goal of transformation through the integration of fixed-line and mobile telephony, as well as the renewal and development of human resources.

In order to implement the company's HR strategy, the basis was to change, in a socially responsible way and to establish a new, integrated corporate culture. The common denominator was to preserve the strong areas of both companies and cultures. In this new, integrated corporate culture, the customer is now centre stage.

### ➤ Operational integration of fixed-line and mobile telephony

In 2014, the operational integration of fixed-line and mobile telephony activities was in progress, contributing to the simplification of procedures, the improvement of operational efficiency, and the reinforcement of OTE Group's customer-oriented philosophy and competitive placement.

### ➤ Human Resources renewal and development

Following two voluntary exit scheme programmes of OTE employees in a socially responsible way (during 2012-2013), more than 1,500 new jobs were created at OTE Group over the past two years (2013-2014). At the same time, the Group continued to invest in the re skilling and up skilling programs of existing employees, as well as through innovation and creative thinking programmes.

## 2014 AT A GLANCE

### ➤ Organizational restructuring and effectiveness

During 2014 the operational integration of fixed-line and mobile telephony activities was still in progress. This has contributed to the simplification of procedures, the improvement of operational efficiency and the reinforcement of the Group's customer-oriented philosophy and competitive positioning.

With respect to General Directorates, the operational integration has reached its completion, while with respect to Directorates and Subdirectorates it is close to 80%.

The organizational restructuring for the improvement of operational efficiency is also taking place in the Group's subsidiaries. An example of this is the absorption of VoiceNet by OTE S.A., which is being concluded with a view to the optimal utilization of technical know-how and experience in tailored telecom products and services.

Late 2014 saw the approval of the executive grading system of OTE Group's top executive positions, which ensures objectivity and transparency in recording the contribution of each position, based on an internationally recognized methodology. At the same time, it provides a reliable platform for introducing modern HR administration tools into the Group. This project is expected to continue with the review of the of the Group's middle managers' positions, thus contributing to the shaping of even more versatile and effective management and operations schemes.

Moreover, each new role in fixed-line and mobile telephony is analyzed and described based on mobile telephony's existing Job Family Model, which is revised and enriched, in order to provide transparency for the full understanding of competencies and responsibilities of the employees and executives involved in the integrated fixed and mobile activities. This model will constitute the basis for the design of modern structures and roles, as well as their effective recruitment, with an aim to support the progress of the Group's transformation now and in the future.

We are creating a  
common corporate  
culture



**OTE Group's philosophy regarding the growth of its human resources is based on the principle: "Best place to perform and grow"**

#### **> Employees Development**

The aim of OTE Group is to stand out as an attractive employer and as a work environment in which each employee is able to perform to his/her full capacity and grow professionally. OTE Group's philosophy regarding human resources development is based on the Guiding Principle: "Best place to perform and grow".

As a modern, customer-oriented organization, OTE supports the diversity of abilities, experience and talents.

Performance appraisal and development, targeted recruitment, training programmes for the evolution of knowledge, talent management programmes, and leadership programs are some of the development tools implemented in 2014 to enhance employees' personal and professional development. As a member of the DT Group, OTE also offers international career opportunities to employees in the Group's companies abroad, as well as opportunities for best practices and knowledge sharing.

#### **> Performance appraisal and development**

OTE and COSMOTE run an annual performance appraisal and development process for all levels of employees. Before the beginning of the annual appraisal process, all new executives with team management responsibilities receive special training on how to assess their employees' performance and create an individual development plan, based on their needs. In 2014, all OTE and COSMOTE employees (i.e., 100% of the company's workforce) were appraised according to this process.

OTE and COSMOTE appraisal system is adapted to the vision, the mission, the values, the high-performance culture and the needs of the companies and their people. It is designed with an emphasis on the reinforcement of excellence, Customer Experience ("Customer Experience Excellence") and is fully in line with OTE Group Guiding Principles and Code of Conduct. Finally, it is based on parameters derived from specific and measurable goals, Professional Competencies and Performance Criteria, which are revised as often as is necessary, in order to reflect current models in the field of telecoms, as well as the respective know-how required.

#### **> Recruitment**

OTE Group's goal is to choose the right candidate for the right position. The way this selection process is made has a positive impact on the Group's image as an attractive employer. OTE Group aspires to be a first choice employer and to offer all candidates a positive experience.

Furthermore, new employees' recruitment process is also a developmental process for the company executives (HR & line managers) involved. To this end, in 2014 the company offered credible selection process training and published an in-house guide entitled "Structured Interview Guide" for external and internal candidates.

In 2014, 89 positions opened for internal candidates through 18 announcements which were posted on the company's Intranet sites (55 new managerial positions). Moreover, in 2014 OTE Group in Greece hired, through OTE plus, 771 new employees.

In order to efficiently fill available positions with internal or external candidates, as well as to address internal promotions of executives to more demanding positions, the company implements the modern practices of the Assessment Centres.

At the same time, OTE and COSMOTE gave the opportunity to 748 technical and vocational school and university students (TEI, AEI, IEK) to complete their studies by carrying out internships in OTE Group's contemporary work environment. This year, the company's communication with the universities' career and internship offices has been systematized and projects have started to be planned in cooperation with specialized laboratories at technical and vocational schools and universities.

**771 new job positions in OTE Group for 2014**



## 03. OUR ACTIVITIES IN 2014

### BEST PLACE TO PERFORM AND GROW

- **Talent management programmes**

In December 2014, the first “OTE-COSMOTE Graduate Trainee Program” was launched. This is a programme which will attract young people, up to 28 years old, with postgraduate degrees and the possibility to evolve into OTE Group’s future leading executives. The Graduate Trainees, who will emerge after an extensive and demanding selection process, will be hired by OTE Group. The programme’s innovations include attaining experience in a large organization and constant support from the Group’s Senior Management.

- **Leadership programmes**

In order to boost executives with management team responsibilities, the company has designed and implemented leadership development programmes. The OTE and COSMOTE leadership programmes are based on the Group’s corporate values and aim at the acquisition of knowledge and the exchange of experience among executives. They cover issues pertaining to guidance, mobilization, feedback, communication and the overall management of human resources.

- **Training**

Training is fundamental to employee development and satisfaction, customer service, and a company’s competitiveness. At the same time, it constitutes a powerful means of personal development and an important vehicle for the communication of corporate strategy, of changes, and the enhancement of corporate culture.

#### AVERAGE TRAINING HOURS IN 2014



*Training hours per employee have been calculated based on the average headcount.*



## Innovative training programmes

Evolving the HR strategy regarding training issues so that the design of programmes not be limited solely by individual, ad hoc needs, the company's new training programmes are governed by a more targeted approach, in order to meet the specific needs of particular groups. At the same time, in keeping with new trends, emphasis is placed on creative thinking, innovation, the concept of cooperation and teamwork, in a manner which is experiential, interactive and structured.

### > Health and Safety

Ensuring a safe and healthy work environment for all employees, customers and associates continues to be the top priority for OTE and COSMOTE.

Health and Safety issues are considered of vital importance to the successful and sustainable future of the Group and have a direct impact on issues such as employee satisfaction, wellbeing, the quality of work and corporate culture. As a result, the Group's companies act preventively in this direction, taking into account the relevant provisions of Greek law and the corresponding standards as minimum requirements. Creating and improving a safe and healthy work environment through the coordinated effort of management and personnel are a main priority for OTE, as they contribute effectively to the company's growth and progress.

In 2014, OTE Group's integrated Quality, Health and Safety, and Environmental Policy was completed. This integrated policy emphasizes management's commitment to enforce national and EU Laws and Regulations; to develop values which will shape a culture of prevention; to encourage, train and support employee participation in the improvement of Health and Safety in the workplace.

The Health and Safety in the Workplace Committees, which consist of elected representatives of the employees, meet every three months with management representatives, in order to discuss issues and processes related to the improvement of Health and Safety in the Workplace.

Health and Safety issues in the workplace are also evaluated by employees through the Employee Satisfaction Survey, which is conducted every two years and focuses on factors which are related to Health, such as physical and mental wellbeing and the balance between one's personal and professional life. The results of this survey and the corresponding findings provide the basis for in-house improvements and measures.

### **Health and Safety Policy**

OTE Group's Health and Safety Policy has been formulated in order to support OTE Group's business units in activities related to:

- Compliance with legal and regulatory requirements
- The certification of all of OTE Group's operations according to the OHSAS 18001 Occupational Health and Safety Management Systems-Requirements international standard
- Consultation between management and the employees
- Accidents and incidents management
- The systematic training of employees on the principles and practices of Health and Safety in the Workplace, and special training with respect to potentially dangerous tasks
- The regular control of the safety measures taken by employees and third parties (e.g., contractors)
- Providing first aid, conducting preventive medical examinations and providing mental health support services
- The organization of Emergency Response Teams and regular building evacuation drills.

### **Update on Health and Safety issues**

In 2014, a series of actions were implemented to provide employees with updates:

- Informative articles were posted on intranet sites regarding:
  - International or European important days/weeks

## 03. OUR ACTIVITIES IN 2014

### BEST PLACE TO PERFORM AND GROW

#### A new three-year Collective Labour Agreement was signed

- protection from and treatment of seasonal viral infections
- protection from and dealing with seasonal risks
- Information events were held in cooperation with external agencies on issues such as:
  - "Safe Driving Behaviour and how civilized Greeks are on the Road" in cooperation with the "Iaveris Rally Academy"
  - "Earthquakes and Protective Measures" in cooperation with the Earthquake Planning and Protection Organization
  - "We live better without smoking " in cooperation with the Hellenic Thoracic Society
- Creation of a pamphlet on: "Protection Guidelines for working in heatwave conditions"
- Compilation of instructions for:
  - Marking and signposting in the area of the electromechanical installations at the OTE Administration Building
  - Safe use of individual protection means for OTE Hedaquarters
  - Pedestrian and vehicle safety in the underground parking lot of the Paiania building.

#### ➤ Employee engagement

OTE and COSMOTE believe that employee engagement and commitment are of vital importance to a company's success. The aim of the companies is for their employees not only to think and speak positively about the companies, but also to refer to OTE spontaneously, from the heart, as the best place to perform and grow. OTE and COSMOTE also try to keep their employees constantly up to date regarding the strategic, technological and organizational changes being carried out, wishing for the understanding and active participation of their employees in these changes.

Employee participation and engagement is directly linked to communication. OTE and COSMOTE aim to create and maintain a work environment which is characterized by open communication and feedback culture.

In order to continue to diffuse the company's corporate goals and the corporate strategy among all its executives in 2014, a Team Management Meeting was held. The leadership style has a direct impact on employee engagement and identification with the company.

Companies encourage their employees to communicate openly, using all the means of communication available, such as regular meetings and presentations, experiential workshops, internal memos and employee surveys.

#### ➤ Employee satisfaction

OTE and COSMOTE recognize the benefits of conducting employee satisfaction surveys on a regular basis. The Employee Survey which is carried out every two years and the six-monthly check through the Pulse Survey, are considered important in-house tools by which companies receive feedback. Moreover, surveys serve as reliable diagnostic tools for pinpointing possible changes and improvements, and developing action plans. The results of employee surveys are posted on corporate Intranets and are presented and discussed internally within functional teams.

In 2014, OTE and COSMOTE conducted two Pulse Surveys (in May and November), with employee participation in the November survey coming to 70%.

The Employee Survey took place in April 2015 while the Pulse Survey will take place in November 2015.

The feedback culture which is fostered in companies is attested to by employee participation in other surveys, such as the Business Security Awareness survey, food services satisfaction survey, and the survey on thermal comfort at the OTE - COSMOTE green building in Paiania.

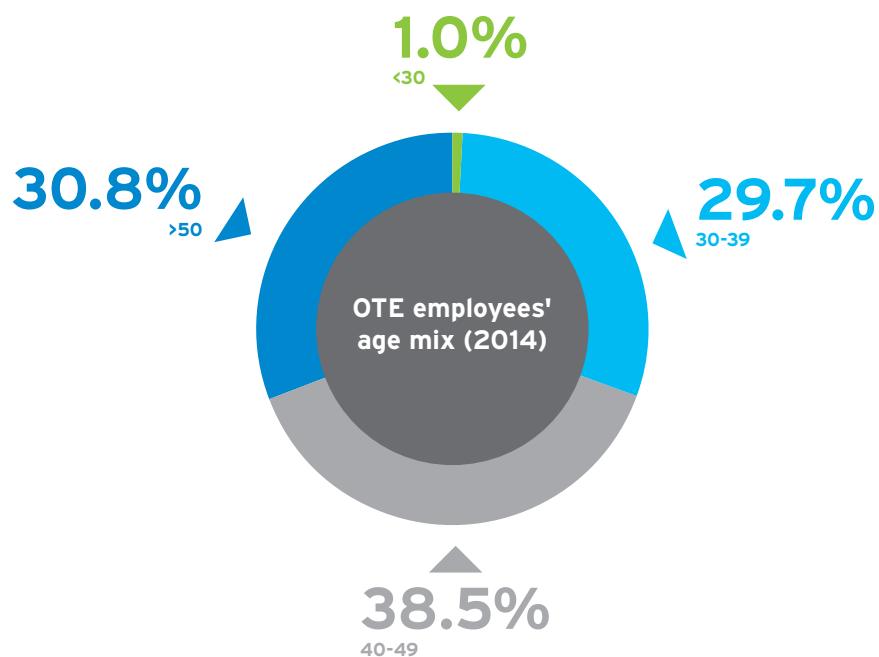
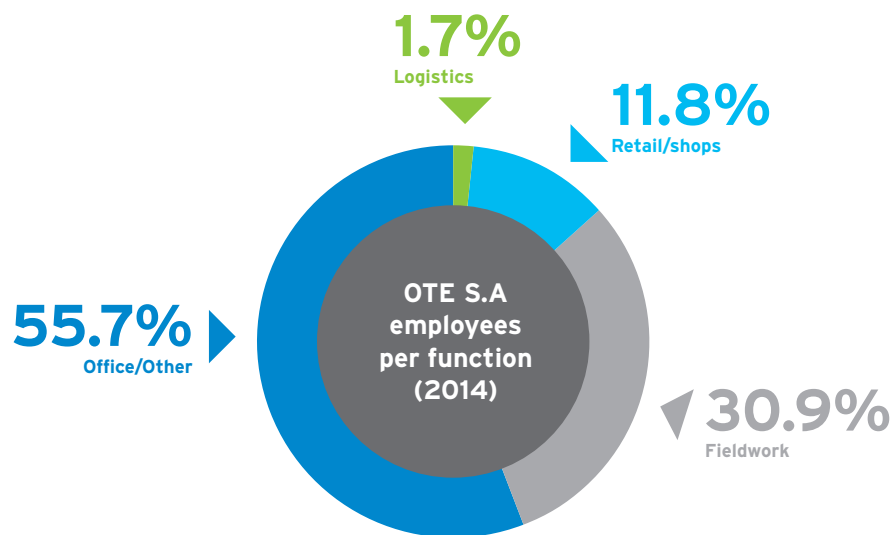


#### ➤ **Cooperation with employee representatives**

In December 2014, a new three-year Collective Labour Agreement was finalized and signed between OTE and the Federation of OTE Employees (OME-OTE), its main goals being the reinforcement of the company's viability and competitiveness, the promotion and development of employment, the rationalization of labour costs and the fostering of the suitable conditions for the hiring of new personnel. The Collective Bargaining Agreement regulates issues concerning the payroll, vacation time, compensation and benefits and working hours of OTE employees. It is in valid from 1/1/2015 to 31/12/2017.

### 03. OUR ACTIVITIES IN 2014

#### BEST PLACE TO PERFORM AND GROW





# CORPORATE RESPONSIBILITY

**Our main focus remains the economic development, while helping to protect the environment and support of society**

## CORPORATE RESPONSIBILITY STRATEGY

Corporate Responsibility (CR) is an integral part of OTE and COSMOTE's business strategy. The Companies pursue their economic development contributing simultaneously to the support of society and to the protection of the environment.

OTE and COSMOTE set their CR priorities, by addressing four strategic pillars, which encompass the most important issues regarding their operation and stakeholders:

### • Marketplace

The Companies invest in the continuous improvement of local telecoms infrastructure and the expansion of their services and products, utilizing the optimum available technical solutions. They operate on the basis of a customer-oriented philosophy, aiming to maximize customer satisfaction in a responsible way, trying at the same time to present innovative and viable products and services. In addition, they ask of their suppliers to operate according to the same principles.

### • Employees

They provide a sustainable work environment for their employees, guided by the values stated in the Principles of Corporate Behaviour. They encourage employee growth, recognize good performance, provide equal opportunities and promote cooperation

### • Society

At a difficult time for the Greek economy and society, they support socially vulnerable groups and local communities in order to satisfy important immediate needs. They call upon all employees to participate by promoting volunteer actions.

### • Environment

They aim at reducing the environmental effects of their activities, at providing products and services that contribute to the protection of the environment in other sectors of the economy and at raising awareness among citizens towards adopting a more responsible attitude, in terms of the protection of the environment.

Aiming to continuously improve their performance on CR issues, OTE and COSMOTE proceeded in 2014:

- to develop the OTE Group CR Policy and the Group's Social Charter
- to redefine their stakeholders
- to improve their materiality analysis methodology and, finally,
- to upgrade the management of their chain of supply.

### ➤ OTE Group CR Policy

OTE Group's CR Policy defines, among others:

- the way in which OTE Group evaluates CR and the sectors which are affected by it
- the general action plan which is implemented by OTE Group and the structure of CR governance which should be the basis for a successful CR management

### ➤ The OTE Group Social Charter

The OTE Group Social Charter defines the working conditions and social standards, in accordance with which the Group's products and services are produced and offered. At the same time, it sets the rules which will have to be observed throughout the Group, regarding human rights, sustainable development and environmental protection, equal opportunity, health and safety, and employee rights issues. The Charter was developed in accordance with internationally recognized standards, directives and rules, the International Charter of Human Rights, the Core Conventions of the International Labour Organization, the guidelines of the Organization for Economic Cooperation and Development, and the United Nations Global Compact.

## 03. OUR ACTIVITIES IN 2014

### CORPORATE RESPONSIBILITY

The Charter will serve as a behaviour guide for all of the Group's employees, investors, customers and suppliers.

#### ➤ Governance and Corporate Responsibility Management

OTE Group's new CR Policy reflects the integrated CR governance structure through which issues related to sustainable development are incorporated into core business processes. The Group's subsidiaries develop and implement their own CR activities, in accordance with OTE Group's CR strategy.

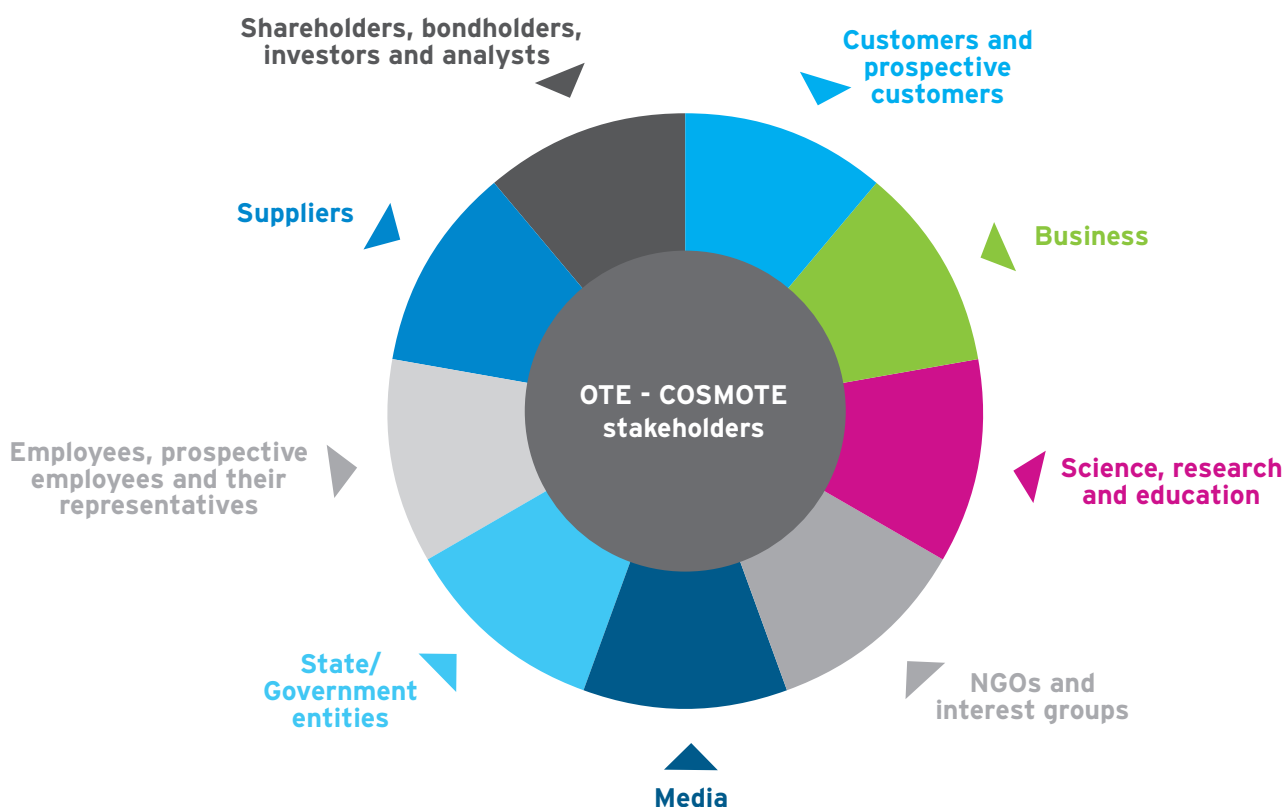
The Governing Boards of OTE and COSMOTE have delegated the overseeing of all sustainability and corporate responsibility issues to their Chairperson and CEO. The Executive Director of OTE Group's Corporate Communications Division who is also a member of the OTE Management Team working together with the Chairman and CEO formulates strategic planning, CR policies and guidelines for the entire Group.

The CR Department for Fixed and Mobile Telephony, which falls under OTE Group Corporate Communications Division, is responsible for the implementation of the CR strategy and standards as formulated by OTE Group's Corporate Communications Division for the entire Group. Additionally, it coordinates and manages CR activities and monitors the implementation of goals and other necessary actions.

#### ➤ Stakeholders

OTE and COSMOTE recognize the role of stakeholders as having a direct effect or influence on the Companies' sustainable development. A basic principle of OTE and COSMOTE is the continuous dialogue with representatives of all stakeholders, without exclusions or discriminations. In 2014, OTE and COSMOTE proceeded to redefine their stakeholders. The CR Department for Fixed and Mobile Telephony, based on information received from various organizational units of OTE and COSMOTE, as well as from direct contact with its stakeholders, updated the list of both companies recognized stakeholders. Aiming at further improvement of communication, OTE and COSMOTE also proceeded to identify, besides the core groups of stakeholders, separate subgroups. The Companies believe that this more in-depth analysis will give their executives the chance to monitor better the ways of communication and the needs of all stakeholders.

OTE and COSMOTE's Senior Management participated in the finalization of the list of stakeholders in early 2015 and the final list was approved by the Group's Chairman and CEO.



### ➤ Materiality Analysis

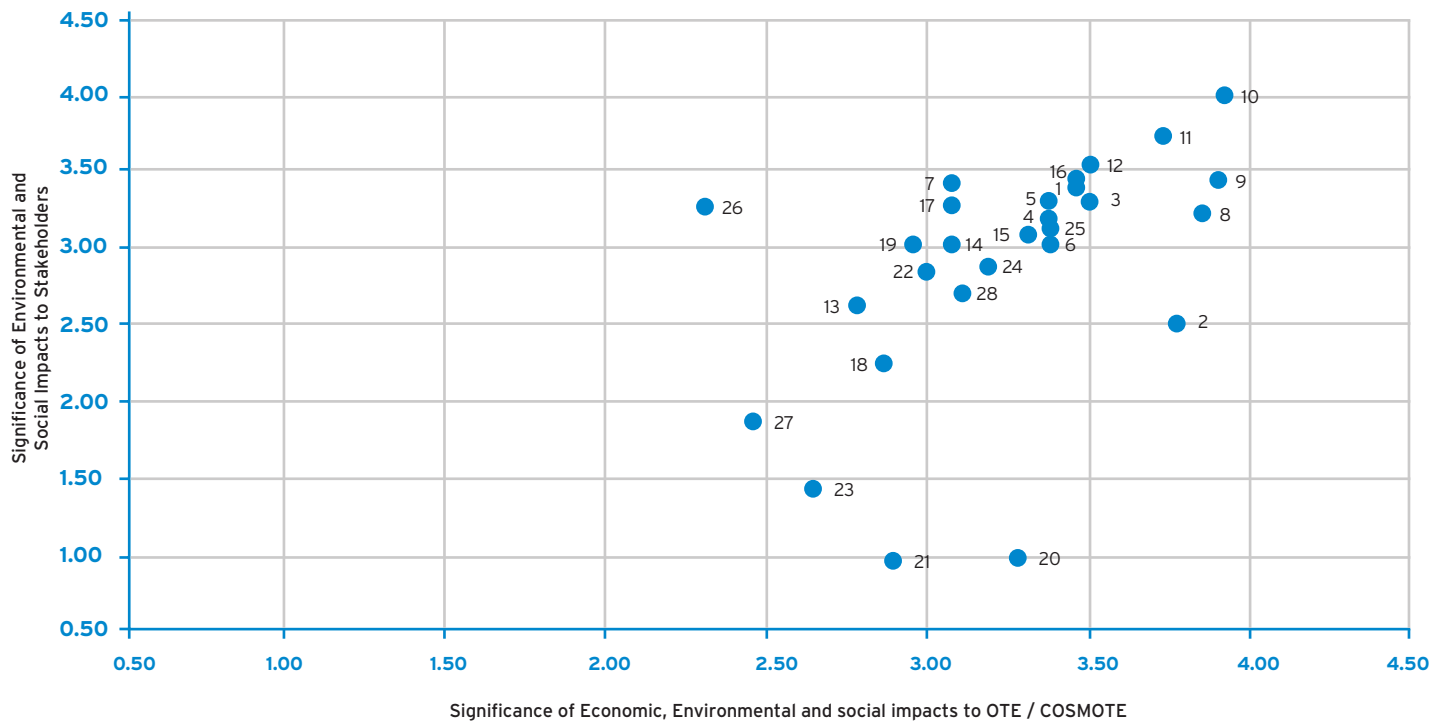
In trying to improve the way both Companies approach CR issues, in 2013, the CR Department carried out a materiality analysis, taking into account the Enterprise Risk Management principles implemented by OTE Group. This process, which was formulated and initiated in 2013, and completed in early 2014, consisted of two phases: the analysis of material issues by OTE and COSMOTE management and the analysis of material issues by the Companies' stakeholders.

In this way, for the first time, the CR Department had the opportunity to compare in practice the views of its internal and external "public" regarding the Companies' material sustainability issues. The results are presented in the following figure.



## 03. OUR ACTIVITIES IN 2014

### CORPORATE RESPONSIBILITY



1. Corporate governance
2. Economic contribution
3. Responsible competition
4. Expanding broadband and mobile Internet
5. Responsible marketing
6. Responsible procurement
7. Public awareness of technology
8. Customer satisfaction and service
9. Data security and privacy
10. Health and safety

11. Fair employment
12. Employee development
13. Employee benefits
14. Internal communication
15. Employee satisfaction
16. Social products and services
17. Social contribution
18. Employee volunteerism
19. Enabling entrepreneurship
20. Energy efficiency

21. Road transport
22. Greenhouse gases
23. Water
24. Materials and waste
25. EMF
26. Visual impact
27. Noise
28. Public awareness

OTE and COSMOTE believe that their materiality analysis process is of vital importance in formulating their strategy. In 2014, the Companies worked towards further enhancing their approach to the analysis and evaluation of material CR issues. This enhanced analysis will be completed in 2015, under the supervision of OTE Group's CR and Corporate Risk Management Departments.

#### ► Ratings

OTE and COSMOTE business operations focus on generating added value in terms of their sustainable development. Through its CR Department, OTE Group's Corporate Communication Division is responsible for coordinating, prioritizing and consolidating all inquiries received from sustainable development/socially responsible investment rating agencies. Moreover, it works closely with OTE Group's Acquisitions, Mergers and Investor Relations, as well as, on a case by case basis, with all the other organizational units of the companies, with an aim to respond to analysts' requests for further information.

## PARTICIPATION IN CORPORATE RESPONSIBILITY INDEXES



OTE has satisfied the requirements and has been a constituent of the FTSE4Good Index Series since 2008. In 2014, the FTSE proceeded to enhance the evaluation criteria according to which an organization is accepted into the FTSE4Good Index Series. Following a further evaluation under the new criteria, OTE continues to be a constituent enterprise.

OTE has been included in the Euronext Vigeo Eurozone 120 since December 2013, where it remains following the evaluation of June 2014. The Euronext Vigeo Eurozone 120 index aims at promoting and supporting responsible investments. OTE is the only Greek company amongst the Eurozone's top companies which is a member of the index.

OTE has participated, since 2010, in the Carbon Disclosure Project (CDP) on climate change, having completed the disclosure questionnaire and thus making available on the CDP platform all required information. The CDP is the world's largest platform for reporting and cooperating on climate change issues, with a focus on investment information needs.

Since 2008, OTE has participated in Greece's Corporate Responsibility Index (CRI), organized by the Corporate Responsibility Institute in cooperation with Business in the Community (BITC) organization. In 2013 and 2014, OTE and COSMOTE were evaluated for their performance on implementing responsible corporate practices and received the "Platinum" distinction. Also, the companies received a special award for the best performance in the Market, in 2013 and for the best performance in the Society, in 2014.

### ► Distinctions

In 2014 OTE and COSMOTE received 15 awards and distinctions for their CR performance.

- At the Environmental Awards 2015, organized by Boussias Communications, the two companies were ranked amongst the top 5, receiving a Grand Award for their overall performance and three Gold Awards in two different categories:

## 03. OUR ACTIVITIES IN 2014

### CORPORATE RESPONSIBILITY

- Environmental CSR Category: Gold Award
- Climate Protection-GHG Offset: 2 Gold Awards
- At the MONEY - George Ouzounis 2014 Enterprise Awards, OTE received the following awards:
  - 1st place Award as the Best Company 2014
  - 2nd place Award for CSR
- At the Future Internet Assembly 2014 (FIA-2014), OTE, in its capacity as project head of the European Commission subsidized LiveCity research programme, received the "Best Demonstration" Award.
- At the Health & Safety Awards 2014, OTE Group won two major distinctions:
  - The Gold Prize in the Health & Safety category of the telecom sector
  - The Gold Prize in the Health and Wellness Programmes category
- At the 16th InfoCom World Awards, OTE was named "Company of the Year"
- At the Ethos Sustainability Awards 2014, COSMOTE received the "Award for Long Term Cooperation and Work" on Corporate Social Responsibility for its participation in the ECOGEM and EMERALD projects
- At the HR Excellence Awards 2014, OTE COSMOTE received the "Silver" Award in the Managing Change-Cultural change-Internal Communication-Mergers and Acquisitions category
- At the National Customer Service Awards for 2014, organized by the Hellenic Institute of Customer Service, OTE won 1st place in the "Customer Service Centre of the Year - Large Team" category.
- P3 Communications presented COSMOTE with two certificates of excellence for:
  - "Best data services for Smartphones" and
  - "Best data services for mobile broadband".

#### ➤ The Main CR Achievements of OTE-COSMOTE for 2014

- Development of OTE Group's CR Policy
- Development of OTE Group's Social Charter
- Inclusion in the FTSE4Good and Euronext Vigeo Eurozone 120 indices
- Improvement in communicating OTE and COSMOTE's CR performances to their stakeholders through the adoption of the new, interactive, online presentation of the CR Report
- Development of responsible products and services:
  - OTE Business Cloud
  - Corporate fleet management service
  - M2M solutions in collaboration with the Hellenic Electricity Distribution Network Operator, etc
  - Supporting research and innovative programmes, taking into account ICT's enabling role in environmental protection, the protection of society and economic growth
- ISO 9001:2008 certification of OTE's activities
- Tier III (Concurrently Maintainable) certification for COSMOTE, for the upgrade of its existing IT Data Center, which was carried out without interrupting service
- COSMOTE and OTE responded successfully within 2 days to 80% and 52% of respectively of the customer complaints received
- Compliance with the Supplier Code of Conduct was included into the contract terms with suppliers
- OTE and COSMOTE have evaluated a number of their suppliers, who represent 72% and 95% respectively of their annual volume of supplies
- Over 57,000 people were informed on the safe use of the Internet and mobile telephony services
- Employment opportunities were offered to over 700 young people by OTE Group in various fields (customer care, sales, etc.)
- The first "OTE-COSMOTE Graduate Trainee Program" to attract talent, was announced, for which 2,500 applications were submitted
- OTE and COSMOTE employees attended 4,477 hours 2,082 hours of training respectively in health and safety issues
- More than 1,400 OTE technicians attended the ACT2 continued training and skills enhancement programme



- More than 5,000 employees of OTE and its subsidiaries attended the BC2X customer experience management training programme
- Support of socially vulnerable groups, education and children amounted to over € 1.8 mn
- Through the OTE-COSMOTE Scholarship Programme 50 Scholarships and Honorary Distinction prices were awarded, totalling €374,360
- More than 6,000 OTE and COSMOTE employee participations in four corporate volunteering initiatives
- The companies supported over 70 non-profit organizations and institutions caring for vulnerable social groups and children
- OTE and COSMOTE successfully concluded the certification of the environmental management systems (according to the principles of the ISO 14001:2004 standard)
- Development and operation initiation of the Environmental Resources Management (ERM) Database which will collect all of the Group's environmental data
- The implementation of energy saving measures resulted in the reduction of energy consumption and greenhouse gas emissions (reduced by 1.3% and 5% respectively compared to 2013). The implementation of the above measures resulted in a financial benefit (by reducing operational costs) estimated at €5.6 mn
- Completion of the second phase of the implementation of the recycling programme at 4 company buildings (bringing the total to 6 buildings with more than 6,500 employees)
- New stations added to the electromagnetic radiation measurement programme (which is in continuous operation for 10 years and now comprises 218 stations in total).

## 03. OUR ACTIVITIES IN 2014

### CORPORATE RESPONSIBILITY

#### OTE Group Indicative Social and Environmental Indices

Social and Environmental Performance in 2014	OTE	COSMOTE	Telekom Romania Communications	Telekom Romania Mobile Communications	AMC
<b>Employees</b>					
Number of employees on indeterminant term contracts	6,924	2,050	5,472	1,021	452
Percentage of female employees	31%	51%	38%	55%	60%
Employees covered by collective agreements (%)	99%	92%	100%	0%	0%
Workplace fatal injuries (number of employees)	0	0	0	0	0
Workplace non-fatal injuries (number of employees)	37	14	7	1	0
Training hours (hours/employee)	11.88	13.55	8.03	10.3	8.30
<b>Society</b>					
Sponsorships - Donations (incl. in kind) (€)	1,330,087	1,612,468	180,000	61,701	110,900
Number of volunteer initiatives	4		6	6	1
Employee volunteerism (number of employees)	6,182		287	178	35
Number of people who were supported (estimate)	882,933		296,976	115,974	1,000
<b>Environment</b>					
Power consumption (GWh)	250.94	157.38	133.04	85.85	19.43
Fuel consumption and use of district heating in buildings and facilities (GWh)	9.51	12.64	26.57	0.88	7.57
Car fleet consumption (GWh)	28.08	8.10	38.07	6.98	1.27
Direct (scope 1) CO <sub>2</sub> emissions (t)	9,009.75	5,309.81	12,692.24	1,934.82	2,330.15
Indirect (scope 2) CO <sub>2</sub> emissions (t)	171,891.04	107,804.70	66,659.04	41,295.00	77.73



# CORPORATE GOVERNANCE

**Shareholders'  
interests are at  
the center of  
protection**

Corporate governance refers, traditionally, to the system with which companies are managed and controlled, as well as to the relations between the company's Management, its Board of Directors, its shareholders and all other stakeholders. The corporate governance framework for listed companies is a combination of legislature and non-binding rules (soft law), which includes, among other things, corporate governance codes.

As a large capitalization company listed on the Athens Stock Exchange, with its shares also traded on the London Stock Exchange (LSE), OTE complies with applicable domestic and international legislation regarding the principles and practices of corporate governance. It should be noted that following OTE's delisting from the New York Stock Exchange, its American Depository Shares (ADSs) trade in the OTC (Over the Counter) market through the Level I ADSs program.

The consequent provisions and practices regarding the company are included in the Articles of Incorporation, the Internal Regulation, as well as in other company regulations and policies which regulate its individual operations.

## **CORPORATE GOVERNANCE SYSTEM**

OTE complies with the special practices defined by the Hellenic Federation of Enterprises (SEV) Corporate Governance Code for Listed Companies, as currently in force as the Hellenic Corporate Governance Code (EKED), following its revision/amendment by the Hellenic Corporate Governance Council (ESED) in October 2013.

OTE's Corporate Governance Statement is published in the company's 2014 Annual Financial Report.

At the core of a sound corporate governance system are principles and practices regarding the role of the Board of Directors and Management team, the protection and the role of shareholders, as well as the enhancement of transparency, control and information disclosure by the company.

## 03. OUR ACTIVITIES IN 2014

### CORPORATE GOVERNANCE

#### THE BOARD OF DIRECTORS

##### > Composition of the Board of Directors

The table that follows lists the members of the BoD with dates of commencement of office and dates of termination of office of each one.

NAME	CAPACITY	DATE OF INITIAL COMMENCEMENT OF OFFICE AND POSSIBLE RE-ELECTION	TERMINATION OF OFFICE
Michael Tsamaz	Chairman and CEO Executive member	Commencement 3/11/2010 Re-election 15/6/2012	2015
Manousos Manousakis*	Vice-Chairman Non-executive member	Commencement 1/4/2015	2015
Charalampos Mazarakis	Executive member	Commencement 19/7/2012	2015
Claudia Nemat	Non Executive member	Commencement 26/10/2011 Re-election 15/6/2012	2015
Klaus Müller	Non Executive member	Commencement 15/11/2011 Re-election 15/6/2012	2015
Raphael Kübler	Non Executive member	Commencement 23/5/2013	2015
Vasileios Kafouros*	Independent Non-executive member	Commencement 1/4/2015	2015
Ioannis Margaritis*	Independent Non-executive member	Commencement 1/4/2015	2015
Athanasios Misdanitis*	Independent Non-executive member	Commencement 1/4/2015	2015
Panagiotis Tabourlos	Independent Non-executive member	Commencement 17/6/2004 Re-election 15/6/2012 (the most recent)	2015
Konstantinos Christopoulos*	Independent Non-executive member	Commencement 1/4/2015	2015
Nikolaos Karavitis*	Vice-Chairman, Independent Non-executive member	Commencement 11/10/2013	31/3/2015
Christos Kastoris*	Independent Non-executive member	Commencement 11/10/2013	31/3/2015
Theodoros Matalas*	Independent Non-executive member	Commencement 11/10/2013	1/4/2015
Stylianios Petsas*	Non Executive member	Commencement 3/9/2013	1/4/2015
Leonidas Filippopoulos*	Independent Non-executive member	Commencement 11/10/2013	1/4/2015

\* Vice-Chairman Mr. Nikolaos Karavitis and members Messrs. Stylianios Petsas, Christos Kastoris, Theodoros Matalas and Leonidas Filippopoulos submitted their resignation (on the dates cited in the table above) and on 1 April 2015 they were replaced by Messrs. Manousos Manousakis, Vasileios Kafouros, Ioannis Margaritis, Athanasios Misdanitis and Konstantinos Christopoulos. Mr. Manousos Manousakis was named Vice-Chairman of the BoD.



## > **Composition of the BoD Committees**

### **Audit Committee**

Until April 2015, the Audit Committee comprised the following members: Panagiotis Tambourlos (Chairman - Financial Expert), Christos Kastoris (Member), Nikolaos Karavitis (Member).

### **Compensation and Human Resources Committee**

Until February 2015, the Compensation and Human Resources Committee comprised: Mr. Panagiotis Tambourlos (Chairman), Mr. Charalampos Mazarakis (Member) and Ms. Claudia Nemat (Member). Following a decision by the company's BoD regarding the reconstruction of the Compensation and Human Resources Committee, the place of Mr. Charalampos Mazarakis was taken by Mr. Raphael Kübler. Mr. Panagiotis Tambourlos remained Chairman of the Committee.

## **MANAGEMENT TEAM**

The members of the Management Team during the period 2014-2015 are presented in the following table:

NAME	CAPACITY
Michael Tsamaz	Chairman and Managing Director
Zacharias Piperidis	OTE Group Chief Operating Officer
Charalampos Mazarakis	OTE Group Chief Financial Officer
George Athanasopoulos	OTE Group Chief Information Technology Officer
Eirini Nikolaidi	General Counsel - OTE Group Chief Legal & Regulatory Affairs Officer
Stefanos Theocharopoulos	OTE Group Chief Technology & Operations Officer
Konstantinos Liamidis	OTE Group Chief International Activities Officer
Elena Papadopoulou	OTE Group Chief Human Resources Officer
Ioannis Konstantinidis	OTE Group Chief Strategic Planning & Transformation Officer
Deppie Tzimea	Executive Director Corporate Communications OTE Group
Aristodimos Dimitriadis	Executive Director Compliance, ERM & Insurance OTE Group
Maria Rontogianni	Executive Director Internal Audit OTE Group

## **SHAREHOLDERS**

### > **General Assembly of Shareholders**

In accordance with Corporate Law 2190/1920 as currently in force and OTE's Articles of Incorporation, the General Assembly of Shareholders is the company's highest ranking body and may resolve upon all matters of the company unless otherwise stated in the company's Articles of Incorporation.

The General Assembly of Shareholders convenes at the call of the Board of Directors in an ordinary session once a year, within six months of the end of the previous fiscal year, whereby the annual financial statements are approved, and certified accountants and members of the Board of Directors are absolved of any potential indemnity. The Board of Directors may also convene extraordinary General Assemblies of Shareholders whenever it is deemed necessary.



## 03. OUR ACTIVITIES IN 2014

### CORPORATE GOVERNANCE

#### ➤ Payment of dividends

Shareholders are eligible to receive dividends following the approval of the annual financial statements by the Ordinary General Assembly of Shareholders.

#### CONTROL MECHANISMS

##### ➤ Internal Audit

Internal Audit is an independent, auditing-related and advisory activity, designed to add value to the company's operations by helping in the attainment of the company's objective goals through a systematic, scientific approach, which aims to improve the efficiency of procedures across the company's range of activities.

##### *2014 at a glance*

In 2014 the OTE Group Internal Audit carried out the Annual Audit Plan which has been approved by the Audit Committee. The drafting of the Audit Plan is based on the results produced by the annual identification and assessment of risks according to the methodology observed on a Group level.

The results of the audits as well as the evaluation of the efficiency of the Internal Audit System are made known to Management and the management actions that arise are monitored periodically by the OTE Group Internal Audit, which then informs both the Audit Committee and Management.

Furthermore, towards attaining the objectives of Internal Audit for 2014, the updating of the procedures of Internal Audit was implemented on a Group level, in order to continuously ensure the quality of the auditing activity, while at the same time satisfying all the provisions of Internal Audit's international standards.

##### *Objectives for 2015*

Internal Audit's objectives for 2015 concern the successful implementation of the Annual Audit Plan which will add value to the Group's smooth operation.

##### ➤ External Audit

The company's regular audit is carried out by certified auditors. To this end, every year, the Ordinary Assembly of Shareholders approves the appointment of an auditing firm or a consortium of auditors to audit the company's financial statements and business operations over the fiscal year being audited.

OTE's Ordinary General Assembly of Shareholders in June 2014 approved the election of the auditing firm PRICEWATERHOUSECOOPERS SA to carry out the regular audit of the corporate and consolidated financial statements of OTE SA for the fiscal year 2014.

The fee of the auditing firm is determined according to Article 36 of Codified Law 2190/1920 and based on the particular requirements in force at the time for chartered accountants.

#### TRANSPARENCY AND DISCLOSURE

##### ➤ Established procedures

Placing special emphasis on transparency and disclosure, OTE implements various related procedures, which stem from the legislative framework in force.

- Regulated Information Disclosure Process, which is implemented pursuant to the provisions of Law 3556/2007, Decision 1/434/3.7.2007 and circular No. 33 of the Hellenic Capital Market Commission, regarding information disclosure and transparency requirements for companies which are publicly traded on organized markets.
- Processes pursuant to the provisions of Law 3340/2005 for the protection of the capital market from the



actions of insider traders and actions to manipulate the market and Law 3016/2002 on Corporate Governance.

### ➤ Compliance

The OTE Group has adopted a Compliance Management System (CMS) regarding the company's compliance with the legislation in force, as well as internal policies, aiming to prevent risks and other legal consequences for the company and its employees.

#### **2014 at a glance**

- Group's Compliance Risk Assessment for the year 2014 was conducted.
- The following Compliance policies were also updated:
  - OTE Group Policy on Avoiding Corruption and other Conflicts of Interest
  - Events Policy
  - Policy on Insider Trading
  - Policy on Donations and Sponsorships
  - Policy on Accepting and Granting of Benefits
- With respect to training, an Anti-Corruption training programme took place, as well as an Anti-Fraud and Code of Ethics for Senior Financial Officers e-learning training programme which was held for executives from selected organizational units
- The internal communication of important messages to Management and all employees with regard to issues of Compliance has been enhanced and improved
- The members of the BoD and the Senior Financial Officers signed statements at OTE Group's Compliance Office to the effect that they have knowledge of the precepts of the Code of Conduct for Senior Financial Officers and comply with its provisions, towards an honest and ethical professional behaviour
- The members of the BoD and executives in positions of responsibility in OTE and its subsidiaries signed the Annual Compliance Statement as well as the Conflict of Interest Statement in 2014. They then addressed the entire workforce of the OTE Group, who were informed of the Compliance Policies and especially the Policy on Preventing Corruption and other Conflicts of Interest
- In order to avoid risks when working with suppliers, the company established the Integrity Check and Compliance Business Assessment Procedure. In 2014 this procedure was enhanced and improved, based on OTE Group's anti-corruption practices and internal Policies
- A decision of the OTE's BoD in June 2014 approved the provision, on the part of OTE SA, of Compliance and Corporate Risk Management services for an indefinite period of time to the affiliated companies within the Group.

#### **Objectives for 2015**

- Planned for 2015 is a revision of OTE's Internal Regulation of Operations, as well as of certain Compliance Policies, including Fraud Policy and Whistleblowing Policy
- Also planned is a study and analysis of the ISO 19600 standard, which sets the guidelines for the Compliance Management System, in order to identify any differences between it and OTE Group's Compliance System, or any part of OTE Group's Compliance System which may not be in line with the Standard's requirements
- Following the training programme carried out in 2014 for senior executives in positions of responsibility, planned for 2015 is an employee survey regarding Compliance issues. This survey is intended for executives in positions of responsibility at OTE, COSMOTE (Department Supervisor or higher) and other OTE Group companies (Telekom Romania, AMC, OTEplus and GERMANOS). It will question the executives on their views regarding the Compliance services offered, in order to ascertain to what degree they are knowledgeable about Compliance issues and to what degree Compliance has been incorporated into the Group's corporate culture
- The Group's action plan for 2015 also focuses on a review of the method of operation and the procedures

## 03. OUR ACTIVITIES IN 2014

### CORPORATE GOVERNANCE

implemented for customer service, as well as on the closer monitoring of commercial issues, with an aim to limit the occurrence of incidents related to Compliance issues

- Finally, OTE Group sets as its main priority the enhancement of the preventive role of Compliance and Corporate Risk Management.

#### ➤ **Communication With Shareholders**

Apart from established procedures that ensure transparency, OTE has adopted a number of other practices that enhance the disclosure and dissemination of information to all interested parties, such as:

- Uploading and posting of company-related information on the OTE website so that all interested parties can have equal and timely access to information
- The release of corporate publications (Annual Report, Corporate Governance Report, Corporate Responsibility Report) which enhance the continuous flow of information on issues that relate to the company's strategy, targets, operation and performance
- The establishment of a two-way communication channel between company representatives and the investment community, through the organization of conferences, corporate presentations, investor days, road shows (in Greece and abroad) and conference calls.

Corporate Governance Report 2014

<https://www.ote.gr/web/quest/corporate/ir/publications/corporate-governance-reports>



# FIXED-LINE TELEPHONY

## FIXED-LINE SERVICES IN GREECE (OTE)

An increase of 8.4% of the company's broadband customer base compared to 2013

### MARKET TRENDS: CHALLENGES AND OPPORTUNITIES

#### > Residential customer market

##### *Continued growth in broadband services*

The growth rate of broadband services in Greece continued to keep pace in 2014, fluctuating between slightly higher levels compared to 2013. This is a positive development, given the intensified economic crisis gripping the country which inevitably affects the telecommunications market. Despite the adverse economic conditions, the fiercely competitive environment and regulatory restrictions, OTE was able to end 2014 with a greater increase in its subscriber base compared to 2013 and with a 44% market share of the broadband customer base.

Relentlessly focused on the increased penetration of broadband services in Greece and their technological evolution, OTE contributes to the country's overall technological progress. Through the quality of its services, as well as the reliability of its networks, the company not only continues to ensure access to broadband services even in the most remote areas, but advances them through the further development of its VDSL network and the introduction of new services, such as Internet via satellite.

##### *Increased competition in providing integrated solutions to the customer*

During 2014, competition between operators intensified even further in terms of providing integrated services to the customer. The bundled offers providing integrated voice, Internet and TV solutions prevailed and adapted to the new economic status faced by consumers in Greece. The additional discounts offered to subscribers who combine a Single Play or Double Play package with their mobile or pay-TV package are a characteristic example of this trend.

Moreover, in 2014, telecom operators continued to provide targeted offers based both on the sales channel (e.g., a better price for the online purchase of a package) and on social criteria (special offers for the unemployed, pensioners, university students, etc.).

At a difficult time for consumers, OTE was able to enrich the product features of its packages, making them available at new prices, which will remain fixed throughout the customer's commitment period. OTE now offers increased free talk time to mobile phones in all its packages, incorporating into the most popular ones a caller ID service. OTE also launched its "OTE Satellite Internet" service. This service offers Internet via satellite throughout Greece, even to the most remote or inaccessible areas, and is offered in cooperation with Eutelsat. As a result of these actions, the company's broadband customer base increased by 8.4% compared to 2013, numbering 1,367,388 customers. Likewise, VDSL connections almost doubled in 2014, numbering 92,585 customers.

#### > Corporate and business customer market

In the corporate and business customer market, where the need for converged fixed-line and mobile telephony services and offers is more evident, telecom operators have responded through partnerships or buyouts.

In 2014, demand focused on integrated solutions combining voice and Internet with value added services, and with demands for guaranteed quality at competitive prices.

Moreover, with regard to ICT services, despite the fact that the wider macroeconomic environment continued to negatively affect the ability of Greek businesses to invest in Information and Communication Technologies, especially given the expenses required for business software, the demand for integrated single solutions which combine telecoms and IT presents opportunities for the operators themselves to evolve (in terms of technology and customer experience).

The combination of the ever-growing network technologies and IT solutions generate innovative services for

VDSL connections doubled in 2014

## 03. OUR ACTIVITIES IN 2014

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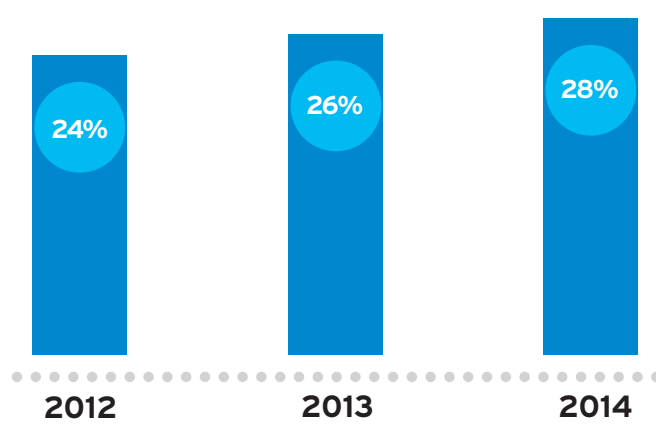
### FIXED-LINE TELEPHONY

#### FIXED-LINE SERVICES IN GREECE (OTE)

the benefit of society and businesses. These are services which enhance a company's efficiency and productivity, such as Cloud and Machine to Machine, but also solutions that can be implemented in the fields of health, tourism, education, energy, the state and the operation of its agencies in general.

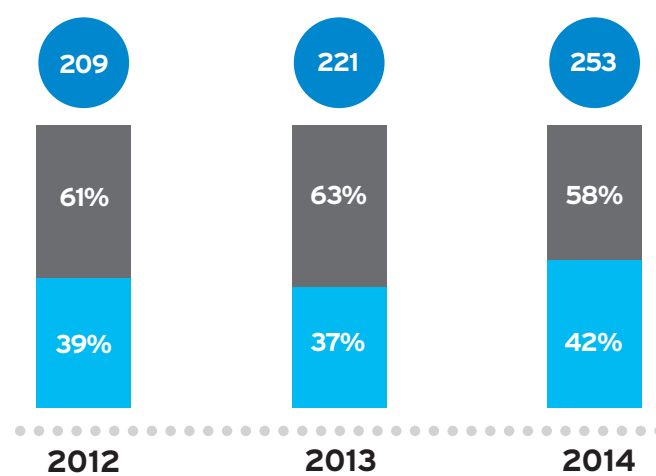
With respect to the demand for connectivity services, 2014 was marked by the merger of the banking sector into four systemic banks. This resulted in the shrinking of the sector's connectivity services by 30%. In 2014 the trend for the gradual replacement of traditional services continued (e.g., leased lines, ATM) with newer ones (IP VPN, Ethernet).

### Greek broadband population penetration



### Total broadband market net additions (000)

Total broadband subscribers: 3,141



- Competitors broadband market share in net adds
- OTE Retail broadband market share in net adds

## 03. OUR ACTIVITIES IN 2014

### FIXED-LINE TELEPHONY

#### FIXED-LINE SERVICES IN GREECE (OTE)

##### 2014 AT A GLANCE

##### > Aiming to build a state-of-the-art Next generation Network for high-quality VDSL services

OTE is steadily continuing the development of its New Generation Access (NGA) network, which began in 2010. In 2014, the expansion of the NGA network continued in many urban and semi-urban areas, achieving coverage of almost 30% of fixed access lines nationwide (up from 25% in 2013). By the end of the year and as a result of technical works, more than 1,400,000 fixed-line subscribers could access OTE's VDSL services (up from 1,200,000 in 2013).

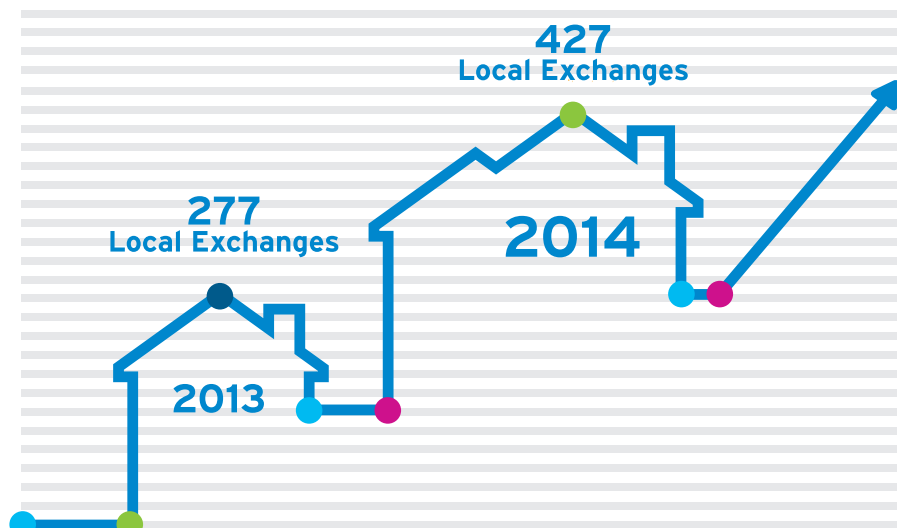
At the same time, the company developed the VDSL2 access technology based on the FTTC (Fiber to the Cabinet) architecture, through the installation of Fibre Optic from the Local Exchange to the open-air cabinet (Serving Area Interface - SAI) in replacement part of the copper network. In this way, the company aims to eliminate any technical issues that may occur as a result of the distance between the customer and the SAI and to provide very high speed broadband services to the end users. By the end of 2014, OTE was providing broadband VDSL access nationwide, through the FTTC network, to 3,202 cabinets, compared to 1,655 cabinets during the same period in 2013.

In addition, the company is expanding the availability of its very high speed Internet service offering through the installation of VDSL infrastructure at the Local Exchange, thus providing a much greater number of customers with the option of internet access at speeds of up to 50 Mbps. By the end of 2014, OTE was providing broadband VDSL access to 427 Local Exchanges, compared to 277 Local Exchanges at the end of 2013.

In 2014 the ADSL network installed ports came to 1,827,000.

More than  
1,400,000  
fixed-line  
customers  
could have the  
possibility  
of accessing to  
OTE's VDSL  
services

##### NATIONWIDE BROADBAND VDSL ACCESS

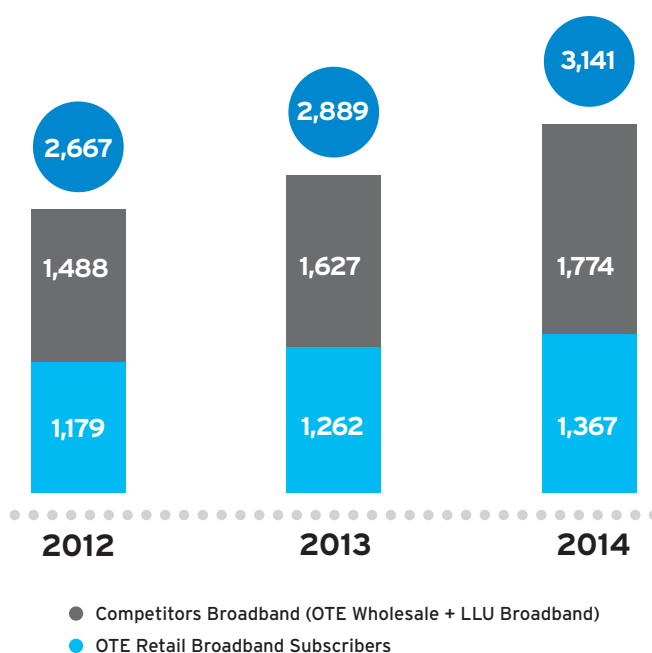


### > **Regulatory developments: Greater flexibility in the implementation of the company's pricing policy**

Following the lifting by the Hellenic Telecommunications and Post Commission's (EETT) in 2013 of OTE's ex ante regulation with respect to tariffs for local, national and mobile calls, OTE proceeded in 2014 to simplify the above tariffs, offering its subscribers simple and straightforward invoices. In particular, on-net and off-net charges were assimilated for local and national calls respectively and were consolidated for all days and hours of the week, with the exception of on-net national calls on Sundays, which continue to be charged as local calls. At the same time, in 2014 OTE implemented measures for the protection of its subscribers' rights. These measures include:

- The timely notification through the subscriber's bill in cases of modification of tariffs, of terms of agreement or of the technical features of OTE's services
- Crediting the subscriber in the event of services being interrupted
- Protecting the subscriber from being charged above a certain maximum limit

**Total broadband market (000)**



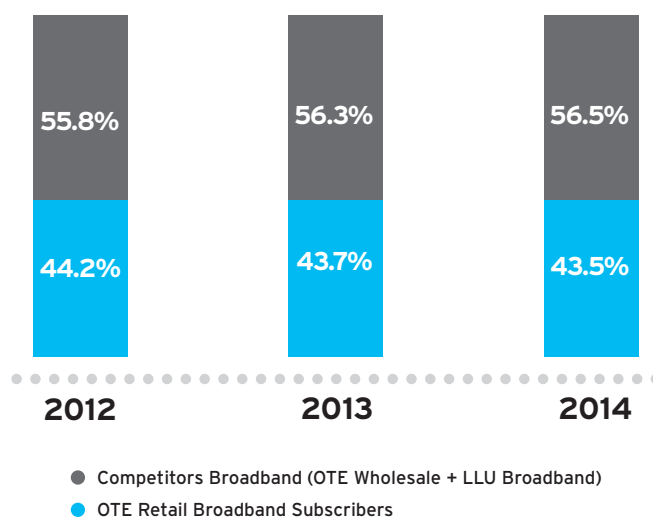


## 03. OUR ACTIVITIES IN 2014

### FIXED-LINE TELEPHONY

### FIXED-LINE SERVICES IN GREECE (OTE)

Broadband Market Shares



#### CUSTOMER EXPERIENCE

OTE remained steadily number one in terms of consumer preference again in 2014, as is borne out by its strong brand preference and its high customer satisfaction scores. With a focus on meeting customer needs, OTE is constantly improving its services, the distribution channels for its products and the level of its customer service.

##### > Customer experience is everybody's business

Customer experience as a strategic direction and as a personal goal on the part of employees has been included as a criterion in evaluating personnel performance. The OTE/COSMOTE/GERMANOS companies have incorporated and are constantly enhancing the link between personnel evaluation criteria and performance in terms of customer experience with regard to all personnel, irrespective of rank.

##### > The Branded Customer Experience Excellence programme

Within the framework of the continuous improvement of its customer service experience, in early 2014 OTE initiated a two-year certification programme for the entire company staff on Customer Experience Management. The programme is being implemented in cooperation with the European certification organization SOCAP (Society Consumer Affairs Professionals) and is one of OTE's core actions towards the enhancement of a customer-oriented culture and proof of the company's commitment to better meeting customer needs at all service points.

##### > Improvement of services-new services

##### *Residential customer market: Enrichment of product features at high access speeds*

Through OTE Double Play, OTE remains the main agent for new technology development in Greece and the number one choice of customers for high quality broadband services. In 2014 OTE continued to expand its VDSL network in new regions, while at the same time launched its new "Satellite Internet" service, offering Internet access via satellite. As part of its customer-oriented approach, OTE launched new, upgraded SP&DP programmes at new, fixed prices for the customer's entire commitment period.



### ***The launching of OTEMyWiFi***

In 2014, OTE, in partnership with Fon, the largest WiFi network in the world and an Internet access sharing company, launched the OTEMyWiFi service which offers free Internet access exclusively to OTE's Double Play customers from 14,000,000 WiFi spots worldwide. In Greece, by December 2014, over 150,000 WiFi spots had been activated.

## **OTEMyWiFi FREE INTERNET ACCESS**



### ***OTE COSMOTE Eurobank Loyalty Program***

Focused on meeting its customers' needs and aiming to continually offer added value and solutions to its customers, OTE in cooperation with COSMOTE and Eurobank developed a joint customer loyalty programme through which OTE subscribers can enjoy discounts on their telecom bill depending on their use of the OTE - COSMOTE - MasterCard credit card. The programme appeals greatly to its members, who enjoy multiple benefits, including collecting "money - points" with the Eurobank Return feature.

### ***With respect to value added services, OTE's main pillar is:***

- **11888**

11888 is an integrated, professional and residential nationwide directory. It is a search machine which offers directory information via phone, the Web or mobile app. 11888 offers businesses and professionals the chance to promote their products and services through special, competitively priced packages. The company's objective is to make 11888 (via phone, the Web or mobile app) a Top of Mind directory service.

## 03. OUR ACTIVITIES IN 2014

### FIXED-LINE TELEPHONY

#### FIXED-LINE SERVICES IN GREECE (OTE)

##### • Services for Corporate and Business Customers

For its business and corporate customers, OTE offers integrated solutions that combine voice services, broadband Internet access, as well as connectivity and Data Centre services. During 2014 there was a rapid increase in VDSL services take up in the business and corporate customer segment.

In 2014 OTE presented the new OTE Business Double Play Economy discount programmes, in order to meet the talk time needs of corporations at more affordable prices, and upgraded the OTE Business Double Play Basic and Web Pack programmes, by offering more free talk time to mobile phones.

The new portfolio is available in 5 product lines: Single Play, Economy, Basic, Web Pack, Web Pack & Static, depending on the needs of each business.

##### • ICT Services

For OTE Group, ICT constitutes a new, crucial source of revenue and lies at the heart of its strategy, in convergence with DT Group's broader strategy.

OTE and COSMOTE hold a leading position in the ICT market. In 2014 they were present in all the major digital infrastructure projects that took place in Greece, as part of the Group's strategy. They provide ICT solutions which create value for the customer by combining the providing of network services, equipment (networking), value added systems and services (design, implementation, support), i.e., integrated solutions which combine telecoms and Systems Integration.

OTE Group's ICT Services are grouped under 5 categories:

- Connectivity (IPVPN, Ethernet, Leased Lines, Value Added Services)
- Networking (Networking LAN/WAN/WiFi; providing consulting services for the design, implementation and support of large networks of customers; equipment reselling, installation, maintenance and management services for customers; providing a service level agreement - SLA)
- IT Solutions (IT Infrastructure, IT Managed Services, IT Security, E-Government, E-Health, E-Tourism, Smart Metering)
- Cloud (Infrastructure as a Service "IaaS", Cloud Servers, Cloud storage, Platform as a Service "PaaS", Web hosting, Cloud Database, Communication as a Service "CaaS", Email, Video Conference)
- Machine to Machine "M2M" (M2M connections with the proper usage plans for telematics apps, M2M portal, for the most efficient management of M2M connections, M2M solutions for Fleet Management Service and Building Energy Management).

OTE and COSMOTE undertook major ICT projects, such as:

- Electronic Prescribing. Creation of one of the largest electronic platforms in Greece, already connecting 11,000 pharmacies and 41,000 doctors, who write 6,000,000 prescriptions a month
- The Connected Hospital solution (Papageorgiou Hospital, REA Maternity Hospital) providing bedside terminal systems to the patient and the nursing staff asset management & tracking), hospital WiFi network working for patients and staff, and integrated communication services
- Telemedicine - 2nd Health Region
- IT Security Solutions for the Coast Guard, ENEL and other customers
- Telemetering (Public Power Corporation)
- 112 (European Emergency Number)
- Taxpayers' Service Center.

##### • Networks/Networking

In 2014 OTE continues to set up large corporate IP VPN networks for customers from the private and public sectors. In addition, 2014 saw the launch of the new 3G/4G IPVPN service, which combines the possibilities of COSMOTE's data network with OTE's IPVPN network. Finally, it showed an impressive increase in the sales of the Dedicated Internet Access (DIA) service in the vertical hotel market.



#### • **Supporting Entrepreneurship**

For yet another year, OTE continued to actively show its support to SMBs and freelance professionals. Through the “Your advertisement is our advertisement” programme, which is part of the “yourbusiness.gr” service, OTE gave the chance to 10 “yourbusiness.gr” subscribers to win free TV viewing (for 3 days) of their professional activity on Greece’s major nationwide TV channels.

OTE’s “[yourbusiness.gr](http://yourbusiness.gr)” service received the Best e-business growth initiative Award at the e-Bizz Awards 2014.

#### ► **Distribution network and customer service**

The company’s strategy with respect to its distribution network and sales channels involves:

- Simplifying procedures to save time and cut back costs. In 2014 OTE carried out a major investment in the upgrade of its system for the management and implementation of customer requests, by installing a new, state-of-the-art CRM (Siebel Oracle) platform at all customer service points. Through this new infrastructure, a series of procedures were simplified, thus improving the overall request implementation experience and saving valuable time for its customers
- Emphasizing customer’s e-experience
- Changing the way in which customer requests and complaints are managed, e.g., continuing to invest in applications that improve the procedure through which customer problems are solved, such as the new OTE Care Voice Interactive system (IVR) for faster problem solving and the use of SMS to inform the customer of the fault repair status. In addition, with respect to fixed access line faults, OTE offers to residential customers, whose fixed line has been disconnected for over 24 hours, the free transfer of incoming calls to another fixed-line or mobile telephone/line until the fault is repaired
- Rewarding customers for their loyalty
- Reinforcing the “customer experience” corporate culture.

In 2014 OTE won first place at the National Customer Service Awards of the Greek Institute of Customer Service.

#### **Revamp of the OTE and COSMOTE shops**

For yet another year, the OTE, COSMOTE and GERMANOS shop network contributed significantly to the attainment of OTE Group’s strategic goals. The OTE and COSMOTE shops continued to be renovated towards an integrated and revamped look and feel.

A customer visiting the OTE and COSMOTE shops enjoys a unique experience in the most modern shops, in terms of their design, in the Greek market. For yet another year, and despite fierce and intensifying competition, the GERMANOS shops managed to maintain their leading position in terms of customer preference and to increase their sale rates with respect to emerging technology products (e.g., tablets), while also investing in new digital products (e.g. laptops, TV sets and game consoles). At the same time, they contributed significantly to the loyalty and increase of OTE Group companies’ customer base through enhanced customer service and the launch of innovative fixed-line and mobile telephony products.

Specifically, the most significant achievements of the GERMANOS shop network during 2014 took place:

- In the mobile phone market, where an increase of smartphone penetration of over 50% of sales was achieved, while 4G smartphone penetration came to 18%. GERMANOS offered the largest variety in 4G smartphones, thereby winning the “No 1 destination for smartphones” label, while at the same time maintaining the GERMANOS network title as the “No 1 destination for mobile phones”
- In the emerging Tablets market, where it maintained its dynamic presence throughout 2014, the result being that at the close of the year it had achieved an increase in unit sales of 100%, greater than the increase in the market, which led to the acquisition of an additional market share
- In digital products, yet another sector in which the company invested, focusing mainly on laptops, TV Sets,

## 03. OUR ACTIVITIES IN 2014

### FIXED-LINE TELEPHONY

#### FIXED-LINE SERVICES IN GREECE (OTE)

accessories and game consoles, with an aim to reinforce the image of the GERMANOS network as the ideal destination for all technology products. In the laptop and home console market, an increase of the market share was achieved.

The OTE Group network of shops includes:

- A network of dealers which includes 23 COSMOTE shops (corners)
- 18 self-owned COSMOTE shops (9 in the greater Attica region and 3 in Thessaloniki)
- 122 OTE shops nationwide
- 342 GERMANOS shops nationwide.

#### ***An integrated sales and customer service system***

OTE's Customer Service operates at five nodes and employs fully trained customer service specialists. It is a multi-media contact centre, strongly aligned with the Group's customer-oriented philosophy and segmented contact approach, forming an integrated Sales and Customer Service channel which provides guidance, support, management and solutions for complex customer issues.

Firmly committed to the Group's values, OTE Customer Service (13888) won the first place in the "Customer Service Centre of the Year - Large Team" category of the National Customer Service Awards of the Hellenic Institute of Customer Service for 2014, confirming the Group's customer-oriented philosophy and its people's constant efforts in that direction. In recent years, an enormous effort has been made to restructure OTE, with Customer Experience as its focal point.

With over 20,000,000 contacts on an annual basis, OTE's Customer Service contributes significantly to:

- Enhancing customer experience and customer loyalty
- Realizing the company's commercial strategic objectives
- Reinforcing the company's image and reputation

The specialized units which are active in providing upgraded customer services at OTE deal with issues pertaining to:

- Fault management and specialized services support, as well as integrated support and services for new technologies and TV services (IP TV & SAT TV)
- Billing and late payments
- Sales and customer service, guidance, support, management and solutions regarding complex customer issues aiming at the acquisition of new customers, the growth and development of the company's customer base, and customer retention
- The efficient end2end management of all requests and special customer issues, from the time they are submitted to their final processing/resolution, regardless of the manner or medium of submission
- Business customers: by developing strong relations of trust with business customers, these units reliably handle all issues pertaining to order management, VIP Business Customers and support of the Dealer network.

#### ***e-bill***

By systematically implementing actions that meet modern needs and offer best-in-class customer service, OTE further enhanced digital conveniences, significantly increasing the number of subscribers who choose the e-bill.

#### ***e-channels***

Over the past two years, OTE has improved the design and operation of its ote.gr website in keeping with the company's strategy to offer its customers best-in-class customer experience. Easy navigation, online purchases and the electronic management of customers' telephone bills are only some of the many features and advantages of the renewed ote.gr. In particular:

- All of OTE's customers, whether residential customers, professionals or businesses, are now able to carry



out online purchases of products and services and to put together their own services package according to their needs

- Through the new MyOTE service, customers can manage their connection and bill on their own either from their home or from their office; they can pay their bill online; or they can upgrade or modify their fixed-line services subscription
- The new site is pioneering in that it allows the customer to communicate online with Customer Service representatives through the ON Chat and Call Back services
- The new OTE site includes one additional innovative service: OTE Life, the first and “only” Greek blog run by a telecom company which posts the latest news and developments on a wide range of topics.

### OBJECTIVES FOR 2015

For 2015, the company is planning to upgrade the e-commerce platform and to transfer all three of the Group's websites (ote.gr, Cosmote.gr, and e-germanos.gr) to it. The new platform will offer improved functionalities on a personalization level (personalized proposals and solutions) through the further upgrade of the Myaccount feature (MyOTE, MyCOSMOTE) towards advanced self-care.

With respect to its residential customers, in 2015 the company will focus on:

- The expansion and greater market penetration of the VDSL network
- The enrichment of the product portfolio with an aim to provide or upgrade to new higher speeds (24/50/100 Mbps)
- The launching of a broadband telephony service
- The development of a fixed-line broadband access service through DSL and mobile Internet (Hybrid Access)
- The launching of COSMOTE packages, offering fixed-line and mobile telephony services
- The launching of Quad play (Fixed-line and mobile telephony, broadband Internet and TV).

With respect to its business customers, in 2015 the company will place emphasis on:

- The development of connectivity services, the introduction of new access technologies with an aim to control costs, and the launching of the SLA (Service Level Agreement)
- The launch of packages, with COSMOTE, which will combine fixed-line and mobile telephony services so as to retain OTE Group's customers
- The development of innovative products, services and integrated solutions which combine network and ICT technology
- The enrichment of the OTE Business Cloud with new services.

**Enrichment of  
product features  
at high - access  
speeds**

## 03. OUR ACTIVITIES IN 2014

### FIXED-LINE TELEPHONY

#### FIXED-LINE SERVICES IN GREECE (OTE)

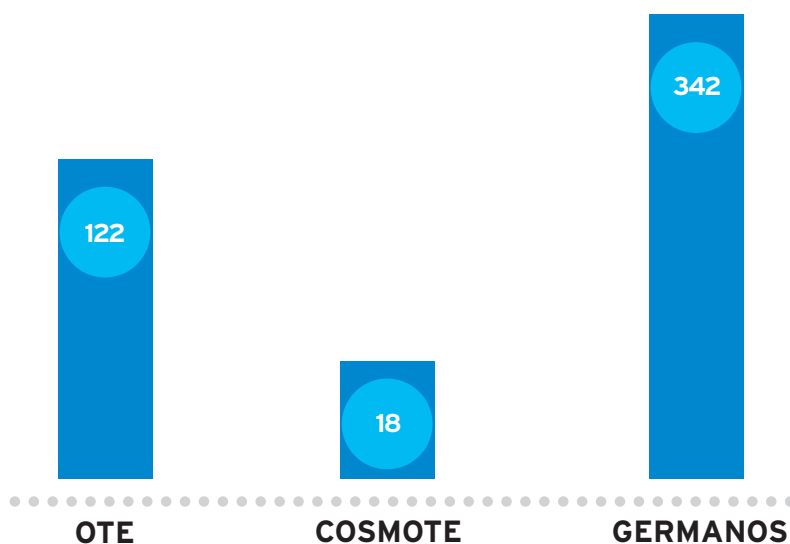
##### OTE Double Play packages in 2014

Packages	Broadband (Download)	Calls to Fixed	Calls to Mobile	Caller ID	Catalogue Price per month	Price per month for the first 18 months
OTE Double Play 4 Economy	4 Mbps	250'	–	–	<del>€ 26.90</del>	€ 24.90
OTE Double Play 4 Unlimited	4 Mbps	Unlimited	30'	–	<del>€ 32.90</del>	€ 30.90
<b>OTE Double Play 4 Unlimited Plus</b>	<b>4 Mbps</b>	<b>Unlimited</b>	<b>150'</b>	<b>–</b>	<b><del>€ 36.90</del></b>	<b>€ 34.90</b>
OTE Double Play 24 Economy	up to 24 Mbps	250'	30'	✓	<del>€ 32.90</del>	€ 30.90
OTE Double Play 24 Unlimited	up to 24 Mbps	Unlimited	30'	✓	<del>€ 37.90</del>	€ 35.90
<b>OTE Double Play 24 Unlimited Plus</b>	<b>up to 24 Mbps</b>	<b>Unlimited</b>	<b>360'</b>	<b>✓</b>	<b><del>€ 41.90</del></b>	<b>€ 39.90</b>
OTE Double Play VDSL 30 Unlimited	up to 30 Mbps	Unlimited	30'	✓	<del>€ 41.90</del>	€ 39.90
<b>OTE Double Play VDSL 30 Unlimited Plus</b>	<b>up to 30 Mbps</b>	<b>Unlimited</b>	<b>360'</b>	<b>✓</b>	<b><del>€ 45.90</del></b>	<b>€ 43.90</b>
OTE Double Play VDSL 50 Unlimited	up to 50 Mbps	Unlimited	30'	✓	<del>€ 46.90</del>	€ 44.90
<b>OTE Double Play VDSL 50 Unlimited Plus</b>	<b>up to 50 Mbps</b>	<b>Unlimited</b>	<b>360'</b>	<b>✓</b>	<b><del>€ 50.90</del></b>	<b>€ 48.90</b>

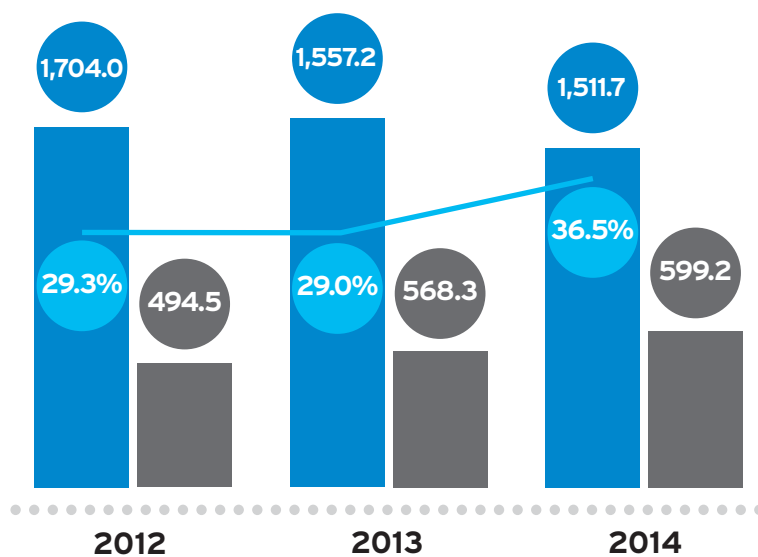
##### OTE Satellite Internet in 2014

Packages	Broadband (Download/Upload)	Internet (Monthly allowance)	Catalogue Per month	Equipment Provided by OTE once off	Activation Fee once off
OTE Satellite Internet 10		<b>10 GB</b>	€ 29.90		
OTE Satellite Internet 25	<b>up to 22 Mbps/ up to 6 Mbps</b>	<b>25 GB</b> (unmetered usage from 00 to 6 AM local time)	€ 39.90	<b><del>€ 350.00*</del></b>	<b>€ 99.00</b>
OTE Satellite Internet 100		<b>100 GB**</b> (unmetered usage from 00 to 6 AM local time)	€ 79.90	<b>Free for a limited time</b>	
<b>Static IP (add-on)</b>			<b>€ 8.90</b>		

### OTE Group retail distribution network 2014 in Greece



### OTE S.A Financial performance (€ mn)



- Revenues
- Pro forma EBITDA\*
- Pro forma EBITDA margin %

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



## 03. OUR ACTIVITIES IN 2014

### FIXED-LINE TELEPHONY

## SERVICES FOR TELECOM OPERATORS IN GREECE (OTE)

**Together  
We Evolve**

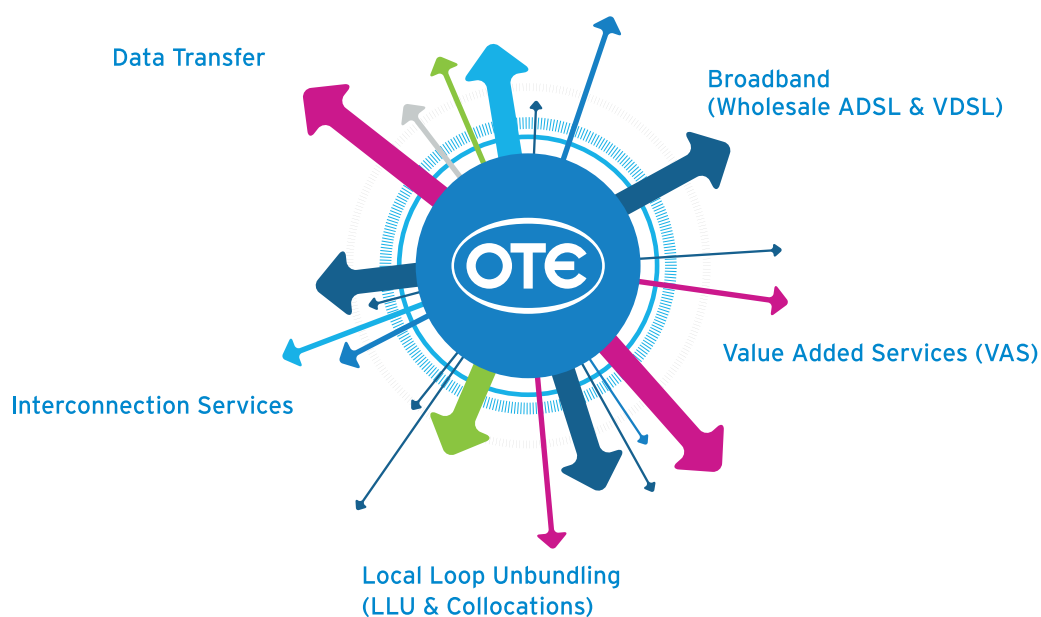
Through its "OTE Wholesale" brand services, OTE enjoys a leading position in the wholesale telecom market, offering voice and data services to local telecom operators, who form an essential part of the company's customer base and constitute a significant revenue stream.

Having adopted the strategic message "Together, We Evolve", OTE communicates its strong customer-oriented commitment for a continuous and dynamic course into the future, ensuring the sustainable development and steady progress of all its stakeholders.

OTE offers telecom operators the following services:

- Broadband (Wholesale ADSL & VDSL)
- Local Loop Unbundling (LLU & Collocations)
- Data Transfer
- Interconnection Services
- Value Added Services (VAS).

### OTE OFFERS TELECOM OPERATORS THE FOLLOWING SERVICES:





## **MARKET TRENDS: CHALLENGES AND OPPORTUNITIES**

### ***Fixed Line Access Market***

The year 2014 saw a reduction in the great pressure which had been exerted on the fixed line access market in previous years, with the tendency for the elimination of lines diminishing considerably and losses being marginal (approximately 26,200 less active lines overall).

Telecom operators continued to increase their customer base at the same rate as in 2013, adding a total of about 100,000 active fixed lines, coming to 2.04 mn lines and a fixed line access market share of 42.8%.

### ***Fixed Broadband Market***

Broadband penetration in the Greek market continued to increase in terms both of private individuals and businesses, through the packages and offerings of OTE (OTE ADSL & VDSL) and the other telecom operators, through OTE Wholesale's services (Full LLU, Shared LLU, Wholesale ADSL & VDSL)

- The total fixed lines with active broadband connection came to 3.14 mn, up by 251,600 lines compared to 2013 (+8.7%)
- Out of a total of 4.77 mn active fixed access lines, the 3.14 mn that have an activated broadband access service (ADSL & VDSL) represent 65.8%. This percentage in 2013 was 60.2%
- Out of the telecom operators' 2.04 mn fixed lines, 1.77 mn lines have an active broadband connection (86.8% in 2014, up from 83.7% in 2013).

### ***Wholesale Services Competition***

Competition in the wholesale market continues to intensify as the operators continue to expand the Backbone Network with own funds and partnerships in exchange for fiber optics infrastructure (network sharing), with an ultimate goal to decrease their operational costs.

Through its main pillars of "network availability and investments, advanced services, experience and reliability, and a steadily high level of customer service", OTE continues to prove to the customers/operators that it is the safest and most beneficial choice if they wish to enjoy success and prospects in the very demanding and fluctuating environment in which they operate, such as that of the digital economy and market in general.

## **2014 AT A GLANCE**

The services OTE provides to operators are, to a large extent, the product of regulatory obligations which stem from national and European legislature.

Within this strict and especially demanding framework, OTE is successful in complying with regulatory requirements through regulated services.

The number of telecom operators with whom OTE cooperated in 2014 came to 28, of which 13 are interconnected with OTE's telephone network, while 7 operators provide mainly LLU related services.

By the end of 2014 the number of active fixed access lines stood at 4.77 mn (OTE or operator's phone line - full LLU or WLR). Contributing to this was:

- the restriction of telephone line losses by OTE and enhanced customer retention
- the continuous penetration of telecom operators in the market through the intensive and broad promotion of Double & Triple Play packages and bundled offers
- the stabilisation and small improvement of certain basic financial and social indices in Greece in 2014.

OTE, Information Society (KTPAE) and OTE Rural South and OTE Rural North (100% OTE Group subsidiaries) signed a partnership agreement for the implementation of the "Development of Broadband Infrastructure

## 03. OUR ACTIVITIES IN 2014

### FIXED-LINE TELEPHONY

### SERVICES FOR TELECOM OPERATORS IN GREECE (OTE)

#### Development of Broadband Infrastructure in Rural “White” Areas of the Greek territory

in Rural White Areas of the Greek Territory” project. White settlements are approximately 2,230 areas which are not provided with broadband access and are not expected to be provided with it in the near future. The objective of the project is to develop, operate and manage a public telecom infrastructure network which will support the provision of wholesale broadband services by third-party telecom operators to end users (citizens and businesses).

#### CUSTOMER EXPERIENCE

##### ➤ Upgrade of OTE's Wholesale services

##### *Wholesale broadband access: Development of Wholesale VDSL*

In 2014, OTE made available to telecom operators over 2,400 Wholesale VDSL connections, up from just 1,100 in 2013.

The upward trend also noted in VDSL packages through OTE's wholesale services is a further encouraging sign in terms of the significance and efficiency of OTE's continued investments in NGA networks, yielding multiple benefits (OTE, other telecom operators, final customers, digital indices, etc.) and opportunities for new forms of collaboration and revenue streams.

The number of wholesale ADSL connections of the ARYS service came to 20,069. This number has declined significantly over the past years due to:

- The commercial policies of alternative operators, who encourage their subscribers to turn to LLU services, taking advantage of the development of self-owned network infrastructures, and
- The adverse economic conditions that have led to the absorption by or exit from the market of companies that were active mainly in providing wholesale broadband connections.

##### *Continued demand for Local Loop Unbundling (LLU) services*

In 2014 the great demand for LLU services continued as a result of the demand for communication and entertainment bundled packages by the operators' end-customers.

By the end of 2014, the number of active LLU lines topped 2 mn and came to 2,015,940 (Full & Shared LLU).

The growth of the LLU service continued at the same rate as in 2013, slightly reduced (a 6% annual increase in 2014 compared to 7% in 2013).

For every month of 2014, the company acquired an average of 9,300 new LLU lines.

The demand for Collocation services remained steady. By the end of 2014, the number of OTE's local exchanges providing Physical Collocation came to 174 (85 in Attica, 15 in Thessaloniki and 74 in regional Greece) compared to 173 at the end of 2013, while the number of OTE local exchanges with Remote Collocation LLU Requests came to 730 compared to 729 at the end of 2013.

##### *Ethernet, Analogue & PHD/SDH technology Data Transfer Services and Wholesale Leased Lines (WLL)*

Ethernet WLL services showed a small increase (343 circuits in 2014 compared to 338 in 2013), despite the elimination of backhauling circuits due to the development on the part of operators of own infrastructure.

At the same time, the Ethernet Mobile Backhaul services increased significantly (57 circuits in 2014 compared to just 36 in 2013).

In 2014 the decrease in the number of Analogue & PHD/SDH technology Wholesale Leased Lines (WLL) continued (by a total of 6.07%).

#### Active LLU lines surpassed the 2 mn mark



Interconnection Links of 2 Mbps showed a small decrease of 4.5%, nearing 4,227 (from 4,428 at the end of 2013). Of these, 490 concerned the H-ZEUS service (compared to 1,020 at the end of 2013) and 2,399 concerned the FS-ZEUS service (compared to 1,820 at the end of 2013).

#### ***Network interconnection and value-added services (VAS)***

With respect to telephone network interconnection services, the traffic volume (measured in minutes) of fixed-line operator calls terminating at OTE's network decreased by a slight margin compared to 2013, coming to 4.27 bn. minutes from 4.57 in 2013.

The traffic volume of mobile operators terminating at OTE's network increased from 1.1 bn. minutes to 1.2 in 2014. Origination and transit traffic stood at 0.3 bn. minutes, compared to 0.4 bn. minutes in 2013.

Carrier Pre-selection (CPS) customers stood at 67,200 (compared to 89,000 in 2013), while the geographical numbers with active portability rose to 2,478,000, compared to 2,281,000 in 2013.

#### ***Wholesale Line Rental (WLR)***

Through the Wholesale Line Rental (WLR), telecom operators can lease the final customer's access line and offer voice services exclusively under their own brand name. This service allows telecom operators to offer their end customers integrated services without any added investment.

By the end of 2014, WLR subscribers came to 35,325 compared to almost 47,100 at the end of 2012.

#### **› OTE Wholesale Customer Service**

In the context of the company's relations with telecom operators and its strategy to provide them with best-in-class services, OTE proceeded to:

##### ***Upgrading its Wholesale CRM (WCRM) Information Systems through:***

- The constant monitoring and upgrade of the WCRM systems' security parameters
- Actions to improve performance in order to ensure continuous and seamless access to WCRMs on the part of telecom operators
- The continuous enrichment of the WCRM systems with new functionalities
- The immediate response to and management of all requests
- Monitoring and filling requests at the Local Loop (LLU), at the Collocation services, at the Wholesale xDSL connections, at the Numbers Portability, at the Wholesale Leased Lines (WLL), at the Carrier Pre-Selection and at the Interconnection and WLR Services.

##### ***Reinforcing the Team & Customer Service Tools & Sales through:***

- An extensive training plan for executives, geared towards customer experience and the consolidation of OTE's customer-oriented philosophy and objectives
- The effective management of telecom operator demands and after - sales support for all services provided through specialized support groups

##### ***Improving Communication with Customers & Enhancing Customer Loyalty through:***

- The constant analysis of customer needs and the monitoring of market trends
- Monitoring and analyzing the competition in wholesale services and taking the appropriate commercial measures/actions to limit the competition
- Implementing a Wholesale Marketing & Communication action plan with an aim to enhance OTE's image, promote wholesale services and increase customer loyalty
- Renewing and homogenizing all materials/tools/means of communication and contact with customers in order to improve their overall OTE experience and to make OTE's communication/contact with them more efficient
- Developing and implementing new interactive applications and the continuous upgrade of the content of

## 03. OUR ACTIVITIES IN 2014

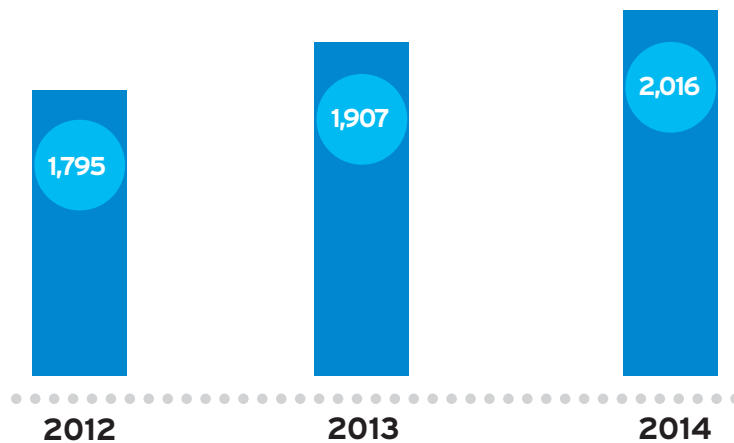
### FIXED-LINE TELEPHONY

#### SERVICES FOR TELECOM OPERATORS IN GREECE (OTE)

OTE Wholesale's website [www.otewholesale.gr](http://www.otewholesale.gr) (newsletters, news, FAQs, etc.)

- Organizing events/conferences/training sessions for telecom operators with an aim to present services/systems/applications/telecom solutions on the part of OTE.

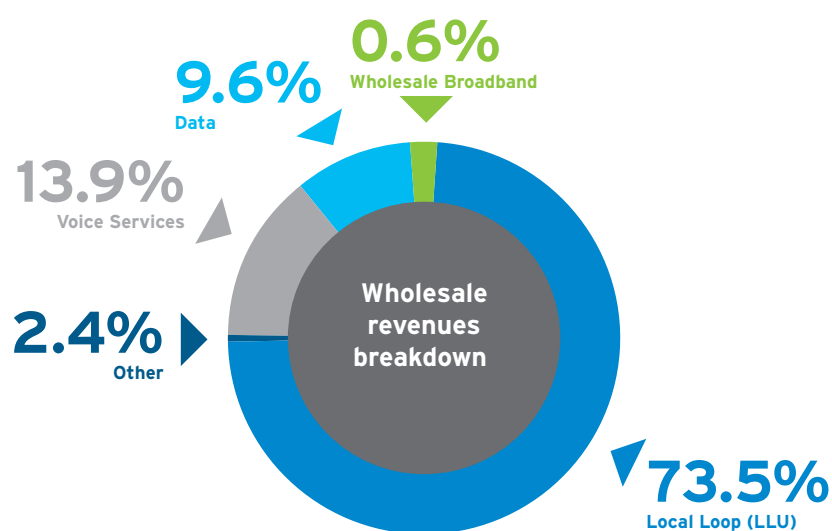
#### LLU market evolution (000)



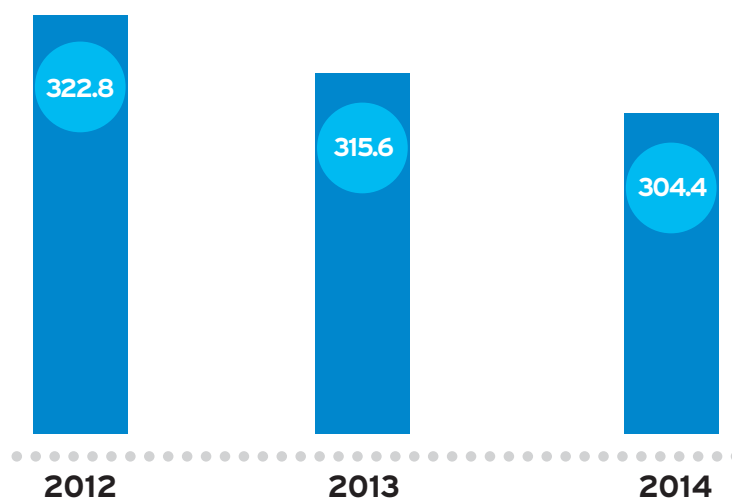
#### OBJECTIVES FOR 2015

OTE will continue to be the first choice and the main strategic partner of telecom operators, fully meeting the market's needs and challenges. Its main priority will continue to be to offer best-in-class customer service.

The diffusion, implementation and consolidation of OTE Wholesale's strategy **"Together we Evolve"** at every level of operation and communication (both internally and externally) ensures the strengthening of long-term, mutually beneficial collaborations and establishes a customer-oriented philosophy as the primary impetus behind every thought and action.



**Wholesale Revenues Evolution\* (€ mn)**



*\*Each year depicts the total revenues from Interconnection/Roaming/Directory Services, Wholesale leased lines, Wholesale broadband and LLU/Physical Co-location*

# INTERNATIONAL TELEPHONY, INTERNET AND DATA SERVICES (OTEGLOBE)

#### BRIEF DESCRIPTION

OTEGLOBE is an international provider of international wholesale telecommunication, Internet and data transmission services. The company operates in the following sectors:

- Development, design, planning, implementation and management of international telephony data and capacity networks
- Commercial exploitation of all international services to telephony operators
- Provision of integrated and fully manageable services (international IP VPN) to large corporate/business clients through partners

#### > Infrastructure

OTEGLOBE's services are offered through its four privately-owned networks: a) the Transbalkan Network (TBN), which connects Greece to Western Europe through the Balkans; b) the GWEN network, which provides interconnection to Western Europe through Italy; c) the international IP/MPLS network, which is based on the aforementioned core networks for providing Internet and VPN services; and d) the international telephony network, which was recently upgraded with Softswitch technology and new functionalities, and has expanded geographically.

OTEGLOBE also participates in international submarine cable systems (e.g., SMW-3) consortia, and maintains more than 150 bilateral interconnections in the field of international telephony.

#### > Development prospects

Leveraging on OTE Group's footprint in SE Europe, OTEGLOBE is considered the most reliable provider of international wholesale services in this market. Having built a strong brand name along with a high quality network infrastructure, OTEGLOBE has been strengthening its presence in the telecom markets of North Africa and the Middle East, either through strategic collaborations with major telecom providers in these regions, or through the development of new infrastructures.

In particular, since 2014, the company has been a full member of one of the largest cable system consortia in the world (AAE1), which will connect Hong Kong and Singapore to the Middle East, Africa and Europe.

#### MARKET TRENDS: CHALLENGES AND OPPORTUNITIES

A large volume of broadband and international inbound/outbound voice traffic in the greater region of SE Europe is carried through OTEGLOBE's networks.

The company aims at maximizing the use of its existing infrastructure and thus attract a share of the constantly increasing traffic towards international Internet centres. Between 2010-2014, the international Internet capacity increase rate in the Middle East, Eastern Europe and North Africa ranges between 40%-55% approximately.

Moreover, with respect to international telephony services, the new NGN functionalities with which the telephony network has already been upgraded, as well as the targeted promotion of Hubbing services resulted in the increase of OTEGLOBE's commercial activity and its expansion into new developing markets, such as Africa and Latin America.

#### 2014 AT A GLANCE

The year 2014 was a successful one for OTEGLOBE since, despite the unstable macroeconomic environment and the continuing fall in prices in the Greek market and greater SE Europe as a result of the intense competition, the company posted a steady financial growth.

**2014:  
A successful  
year for  
OTEGLOBE**



The most important events of 2014 were the following:

- Participation as a full member in one of the largest cable system consortia in the world (AAE1). In January 2014 OTEGLOBE and 17 international telecom operators signed a construction and maintenance agreement (C&MA) for a new, transcontinental, submarine cable system known as Asia Africa Europe-1 (AAE-1). With a length of 25,000 km, the AAE-1 is one of the few cable systems that will connect Hong Kong and Singapore to Europe, through the shortest possible route (low latency route). A major part of this traffic will pass through Greece, through the cable station in Chania, Crete. Construction of the cable has already begun and is expected to be completed in 2016
- Promotion of versatile commercial packages in International Telephony and taking further advantage of the NGN infrastructure in Hubbing services. Acknowledging its customers' diverse needs in the extremely competitive environment of international telephony, OTEGLOBE offers new commercial packages based on new IP technologies, which have contributed to the modernization of the international telephony network
- Enhancing OTEGLOBE's commercial presence in markets of interest, such as the Middle East and North Africa, through targeted partnerships with selected operators for the further enhancement of data and voice services take up
- Upgrade of the capacity and functionality of the existing self-owned telecom infrastructure and, within this framework, upgrade of the NGN infrastructure for international telephony, the TBN/ GWEN core networks, etc.

#### ➤ Financial performance

Despite the adverse economic conditions, OTEGLOBE continued to grow in 2014. The company posted a 2% revenue increase compared to 2013 (standing at €287.1 mn), while it also managed to significantly increase its net cash flow from operational activities compared to 2013. It is also important that the company is not exposed to borrowing.

In 2015, through its participation in the construction of the Asia Africa Europe-1 (AAE-1) international submarine next generation cable system, the company is re-establishing itself in new developing markets, such as those of the Middle East, North Africa and SE Asia, and broadening its area of activity, especially in markets with large profit margins.



# FIXED-LINE SERVICES IN ROMANIA (TELEKOM ROMANIA COMMUNICATIONS)

#### MARKET TRENDS: CHALLENGES AND OPPORTUNITIES

In 2014, the Romanian telecom market was characterized by aggressive competition, unforeseen taxation and regulatory measures that made operators reevaluate their plans and added considerable pressure on business objectives. The development of both fixed and mobile infrastructure continued, while the government's Digital Agenda strategy (pending final approval from the authorities) is expected to contribute further to the growth of the industry.

On the fixed Internet market, Romania ranks fourth in a top of 194 countries with the highest broadband speeds, while it has the first position in Europe. According to the Romanian governmental strategy for the Digital Agenda, Romania is a market with high availability of Next Generation Access solutions and with a high penetration of broadband connections with speeds of >100 Mbps. Mobility is also encouraged by the high 3G coverage and by the recent, yet rapid, development of LTE coverage.

The total market grew in 2014, following the overall positive trend of the services segment which is expected to continue in 2015. The Romanian telecom market which is characterized mainly by price-driven competition, is gradually moving towards more qualitative and better „value for money” solutions. Residential customers are shifting to more integrated offers, while business customers, are looking more and more for turnkey ITC solutions that make them more competitive. The main growth areas on the B2B segment are M2M & Cloud, with direct impact in productivity & competitiveness.

#### 2014 AT A GLANCE

2014 was definitely marked by the rebranding of former Romtelecom and COSMOTE Romania into Telekom Romania Communications and Telekom Romania Mobile Communications respectively, operating under Telekom Romania brand.

Starting in September 2014, the new brand entered the market with a one-stop-shop philosophy and an innovative commercial concept based on integrated experience across all touch points.

The “T” moment has been preceded by a common vision and strategy implemented in the past year. With the aim of becoming the No.1 Integrated telecom & entertainment services provider, a solid strategy based on three pillars was developed. The three pillars are:

- To build the No. 1 integrated operator
- To change market rules
- To transform our operating model.

The strategy was converted into action with the aid of one integrated team offering to the customers truly integrated solutions. New investments on the expansion of the FTTH network were made.

#### > Regulatory developments in 2014

##### ***Reduction of fixed and mobile call termination rates***

During 2014, ANCOM's Decision no. 366/2014 imposed new cost-oriented wholesale tariffs following European Commission proposed cost methodology. As a consequence, new proposed rates starting April 2014 represents a steep reduction to 0.14 eurocents/minute for termination calls on fixed networks (from an average level of 0.67 Eurocents/min) and to 0.96 eurocents/minute for termination call on mobile networks (from 3.07 Eurocents/ min). Low level of termination proposed rates will increase the rate of decline in retail voice revenues from 2014 onwards. The accounting separation obligations previously established on wholesale fixed call termination services were withdrawn starting the date of new tariffs application. The rest of wholesale obligations imposed by previous regulations - the obligation of transparency, non-discrimination, access granting and permission to use the network and the associated infrastructure will continue to apply. In the

Rebranding of  
**ROMTELECOM**  
and **COSMOTE**  
**ROMANIA**

meantime, ANCOM established new set of maximal tariffs for auxiliary services regarding interconnection.

***Re-definition of transit call services, backhaul services and leased lines - terminating segments under IP technology.***

Both single and double transit call services were unified into a national transit call service with a new higher tariff of 0.18 eurocents/minute (from 0.05 eurocents/minute for a single transit service and 0.16 eurocents /minute for a double transit service). Moreover, backhaul services provided on Ethernet infrastructure (for access and transport network) have been redefined at local, regional and national level according to the appropriate market analysis. The related tariffs have been established on both 1 Gbps and 10 Gbps bandwidths. In the meantime, the tariffs have been designed for transport network segments between several routers type capacities (switch Ethernet, router PE and router P).

Within 2014, ANCOM followed the European Commission proposed cost methodology and has elaborated final tariffs for leased lines - termination segments with the capacity up to 2 Mbps provided on IP-MPLS transmission network infrastructure.

***Review of access regulation: mandatory duct and fiber access obligations may become a challenge***

National Regulatory Authority (ANCOM) is planning a review of the market for access to physical infrastructure elements (copper and fiber access loops). Under this review, ANCOM will reassess within 2015 the opportunity to impose ex-ante obligations regarding the access to ducts and the unbundling of fiber loops. In case such remedies are imposed on Telekom Romania Communications, the main challenges will be related to the operational aspects of implementing the required products and ensuring their technical availability.

***Launch of the first MVNO operators in the Romanian market***

Within 2014, the first MVNOs (mobile virtual network operators) joined local telecommunication market. Given the characteristics and structure of the existing retail market (very low retail prices, three strong operators and two aggressive challengers), a large scale development of MVNOs is not expected in the immediate future. Rather, we expect the establishment of niche players targeting narrow market segments (including existing cable operators trying to secure their customer base).

***Licenses***

Telekom Romania was awarded in 2008 a CDMA 410 MHz license [410-415 MHz/420-425MHz] subject to coverage and network density obligations, with an initial validity period of 10 years. However, after an assessment of the associated operational costs for this particular technology, the company decided to give up the rights of operating license starting January 1st, 2015.

**CUSTOMER EXPERIENCE**

**> Retail customers**

In 2014 Telekom Romania Communications' commercial strategic objectives included:

- The enhancement of its TV offer through exclusive content
- New Integrated offers
- Further development of high-speed fiber broadband services with add-on's in order to boost value
- Focus on urban growth

***Integrated offers***

A key component of the operational integration process was the launch of a genuine convergent offer.

## 03. OUR ACTIVITIES IN 2014

### FIXED-LINE TELEPHONY

#### FIXED-LINE SERVICES IN ROMANIA (TELEKOM ROMANIA COMMUNICATIONS)

**Telekom Romania  
covers all the  
telecommunication  
needs of the family  
with a full array of  
services**

##### ***Vision and implementation method for integrated offers***

Integrated solutions are offered by Telekom Romania. Since Telekom Romania Communications and Telekom Romania Mobile Communications are still two distinct legal entities, the access to Telekom Romania Mobile Communications GSM network is achieved through a MVNO contract.

The first phase of the project took place in June 2014 with a pilot launch of the first integrated offers in the market test. The portfolio consisted of a selection of fixed and mobile tariff plans, following a detailed market research.

##### ***Building blocks for the initial integrated portfolio***

After the rebranding of Romtelecom and COSMOTE into Telekom Romania, in September 2014, the commercial communication which focused on integrated offerings of fixed and mobile services, played a pivotal role in conveying the main message of the rebranding campaign: Telekom Romania is an operator able to cover all the telecommunication needs of the family with a full array of services such as: fixed and mobile voice, fixed and mobile broadband services and TV, both linear and on demand delivered through fixed and mobile data networks. All these services can be offered under one contract and one bill from one operator.

The communication campaign focused on the offering of unlimited communication for all services:

- unlimited minutes from fixed and mobile,
- unlimited internet from fixed and mobile and
- unlimited access to Telekom TV (the Telekom Romania Communications' OTT solution for delivering TV content to customers).

The campaign also emphasized the new premium positioning of Telekom Romania with a 99 Euro "all-you-can-eat" offer for the family comprising 3 high mobile subscriptions, high TV, BB and fixed voice accompanied by free HD STB, HD package, HBO Go, OTT option and other add-ons.

##### ***FMC targets and actual sales during 2014***

After the rebranding campaign, the sales ramped-up strongly with both RGU and revenue targets being overachieved for 2014.

Moreover, the integrated offers started to contribute significantly to the overall postpaid development of Telekom Romania since the existing fixed customers of former Romtelecom showed great interest in acquiring also mobile service from Telekom Romania.

However, the aggressive pricing of the initially offered integrated portfolio, geared more towards new customers, meaning that the incremental ARPU obtained by the x-sell of mobile on existing fixed customers was initially lower than expected. A revamped integrated portfolio was launched in November 2014 in order to better protect the value of fixed services (by preventing the downgrade of the fixed voice while migrating to integrated offers by adding mobile services) and to improve the integrated offers by soft bundling of mobile services in them. It is now easier to add offers to the integrated portfolio to meet the needs of new and existing customers

With soft bundling, mobile has a separate price which can be communicated through the so called incremental price communication. This could be very attractive as it would communicate lower prices for mobile, supporting the sales of both integrated and mobile stand alone as the mobile tariff plans used on integrated offers are mirrored from mobile stand-alone portfolio. Incremental price communication is planned for 2015.

##### **> Business customers**

###### ***Rebranding***

The Telekom One-Stop-Shop philosophy brings to the Romanian business community a unique experience adapted to every company, and a unique contact point for all their communication needs. This is combined



with a complete portfolio of fixed and mobile solutions, applications and IT integrated solutions, plus the widest range of IT&C equipment on the market today. The Telekom brand enters the market as a reliable integrated services provider for business customers. Telekom Romania aims to deliver the best experience through innovative products and easy to access services, with the highest quality standards supported by the best Service Level Agreements on the market.

### **Voice services**

In terms of fixed voice evolution in 2014, Telekom Romania Communications succeeded in maintaining its leading position on B2B fix market both in terms of RGUs and revenues. Smart pricing scheme, launched in 2014, offered to new subscribers many free minutes to all fixed and mobile national and international EU destinations combined with unlimited options aligned with market trends.

### **Data services**

For data services, Telekom Romania Communications enhanced MetroNet service, launching a back-up solution on a different support towards the main line. For VPN, despite aggressive competition, the company maintained its market leading position.

### **Cloud and M2M services**

Telekom Romania Communications continues to extend its cloud service portfolio introducing, in partnership with Microsoft, the latest Office 365 package which will further help B2B customers to increase productivity, to collaborate in teams and to create professional web presence. Telekom Romania covers all B2B segments offering Office 365 Business and Office 365 Enterprise packages.

Regarding M2M services, Telekom Romania Communications posted a significant increase in SIM card sales and in market share. The company also launched the Global Corporate Access (GCA) service which is a uniform solution addressing all companies whose employees have frequent business travels and who need a considerable data traffic volume in order to work anywhere in the world and anytime. The service is unique on the Romanian market and allows to business users access to a network of millions of Wi-Fi hotspots in more than 120 countries.

### **Wholesale services**

In January 2014, Telekom Romania Communications was the first Operator in the CEE region and the third in Europe achieving CE 2.0 certification from MEF (Metro Ethernet Forum) for Domestic and International network, a prestigious certification enabling the company to offer standardized enterprise Ethernet connectivity in the countries covered by its services.

In 2014, Telekom Romania Communications Wholesale has been selected for the second consecutive year, as finalist of the Global Carrier Awards event, the most prestigious telecom carriers event globally. The Wholesale division was nominated for the "Best Eastern European / CIS wholesale carrier" category, respectively for the first time at the "Best European Project" category.

### **ICT solutions**

The emphasis on the further development of Business Solutions brought about several new contracts/projects for the supply of turnkey ICT solutions involving managed services, desktop virtualization, unified communications, IT security, and other integrated telecom services for banks, the private and the public sector. In addition, Telekom Romania Communications is increasingly taking on responsibility for all areas of operating these ICT solutions (consulting, design, and construction).

Telekom Romania Communications' reputation as a systems integrator and major IT services supplier was enhanced further in 2014, as a result of the take-up of important projects in the banking sector, the public sector and other industries.

## 03. OUR ACTIVITIES IN 2014

### FIXED-LINE TELEPHONY

### FIXED-LINE SERVICES IN ROMANIA (TELEKOM ROMANIA COMMUNICATIONS)

#### OBJECTIVES FOR 2015

In 2015 Telekom Romania Communications will continue its strategic approach, focusing on two major directions: delivering best customer experience and taking technology leadership, driven by innovation, in all areas.

#### ***Delivering best customer experience by:***

- Investing on infrastructure superiority (with focus on FTTH and 3G/4G) in order to provide customers reliable and top quality services and products, to boost fix-mobile convergence and to become Romanian's preferred integrated telecom operator
- Enriching integrated offers with the new IPTV service which provides the best TV experience on the Romanian market. These are combined with the exclusive sports content such as Champions League and Europe League, available from September 2015. In addition, the processes will be improved and handset offers will be expanded
- On the B2B segment, companies will continue to benefit from a complete portfolio of fixed and mobile solutions, applications and IT integrated solutions. To these, they can add innovative cloud and M2M solutions, meant to generate competitiveness for their businesses. Moreover, in 2015, a very innovative service for virtual private networks called "Cloud VPN" will be introduced in Telekom Romania Communications' portfolio.

#### ***Maintaining technological leadership by continuing the IP migration of current customers and the expansion of fibre optic based technologies (FTTH/FTTB).***

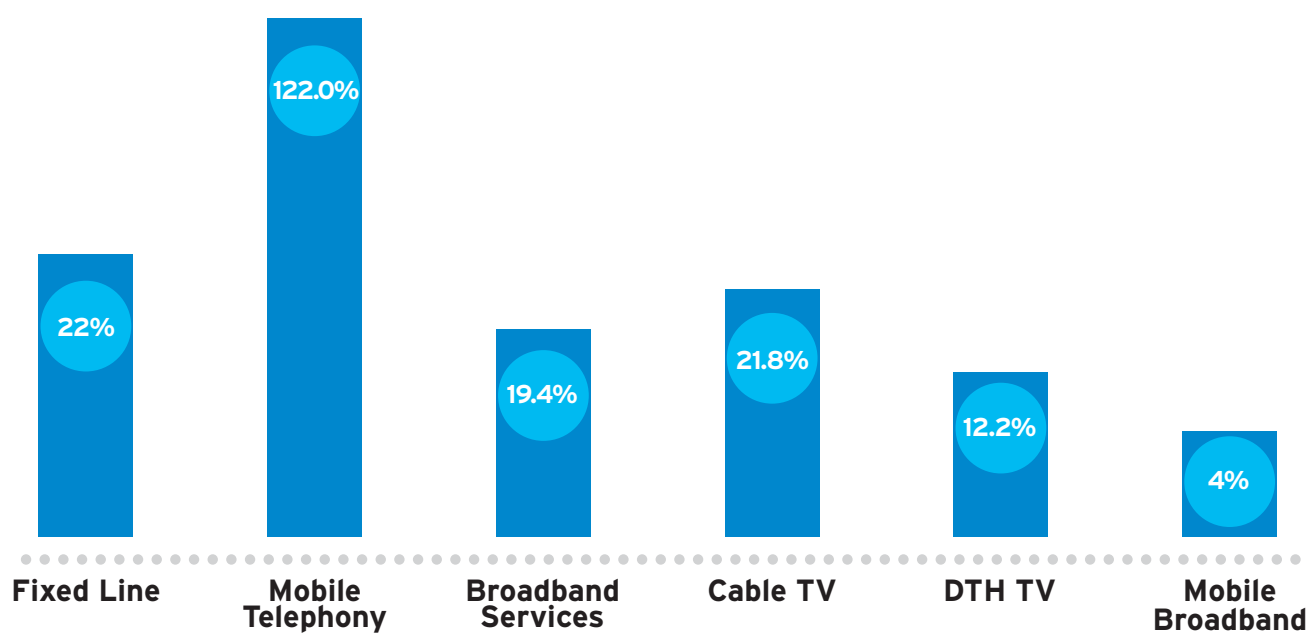
For 2015, the estimated households' footprint for fibre is over one million and the 4G coverage is expected to double until the end of the year

The initiatives taken to monetize unused copper infrastructure as well as the efforts to become number one wholesale backhauling provider will continue. The process to divest the idle assets in order to finance business growth will generate revenues for the core business.

The innovative approach will be reflected not only on the operational side, but also on the development of areas like eBusiness, eSales, eCommerce and ePayment.

**2015: Fibre optics in over a million households and double the 4G coverage by the end of the year**

### Population penetration in Romania

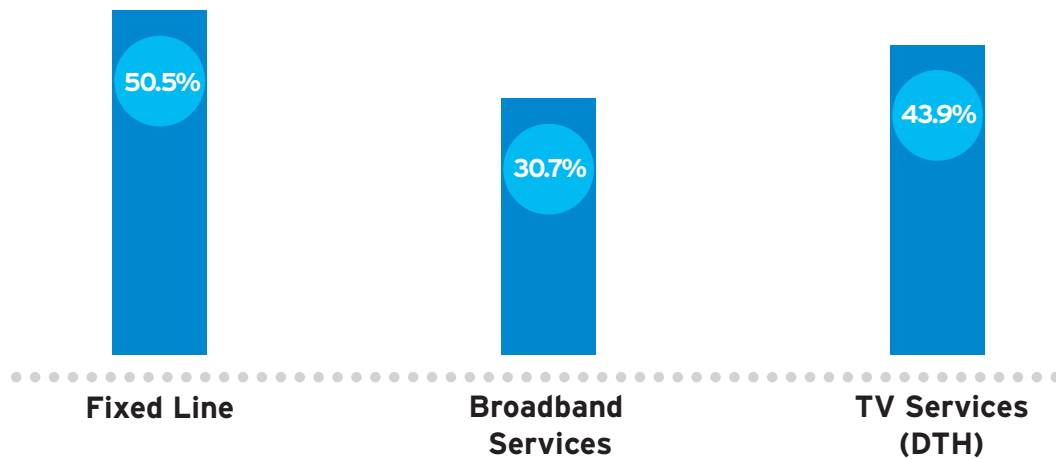


### 03. OUR ACTIVITIES IN 2014

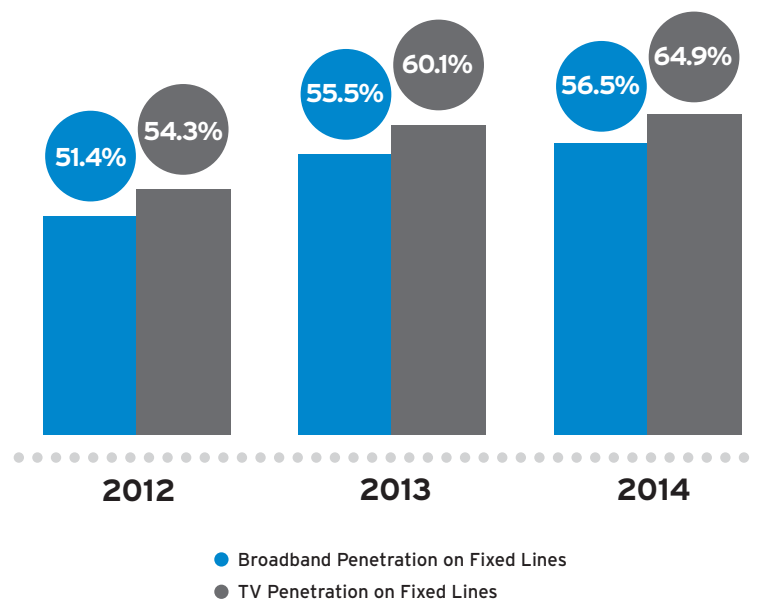
#### FIXED-LINE TELEPHONY

#### FIXED-LINE SERVICES IN ROMANIA (TELEKOM ROMANIA COMMUNICATIONS)

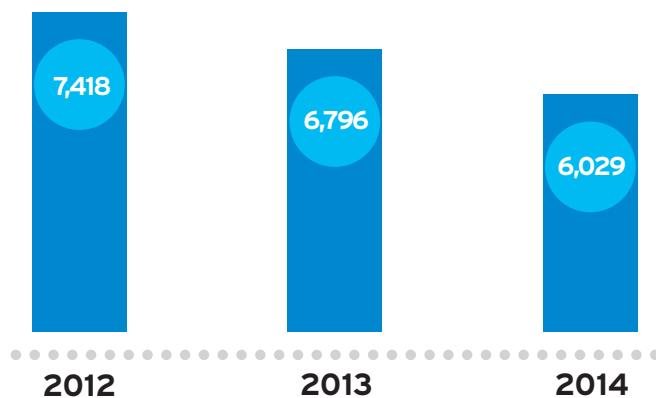
Telekom Romania, market shares



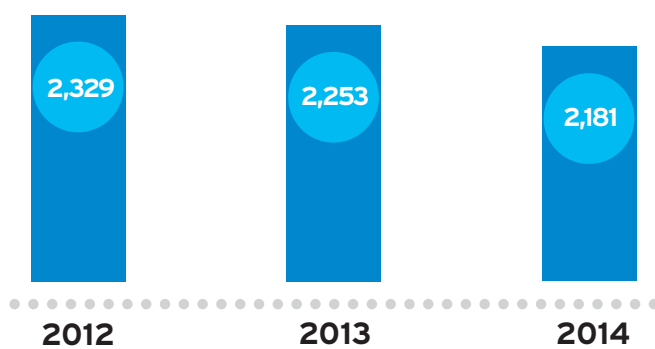
Broadband & TV Penetration of Telekom Romania's fixed lines



### Telekom Romania, employees evolution



### Telekom Romania, fixed lines (000)



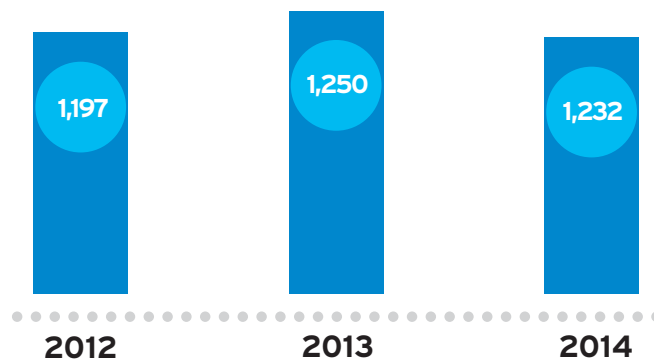


### 03. OUR ACTIVITIES IN 2014

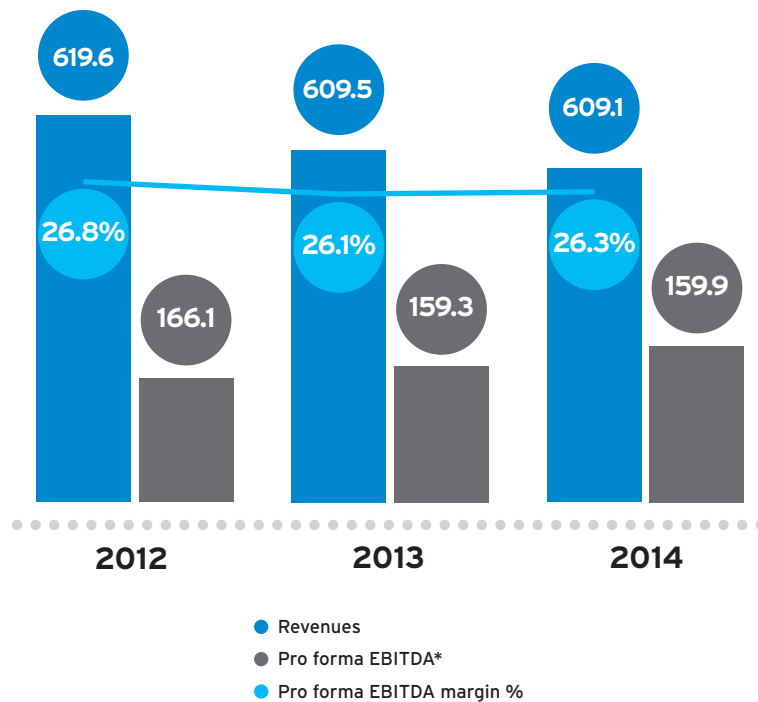
#### FIXED-LINE TELEPHONY

#### FIXED-LINE SERVICES IN ROMANIA (TELEKOM ROMANIA COMMUNICATIONS)

Telekom Romania, broadband subscribers (000)



Telekom Romania - Financial performance (€ mn)



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



# PAY-TV

## PAY-TV SERVICES IN GREECE (OTE)

### MARKET TRENDS: CHALLENGES AND OPPORTUNITIES

The Pay-TV market continued to grow at a high rate in 2014 with household penetration reaching 23% from 19% at the end of 2013. As part of this trend, through its OTE TV service and by offering integrated home entertainment at a competitive price, OTE acquired the largest percentage of net new connections, more than 97,000 subscriptions.

The Pay-TV services market has grown significantly in Greece over the past two years, mainly due to the changes that have come about as a result of Greek viewers' needs for high quality entertainment, with more content and channel choices at competitive prices. Moreover, bundled communication and entertainment services solutions continued to attract more and more consumers in 2014, with the OTE TV service to meet the market trend for integrated Triple Play packages that include voice, Internet and TV services.

The two most dominant technologies in the transmission of pay-TV services in Greece are satellite (DTH) and IPTV (Internet Protocol TV), with the former being more popular and holding the largest share in terms of subscribers.

Through the TV packages launched in the market and through the successful communication and promotion of this service, OTE has contributed to the OTE TV brand awareness, to highlighting its content and its operational advantages, but also to changing the overall landscape of the TV market. Mainly because, through the detailed presentation of OTE TV's features, consumers develop a distinct idea of what an integrated entertainment proposal entails

Through OTE TV, the company offers best-in-class TV content and technology (high definition channels through the DTH service), at an attractive, affordable price for the customer.

### CUSTOMER EXPERIENCE

#### > A significant enhancement of the OTE TV service again in 2014

- One sports channel (OTE Sport6 HD) was added and all sports channels were converted to HD
- The OTE SPORT HIGHLIGHTS HD was added, which broadcasts highlights from OTE TV's rich sports content in all sports, news from top sports events worldwide, as well as non-stop live updates of game scores
- Exclusive deals were signed with the major Hollywood studios of 20th Century Fox and Universal to broadcast their entire production, and with Sony Pictures, Walt Disney and Miramax for a package of titles, also to be broadcast exclusively
- OTE TV co-produced feature films which met with critical and box-office success
- OTE TV broadcast the exclusive premieres of Greek production series and acclaimed international TV series such as "Sherlock" and "Downton Abbey"
- Exclusive broadcast in high definition of the Mundobasket basketball tournament with daily programmes and reporting from the basketball courts in Spain
- The entire Greek Football Cup was broadcast exclusively
- OTE TV secured an agreement for the exclusive rights to the Europa League for the next 3 years
- OTE TV secured an agreement to broadcast all the Champions League games for the next 3 years, most of which will be broadcast exclusively
- OTE TV secured an agreement to broadcast all the qualifying matches of the European Football Championship 2016, as well as the qualifying matches of the World Cup 2018
- OTE TV secured an agreement to exclusively broadcast the home games of Olympiacos and AEK's basketball teams.

In early 2014 OTE TV was able to launch in the advertisement market a full package of promotional products and solutions for the OTE CINEMA and OTE SPORT TV channels, with an aim to bolster revenue by taking advantage of the increased customer base, the enhancement of premium and exclusive content, and its increased brand awareness.

**OTE TV:  
Customer  
entertainment  
experience**

## 03. OUR ACTIVITIES IN 2014

### PAY-TV

#### PAY-TV SERVICES IN GREECE (OTE)

##### ➤ Introducing OTE TV to the public

Over the past two years, the continuous upgrade of the OTE TV service, as well as its consistent and targeted communication to the public, resulted in a significant increase in the product's brand recognition and customer base.

The communication strategy implemented by the company for OTE TV aimed at showcasing OTE TV's new product features, at highlighting its enriched content, at enhancing the customer/subscriber experience, the reinforcement of the customer's familiarization with the service, given that this is a growing market, to further enhance recognizability and to reinforce OTE TV's brand essence as engaging, fun and playful.

##### ***In particular, with respect to the communication of OTE TV services to the market and the public, in 2014:***

- Seven ATL (Above the Line) 360 degree communications were carried out with an aim to promote content and broaden the company's customer base
- Two major events - one involving sports and the other television - were held, featuring basketball player Gary Payton and actress Laura Carmichael from the TV series "Downton Abbey", in order to promote the NBA and the series. Both events were very well publicized and attended
- Twenty-two competitions were carried out in order to communicate the service's content, to reward subscribers and to support OTE TV's brand essence
- Four OTE TV co-productions were supported and promoted
- In terms of the logos of sports programs and the broadcast graphics of the football matches of KAE AEK and OLYMPIACOS, new signals were created and the existing ones were renovated
- 160 trailers/month were designed and produced to promote content to OTE TV's subscribers with an aim to customer via retention and brand essence promotion.

In recognition of the successful communication of its services and its contact with the public, in 2014 OTE TV won two silver global excellence awards for OTE TV Sport's on-air identity and logos at the Promaxbda Awards.

##### ➤ OTE TV Subscribers

##### **353,482 OTE TV Subscribers in 2014**

OTE TV subscribers enjoy 24-hour customer service by experienced and specialized employees, who provide integrated solutions, and guide, support and solve complex issues, while at the same time ensuring a unique communication experience.

Through alternative means of accessing, submitting, managing and carrying out customer requests, over the phone or in writing (multi-channel access), OTE provides upgraded services to ensure best-in-class customer experience and operational excellence.

Besides the sales and customer service call centres, the service is also offered through:

- e-channelote.gr
- the OTE and GERMANOS shops

##### **OBJECTIVES FOR 2015**

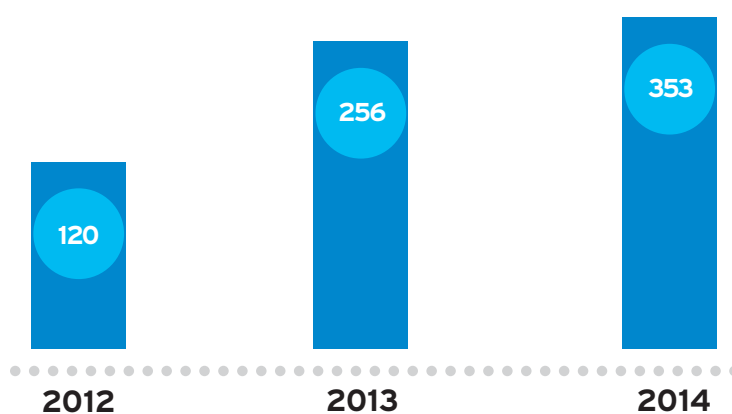
In terms of the OTE TV service, in 2015, OTE will focus on:

- Maintaining and further enhancing and enriching the content in all thematic categories
- Building new studios in order to host OTE TV's sports programmes
- The qualitative coverage and broadcasting of the home-games of all the Greek teams playing in the Champions and the Europa Leagues
- Developing new services with an aim to:



- cover multiscreen viewing needs, in order for the customer to have access to OTE TVs content from different screens at different locations (TV Everywhere)
- make it possible for all OTE TV customers to use all interactive services on demand, through hybrid technologies which combine the interactivity of the IP world with satellite service
- The further communication and promotion of the service and its competitive advantages to customers
- The enhancement of the customer's overall experience at every point of contact with the OTE TV service
- The special planning of and investment in the promotion of new product services and major sports news
- The further reinforcement of brand awareness.

**OTE TV subscribers (000)**



# PAY-TV SERVICES IN ROMANIA (TELEKOM ROMANIA COMMUNICATIONS)

#### MARKET TRENDS: OPPORTUNITIES AND CHALLENGES

The Romanian Pay-TV market continued in 2014 to be price and content driven. However, there are significant segments, especially in urban areas, which are interested in high quality and innovative TV services and high-definition content. Thus, the Pay-TV operators were focusing on catching up with Telekom Romania Communications and Orange on "TV Everywhere" services, the first one being the pioneer in the emergent TV Everywhere solutions, with a beta service launched as early as 2011. Such OTT (over-the-top) services are gaining momentum in Romania, with new entrants coming from both Pay-TV operators and media companies (Voyo, HBOGO, Antena Play).

#### 2014 AT A GLANCE

A very strong performance of 4.5% TV customer base increase in a saturated market was brought by Telekom Romania Communications in 2014. Under the new brand, the ambition was to become the number 1 integrated operator in Romania. The TV service is the key differentiator for fix-to-mobile convergence.

This outstanding performance in TV services was brought by a combination of video content and technological initiatives, that together brought "the best TV experience" in the market via multiscreen, interactive TV services and differentiating TV content.

#### ➤ Upgrade of Services-New Services

##### *Best TV Content*

Telekom Romania Communications introduced in 2014 a series of content exclusivities like Discovery ID Xtra and iConcerts linear channels and innovative services like Eurosport 360 and Discovery VOD, all while continuing the strong performance in sports content with the exclusive Dolce Sport channels. Also, the national football league matches can be accessed by the customers through Liga 1 option.

The "TV Everywhere" experience was significantly enhanced, together with the launch of the new Web & Mobile TV service, by broadcasting 67 linear channels on telekomtv.ro and on dedicated iOS and Android mobile applications. Subscription-VOD packages like Disney Movies on Demand and MUBI were also introduced in the "TV Everywhere" service.

Telekom Romania Communications introduced in 2014 a TV package which increased the value for all customers, improving TV ARPU (Average Revenue per User). Up to 14 HD channels were included in basic packages, in order to respond to increased consumer needs for high-definition content. Thus, Telekom Romania significantly increased the number of HD channels in 2014, reaching a total of 31 HD channels on IPTV and DVBC technologies and 16 HD channels on satellite. Telekom Romania is one of the few Pay-TV operators that broadcast all HD versions of HBO channels (HBO HD, HBO Comedy HD, Cinemax HD and Cinemax 2 HD).

#### *Platforms and technology developments that support "The Best TV Experience"*

One of the main pillars of Romtelecom rebranding to Telekom Romania was the new interactive TV service, launched in September 2014. This is a fully-fledged, state of art IPTV Platform with integrates multiscreen capabilities and single-sign-on functionalities. The key differentiators of the new service are additional content library - movies, recorded TV shows, catch-up programs - interactivity and personalization capabilities.

Together with the new IPTV service, Telekom Romania introduced a new Web & Mobile TV service. Thus, the rebranding brought a new "TV Everywhere" / Over-The-Top TV service, called "Telekom TV Web & Mobile" which is offering a multiscreen TV experience for all devices - PCs, laptops, smartphones and tablets - via dedicated applications and on telekomtv.ro platform. The user experience is greatly enhanced by the introduction of single-sign-on functionality, which allows the customer to use a single set of credentials for an ever-growing set of services like the e-care account, "TV Everywhere" service or partner platforms like Voyo.

The best TV experience in the market via multiscreen and interactive TV services



In 2014, Telekom Romania Communications also introduced the popular DVBC TV broadcasting technology. This service was launched in the cable footprint, and it is complementing Telekom Romania's TV technologies portfolio in order to enable the company to better compete with cable operators.

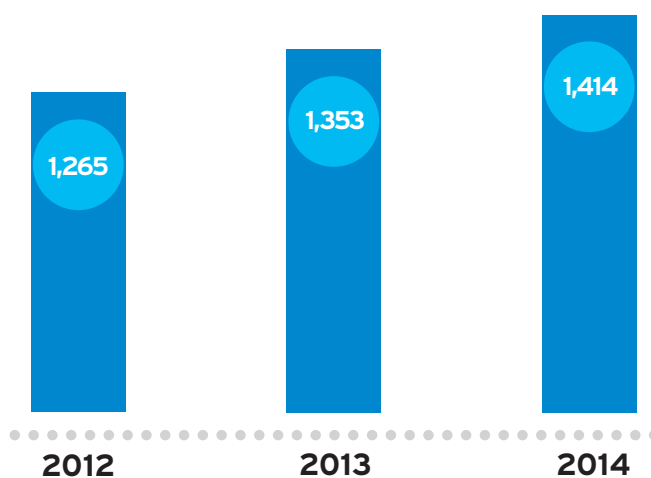
All TV platforms (satellite, IPTV, digital cable, WebTV) were rebranded to the new Telekom brand identity, while new capabilities and functionalities for satellite set-top-boxes were introduced.

### STRATEGIC OBJECTIVES FOR 2015

Telekom Romania Communications has the following objectives for 2015:

- Sustain and enforce Telekom position of "the best TV experience" provider, offering complete entertainment for all family with exclusive and premium content on sport and movies
- Use IPTV as strategic tool to acquire new customers , drive Fiber-to-the-Home utilization rate and increase voice & broadband customers through bundles
- Position our OTT service as "Everything for everyone" - Integrated OTT platform providing seamless experience on all screens, with an improved content offering.

Telekom Romania TV subscribers (000)



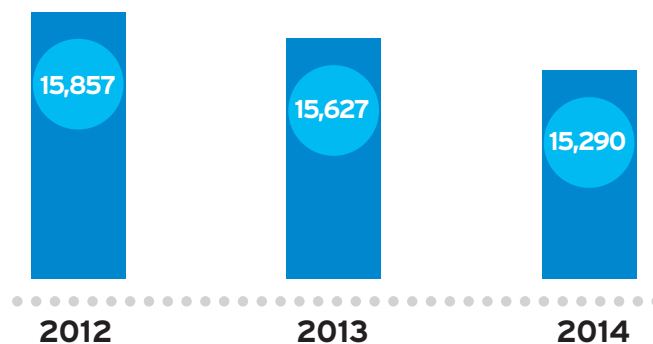
# MOBILE TELEPHONY

## MOBILE TELEPHONY SERVICES IN SE EUROPE

Through its subsidiary COSMOTE, OTE Group is currently one of the leading providers of mobile communications services in SE Europe. Besides Greece, the Group operates, through COSMOTE's subsidiaries, in the Albanian market with AMC and in the Romanian market with Telekom Romania Mobile.

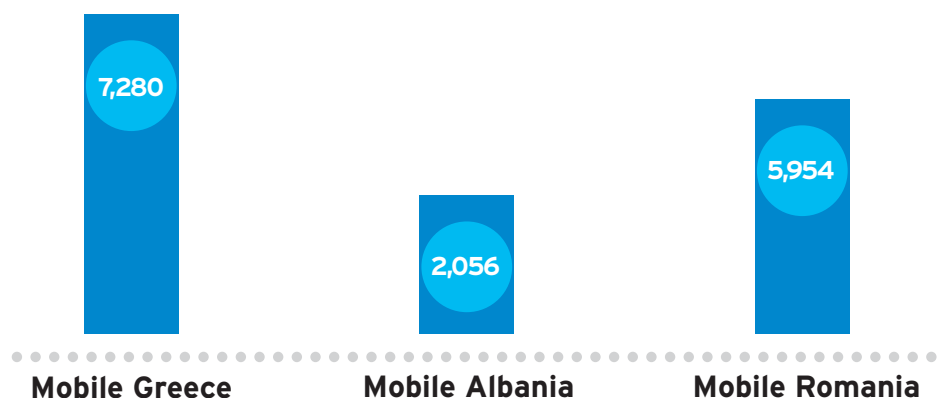
COSMOTE, a leader in technological evolution and especially with respect to 3G and 4G services, has developed the most extensive mobile telephony broadband services network in Greece. Driven to provide the most advanced technology and best-in-class services, COSMOTE possesses a clear competitive advantage in the mobile telephony market.

**Customer base evolution\* (000)**



*\*Excluding discontinuing operations*

**Mobile subscribers breakdown in 2014**





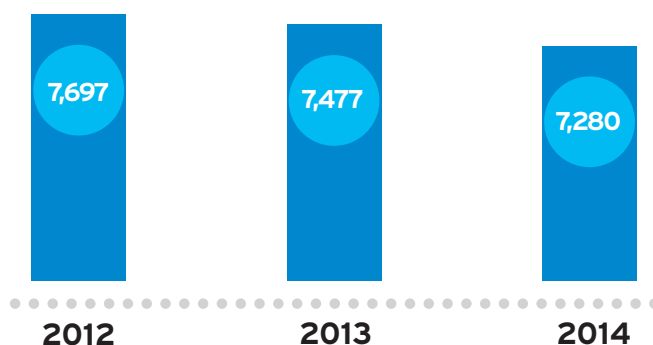
# MOBILE TELEPHONY SERVICES IN GREECE (COSMOTE)

## MARKET TRENDS: CHALLENGES AND OPPORTUNITIES

In 2014, new postpaid packages for residential and corporate subscribers were launched in the mobile telephony market featuring significantly increased mobile Internet, while increased prepaid offerings continued.

The competitors implemented very aggressive policies for attracting customers, using telephone sales channels which targeted COSMOTE subscribers, which led to an increase in their market share. At the same time, increased offerings in prepaid telephony continued, with free talk-time to all networks as well as free data, in an effort to claim a share of the market.

Customer base evolution - Greece (000)



## 2014 AT A GLANCE

In response to market trends and the competition's aggressive commercial policies, in 2014:

- COSMOTE's postpaid packages adapted to the trend of offering increased MOBILE Internet as well as increased free talk-time
- COSMOTE launched COSMOTE PLUS, a new series of discount packages, offering an integrated solution to subscribers since it provides even more free embedded MBs for carefree surfing the Web on your mobile, as well as 1,500 minutes of free talk-time and SMS to COSMOTE, to fixed lines, even to all networks. Thus, the new packages not only meet the subscribers' needs for carefree communication, but also for more mobile Internet with fees starting at €20. At the same time, it offers the upgraded EXTRA packages, which offer 100 minutes of talk-time, 100 SMSes and up to 750MB, allowing subscribers to communicate and surf the Web at affordable prices, even after the consumption of the free embedded use of their programme
- The company continued to provide the COSMOTE TO ALL, which offer free talk-time and SMS to all networks as well as free MBs, targeting subscribers who want to communicate the same irrespective of network, with fees from 25€ to 50€
- In terms of prepaid services, customers' increased need for communication to all networks was met with enhanced offerings through the prepaid COSMOKARTA package
- The WHAT'S UP prepaid package continued to target a younger public interested in communication among



## 03. OUR ACTIVITIES IN 2014

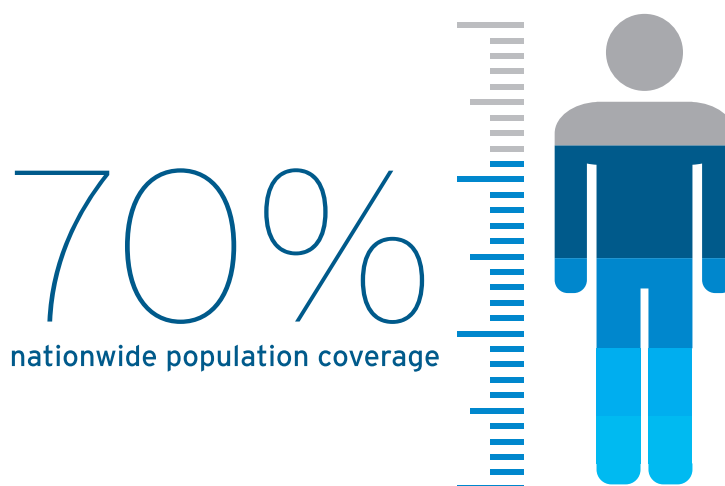
### MOBILE TELEPHONY

#### MOBILE TELEPHONY SERVICES IN GREECE (COSMOTE)

WHAT'S UP users. At the same time, it meets the need to communicate with other networks, as well as to access the Internet by mobile phone

- The series of Cost Control Plan continued to be enhanced, its strategic aim being to upgrade prepaid subscribers, offering customers greater value with a smaller fee and better control of their account. In particular, the Cost Control Plan programmes continue to offer flexibility to their subscribers, as they offer the option of activating talk-time packages to both national networks and international destinations, as well as SMS and MB packages which can be charged either to the credit left on their account or to their next bill
- Regarding data services, the COSMOTE network and especially the data transfer speeds through the 3G and 4G networks is a clear competitive advantage.

#### 2014 - 4G NETWORK POPULATION COVERAGE



During 2014, the company continued to develop its 4G network in other large Greek cities besides Athens and Thessaloniki, as well as at popular summer and tourist destinations. The 4G network thus achieved population coverage of over 70%.

The continuously increasing demand on the part of customers for mobile broadband was met through programs which incorporate free Internet either through added packages or programmes which provide free Internet, with the payment of an additional fee.

At the same time, the rapid penetration of smartphones into COSMOTE's customer base, combined with the increased Internet use via mobile phones, laptops and tablets, led to a rise in mobile broadband services revenues (during the last quarter of 2014, revenues from mobile data stood at 17% of mobile services, showing a significant increase compared to previous years).

### ➤ Regulatory developments

In terms of regulatory developments, the focus in 2014 was on the regulation of COSMOTE fees for international roaming services within the European Union. These fees, following Roaming Regulation I & II, are regulated on a retail and wholesale level by Roaming Regulation MI (531/2012).

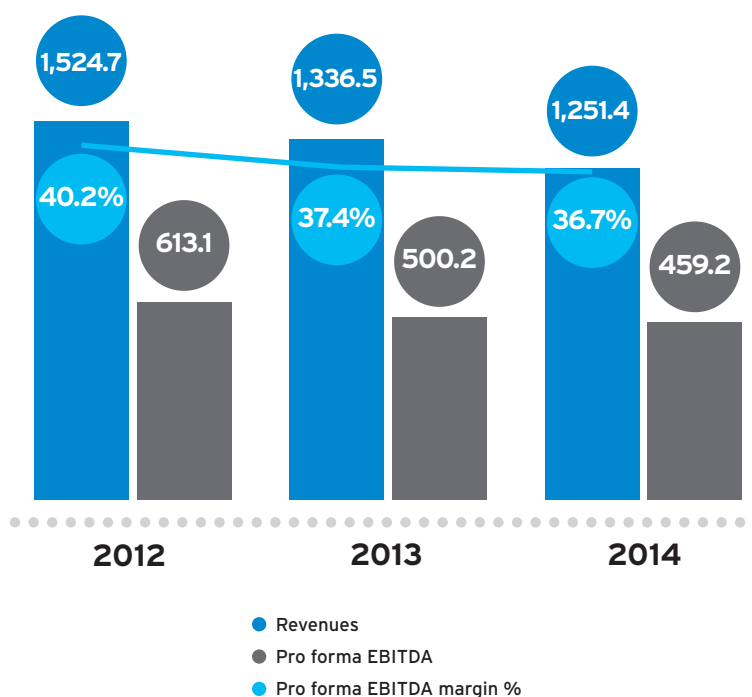
The Regulation sets maximum limits to voice, SMS and data charges and obliges network operators to allow alternative operators to access their network. Following this regulation, roaming fees were reduced in July 2014. Furthermore, subscribers were given the option of using roaming services offered by alternative operators, if such were available.

### ➤ Financial performance

COSMOTE's consolidated revenues in Greece stood at €1,251.4 mn, posting a decrease of 6.4% compared to 2013, but showing a significantly improved trend compared to previous years, despite the adverse economic climate and the fierce competition.

Within this framework, COSMOTE managed to reduce its losses at a lower level than the market, by focusing on the quality of the services provided, the reliability of its network and maintaining a strong image and brand equity. Pro forma EBITDA stood at €459.2 mn, with the respective margin standing at 36.7%.

**Mobile telephony Greece - Financial performance (€ mn)**



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

## 03. OUR ACTIVITIES IN 2014

### MOBILE TELEPHONY

#### MOBILE TELEPHONY SERVICES IN GREECE (COSMOTE)

##### CUSTOMER EXPERIENCE

COSMOTE was the top customer choice for mobile telephony services again in 2014, as evidenced by the size of its customer base, but also according to customer satisfaction reports

##### ➤ Services upgrade/new services

##### *Residential customer market*

Residential mobile telephony customers are offered postpaid and Cost Control Plan packages, which offer solutions through free talk-time, SMS, and mobile Internet. All subscribers can access COSMOTE's 4G network, which is provided either free with certain programmes or with the purchase of an additional service.

The postpaid and Cost Control Plan programmes offered by COSMOTE are the following:

- COSMOTE PLUS: caters to subscribers who need more mobile Internet. With COSMOTE PLUS, subscribers can talk, send SMS and surf the Web on their mobile handsets without any worries and for a very low fee
- COSMOTE TO ALL: this programme offers free talk-time and SMS to all networks, as well as free mobile Internet, targeting subscribers who want to communicate the same, regardless to the network
- COSMOTE COST CONTROL PLAN: having a fixed bill as its main feature, it caters to prepaid customers, with an aim to transfer them over to these programmes in order for them to acquire more value while remaining in control of their expenses. Cost Control Plan subscribers can control anytime their credit in money, SMSes, talk-time and MBs, while they can also activate any package they wish, exactly as they did in prepaid, through the IVR service, which is available 24 hours a day, 7 days a week. In this way, subscribers don't change their habits and their transition to COSMOTE postpaid is smoother.

The postpaid and Cost Control Plan programmes offering 1,500 minutes of free talk-time to the COSMOTE network are the most popular choices of existing customers (in terms of changing their contract/programme) as well as new subscribers.

- COSMOTE COST CONTROL PLAN STUDENT, which covers university students' specialized needs by offering 1,500 minutes of free talk-time to OTE, 500 minutes of free talk-time to other networks and 2GB for mobile Internet for just €15
- During the first quarter of 2014, COSMOTE gave its subscribers (both private individuals and professionals) the option, for the first time, to reduce their contract's monthly fee up to 20%, simply by having OTE Double Play.

COSMOTE's Cost Control Plan offers three packages:

- The very popular WHAT'S UP package which caters to young people aged 18-24
- COSMOKARTA, and
- FROG which caters to all those who are interested in low cost calls abroad.

Moreover, given the high penetration of smartphones, the popular WHAT'S UP application is now being used by over 300,000 users. Through this app, WHAT'S UP users can control their bill and access their mobile from all WHAT'S UP services.

##### *Value added services*

The two most important value added services categories in 2014 were:

- CosmoteBooks: Cosmotebooks.gr - the largest online bookshop in Greece - is expanding its product list to include over 2,500,000 Greek and foreign printed book titles and the largest collection of eBooks. At the same time, a wider variety of toys, games, stationary, films and office supplies is being offered. CosmoteBooks also has a competitive distribution network nationwide (at a number of sales points), since its customers can take delivery of their orders at any COSMOTE, OTE or GERMANOS shop
- Partners: As part of the enrichment of the services it offers its customers, COSMOTE, in partnership with DT, cooperates exclusively in Greece with major companies providing OTT (over-the-top) services and apps



for smartphones. In 2014 COSMOTE customers were offered more than ten services, including among others Evernote, Twitter, Dropbox, Shazam, Lookout, and Trip Advisor. These partnerships offer COSMOTE customers exclusive privileges, such as free use and discounts. At the same time, they offer COSMOTE the possibility of a new stream of revenue.

### **Business customer market**

With regard to professionals and businesses, in 2014 the following developments took place:

- The new professional COSMOTE BUSINESS COST CONTROL UNLIMITED & TO ALL were launched, which, combined with the new “free 1500 SMS + Internet” and “ free 1500’ to Fixed-line phones” services offer the advantages of both prepaid and postpaid
- The COSMOTE BUSINESS professional postpaid programmes were enriched, offering more mobile Internet through the “MB Doubling” to new and existing subscribers
- The “Prompt Notice at 80%” service was upgraded offering cost control regarding Internet use and to subscribers who have additional data packages and discount packages without an embedded volume of data
- The “COSMOTE Internet On the Go Any Way” postpaid programmes and the COSMOTE “Internet On the Go Extra SIM cards for corporate postpaid customers”, a cutting-edge package which allows postpaid voice and mobile Internet subscribers to use up the available Megabytes at their disposal on any device they wish, i.e., mobile phone, laptop or tablet.

With respect to corporate as well as residential customers, in 2014:

- The new Travel Pass was launched which allows postpaid subscribers to use their programme’s talk-time, SMSes and MBs when roaming, with a clear and simple daily charge
- The Travel & Surf service for postpaid subscribers was expanded to countries outside the EU at very low charges
- The 4G service for roaming in selected foreign networks was launched, in order to improve customer experience.

### **> Services that deliver best-in-class customer experience**

- COSMOTE’s upgraded mobile application for iPhone and Android offers customers a cutting-edge experience, its main feature being automatic caller ID based on the call number. In this way, there is no need to enter information in order to take advantage of the application’s options. Through this application, users can have all the information regarding their connection (program features, remaining talk-time, SMS and Internet, the amount and due date of the last bill, usage statistics, etc.) in their mobile handset, they can activate services and additional usage packages (4G service, Traveler, additional talk-time packages and MB, etc.), they can pay their bill with a credit/debit card by merely pressing a button, and they can renew their talk-time for any prepaid or cost control plan
- Moreover, acknowledging and rewarding its customers’ loyalty throughout the year, COSMOTE offered free communication services to its customer base. These included offers such as “Free Mobile Internet to all COSMOTE subscribers” in the summer, free communication on weekends in November, and the especially successful Xmas Offer, which gave COSMOTE subscribers the chance to spread joy among their loved ones by sending them communication gifts absolutely free, but also to receive gifts themselves if they shared their participation in the offer on Facebook
- In parallel with the launching of the new COSMOTE PLUS discount packages, COSMOTE offered to every existing or new COSMOTE PLUS subscriber a free second SIM card with an additional 2GB in order to share the free MBs (of his/her programme and of the extra SIM card) on other devices (e.g., their tablet). The offer was made twice
- Throughout 2014, the COSMOTE Cost Control Plan provided attractive offers featuring free talk-time to national and international destinations, and free MBs for mobile Internet, always taking into account subscribers’ current needs and aiming at improving their communication.

## 03. OUR ACTIVITIES IN 2014

### MOBILE TELEPHONY

#### MOBILE TELEPHONY SERVICES IN GREECE (COSMOTE)

- With an aim to enhance its relationship with its customers, the company further developed the COSMOTE DEALS for YOU programme, which continued its upward trend in 2014, with the participation of even more COSMOTE customers. Through the partnerships of COSMOTE DEALS for YOU and through exclusive “2 for the price of 1” offers for entertainment, food, culture and travel, hundreds of thousands of subscribers enjoyed unique experiences again in 2014, recognizing the added value offered to them by COSMOTE.

#### ➤ An integrated customer service system

##### ***Training personnel towards a best-in-class customer experience***

Customer experience as a strategic direction and as a personal goal for employees has been included in the criteria for the assessment of employee performance. At OTE, COSMOTE and GERMANOS, performance in terms of customer experience has been incorporated into the criteria for the assessment of the performance of all employees, regardless of their rank, and all three companies increasingly emphasize the link between the two.

Following the implementation of the Customer Experience Excellence training and certification Program, the company proceeded to the establishment of the institution of the Customer Experience Ambassador. Over 170 employees from all ranks participate in the institution, with an aim to constantly improve customer experience through every operational unit of the company.

Consistently focused on its customer-oriented strategy, COSMOTE implemented a special programme for the certification of employees of the GERMANOS chain of shops, in order to ensure high customer service standards, proving once more its commitment to best-in-class customer experience

##### ***Customer service centres***

The COSMOTE Customer Service Centres (13838 for Residential customers and 13839 for Corporate customers) are an integral unit for receiving, answering and managing customer requests. Through innovative ideas and high service standards, COSMOTE keeps its promise that “Our world is you”, offering unique communication experiences to its customers.

COSMOTE's Customer Service operates at four nodes, tapping into new technologies and pioneering communication solutions. Its units, which are staffed by specialized and certified personnel, handle over 21 mn contacts on an annual basis.

Steadily guided by OTE Group's principles, COSMOTE's Customer Service remains unwaveringly focused on the Group's customer-oriented philosophy, keeping customer experience at the centre of its attention.

COSMOTE's customer service centres offer:

- A unit that deals with credit control, new connections, customer request implementation, and overall support for issues regarding commercial partners
- Alternative ways to access, submit, manage and implement customer requests, whether called in or in writing (multi-channel access via IVR, e-mails, chat, social networks and fax)
- Customized /Personalised customer service through written, called in or electronic communication by customer segment
- Telephone sales and customer service centres offering guidance, support, management and resolution of complex issues, aiming at customer acquisition, growth & development, and customer retention
- Upgraded services for High Value & High Tech customers (who wish to access smart routing, remote support, systematic follow up & scheduled call back on customer demand)
- Customized communication and customer service solutions
- Streamlined management of the customers' time
- Counselling, support and further education
- A unit for the full support of training needs in terms of customer service, with an aim to achieve the following:



**COSMOTE's  
digital relation-  
ship with its  
customers is a  
significant  
priority for the  
company**

- Excellence in terms of customer experience
- Operational excellence
- To contribute, in practice, to increasing the company's market share
- Growth and retention of the customer base
- Enhancement of the company's corporate image.

### ***E-bill***

COSMOTE's digital relationship with its customers is a top priority for the company in tune with technological trends and, more importantly, the wishes and habits of its customers. In light of this, COSMOTE has simplified even more its e-bill service, which has led to a significant increase in the number of subscribers registered to the service. Focus on the development of the e-bill is equally important and is the main pillar of COSMOTE's environmental strategy, given that the reduced use of paper and mailing of bills enhance the company's actions towards the environment's protection and reduce the company's carbon footprint.

### ***Sales and customer service E-channels***

In 2014 special attention was paid to customer service via mobile and the expansion of customer service options through COSMOTE's Mobile Application. Through this application residential customers are able to:

- See their account balance
- Manage their services (service activation, add-ons, upgrades)
- See and pay their bill, and in fact using a one click functionality
- To take advantage of all these options without needing to log in.

For 2015 COSMOTE is planning to upgrade the e-commerce platform and to transfer the Group's three web-sites (ote.gr, COSMOTE.gr and e-germanos.gr) to it. The new platform will offer upgraded functionalities with the option to provide customized proposals and solutions through the further upgrade of My Accounts (MyOTE, MyCOSMOTE) towards advanced self-care.

### **OBJECTIVES FOR 2015**

Despite increased competition, COSMOTE's objective is to continue to offer commercial offers, which aim at the protection of its customer base, the upgrade of customer experience and retaining the company's leading position in the Greek mobile telephony market.

## 03. OUR ACTIVITIES IN 2014

### MOBILE TELEPHONY

## SERVICES FOR TELECOM OPERATORS IN GREECE (COSMOTE)

#### MARKET TRENDS: CHALLENGES AND OPPORTUNITIES

The number of telecom operators with which COSMOTE collaborates (with the exception of roaming services) comes to 17. COSMOTE also provides direct interconnection with all of them.

COSMOTE provides operators with the following services:

- Voice Interconnection, SMS and MMS
- Value Added Services
- Telephone Directory Service
- Leasing of Wholesale Circuits.

#### 2014 AT A GLANCE

- Expansion of the services providing wholesale circuits to OTE Group companies
- Signing of new agreements for voice and SMS interconnection with newcomer mobile telephony operator
- Renewal of existing interconnection contracts with the rest of the operators towards the more efficient operation of network interconnection.

#### *Network interconnection and value-added services (VAS)*

With respect to telephone network interconnection services, in 2014 a significant increase was observed in the total traffic volume terminating at COSMOTE's network. In particular, the total inbound voice interconnection traffic came to 4.1 bn minutes in 2014, posting a 29% increase compared to 2013, while the respective SMS interconnection traffic posted a 15% increase. Correspondingly, the total outbound voice traffic came to 2.9bn minutes, posting an increase of 13% compared to 2013, while the outbound SMS traffic decreased by 7%.

COSMOTE's overall interconnection revenues for 2014 came to €62.1 mn, up by 19% compared to 2013, while overall interconnection costs for 2014 decreased by 4%, recording a positive balance for 2014 at €3.1 mn.

## MOBILE TELEPHONY SERVICES IN ROMANIA (TELEKOM ROMANIA MOBILE COMMUNICATIONS)

#### MARKET TRENDS: CHALLENGES AND OPPORTUNITIES

2014 was a very important year for the Romanian mobile market marked by an even more intense competition. The two main drivers were the reduction of MTR and the implementation of landmark MVNO deal.

#### 2014 AT A GLANCE

The drastic cut in interconnection fees at the beginning of Q2, allowed operators to develop unlimited and enhanced bundled offers. At this moment, all top selling bundles, regardless of the operator, have unlimited minutes national at an affordable price point.

A previously niche player (RDS) enhanced his presence targeting low-end customers with its price point, using as a vehicle a quality network with excellent coverage, by entering into a strategic partnership with Vodafone through a national roaming agreement (1st of its kind on Romanian Market). This brought new challenges on the market, with direct and immediate effect on the existing prepaid segment. All three established Mobile players responded, starting end of Q2, by designing attractive and aggressive retention offers (renewal and save-desk), in order to minimize customer base erosion.

At the end of 2014, Telekom Romania Mobile Communications' market share stood at approximately 23% and its customer base reached approximately 6.0 million subscribers (including Zapp).

The postpaid ratio represents 27% of the total customer base registered at the end of 2014, with postpaid customers up by 1.2% versus the same period last year.

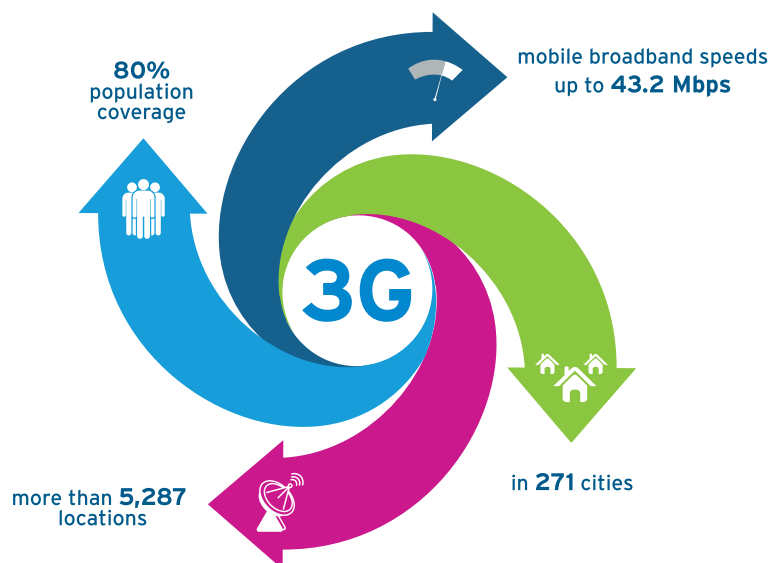
#### ➤ License renewal

Starting April 2014, Telekom Romania Mobile Communications renewed its spectrum licenses, which enabled the company to expand its 4G network.

#### ➤ Gradual development of the data network

At the end of 2014, Telekom Romania Mobile Communications was offering a state-of-the-art 3G data network with mobile broadband download speeds of up to 43.2 Mbps in 271 cities and over 5,287 localities across Romania, covering almost 73% of the population.

### STATE-OF-THE-ART 3G DATA NETWORK TELEKOM ROMANIA





## 03. OUR ACTIVITIES IN 2014

### MOBILE TELEPHONY

#### MOBILE TELEPHONY SERVICES IN ROMANIA (TELEKOM ROMANIA MOBILE COMMUNICATIONS)

Moreover, Telekom Romania Mobile Communications customers' could enjoy speeds of up to 21.6 Mbps in HSPA+ technology in 303 cities nationwide. Overall, 3G services covered almost 80% of the Romanian population. Also, at the end of 2014, the company was offering 4G services with 98% population coverage in Bucharest. Telekom Romania Mobile Communications developed its 4G network, offering 4G coverage for 50% of the urban population and 27% for the total population (rural and urban). Currently, Telekom Romania Mobile Communications is offering this connection in 31 cities (Bacău, Baia Mare, Boldesti-Scaieni, Botoșani, Brăila, Brasov, București, Bușteni, Buzău, Cluj-Napoca, Constanța, Craiova, Dej, Focșani, Galați, Husi, Iasi, Medgidia, Navodari, Otopeni, Piatra-Neamț, Ploiesti, Predeal, Ramnicu Sarat, Roman, Satu Mare, Sinaia, Suceava, Tecuci, Timisoara, Voluntari).

At the same time, the 2G network offers 99.5% population and 92% area coverage.

#### ➤ Upgrading of services-new services

##### **Residential customer market**

Telekom Romania Mobile Communications strategically switched its focus towards retaining its customer base and securing its revenues, by encouraging pre2post migration, while gaining through FMC offers. Since the NatCo's direction was cross-sell/upsell to 4P packages, the convergence came as the next natural step. Continuous push of smartphones and investment in 4G network as well as certain apps, such as TelekomTV, helped the NatCo to develop multiscreen services, therefore having enhanced its customers' experience.

Building on the momentum following the rebranding into "T", the price points for acquisition and renewal have been changed, from below VDF/ORO to on par with ORO and slightly higher vs VDF (for top selling bundle offer - Unlimited L). At the same time, we continued to protect the customer base against RDS with targeted retention and save-desk offers, as before the rebranding. The strategy delivered results for post-paid, with Customer Base and Revenues targets overachieved. However, a redesign is required for the prepaid price-points, as the market did not follow our price increase (from 6 to 6.95) on Extra Options.

A particular threat is represented by the MVNOs, required by entities already operating on the market. The best way to minimize losses was to establish partnerships with these operators (Lyca), as they could marginally affect our business - TKRM is number 3 operator, hence the lowest cannibalization risk.

##### **Business customer market**

Telekom Romania Mobile Communications' business customer segment continued to grow due to the company's competitive and appealing offers.

Thus, in 2014, the business segment grew by 5% on an annual basis. Moreover, the company enhanced its synergies with Rom- telecom to provide integrated services by addressing the fixed customers with mobile offers even before the official launching of the new brand and FMC product. Telekom Romania became the single telecom provider for BCR, the biggest Romanian commercial bank. At the beginning of the year, an important auction was won from competition by offering competitive voice and mobile data services for National Railway Company (CFR).

The company has constantly focused on selling high value subscriptions, together with appealing smartphones. Accordingly, the value of the newly acquired customers has increased significantly.

Along with the rebranding in September, a new mobile portfolio was launched, enhancing our offer positioning for unlimited tariff plans and internet on mobile which led to an overall increase in ARPU.

Starting with Q2 2014, Telekom Romania Mobile Communications has intensified the proactive retention activities, with results in retaining high value customers and cleaning up the un-used SIMs base.

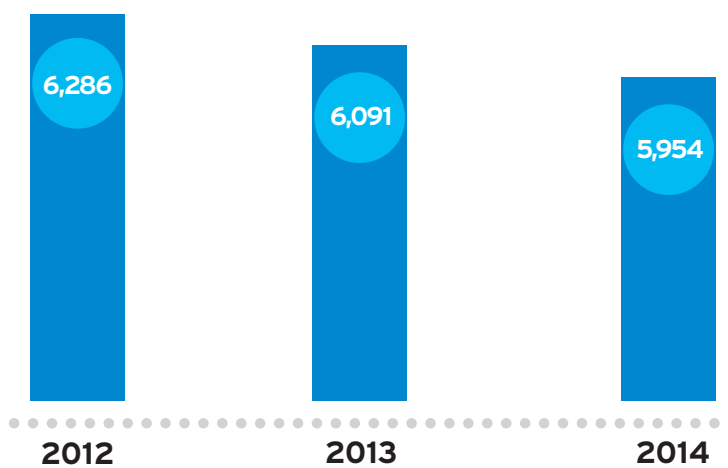
The company continued to offer smartphones and tablets under its own brand, making technology affordable to even more customers.



#### ► Financial performance

In 2014, the company's consolidated revenues dropped by approximately 4% compared to 2013, coming to €439.4 mn. The Pro Forma EBITDA stood at €105.6 mn with the Pro Forma EBITDA margin at 24.0%, 11% down compared to 2013.

Customer base evolution - Romania (000)

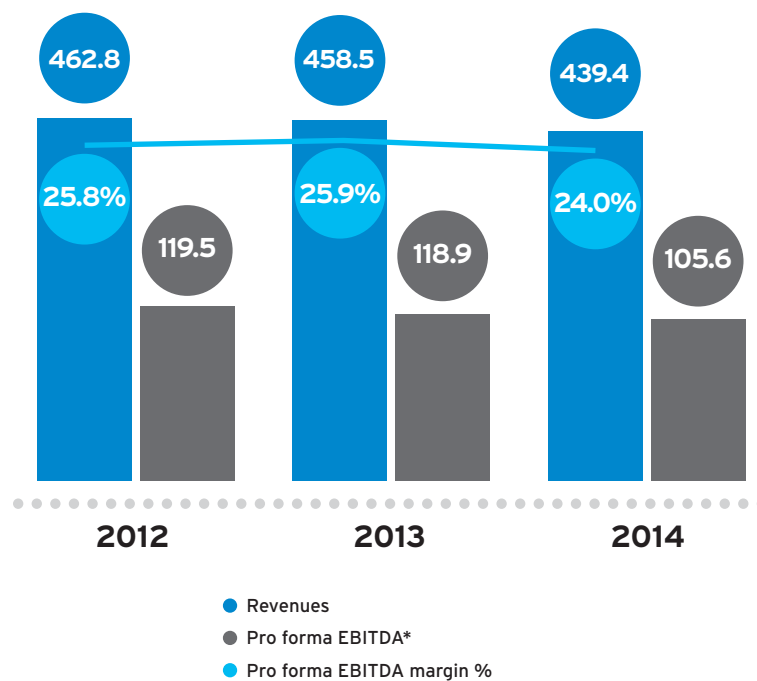


### 03. OUR ACTIVITIES IN 2014

#### MOBILE TELEPHONY

#### MOBILE TELEPHONY SERVICES IN ROMANIA (TELEKOM ROMANIA MOBILE COMMUNICATIONS)

Mobile telephony Romania - Financial performance (€ mn)



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



# MOBILE TELEPHONY SERVICES IN ALBANIA (AMC)

**Retaining its strong position in the mobile telephony market**

## 2014 AT A GLANCE

During 2014, despite the continuous regulatory pressure and intense competition, AMC retained its strong position in the mobile telephony market, in which four companies operate, delivering a solid EBITDA performance and a strong cash generation. The commercial momentum built up since previous year, continued, combined with the optimized cost structure and profitable investments in key areas, significantly increased company's competitive edge.

### > Network upgrade

In 2014, the company continued to expand its 3G network coverage and capacity, driven mainly by customer demand to ensure high quality of data services, improve coverage in urban areas and to support the data traffic increase. The 3G network's NodeBs reached 325, providing 96.5% population and 86.2% area coverage.

The layer of the 3G network's HSPA+NodeBs of 21 and 42 Mbps increased to 64%, and the interconnection through IP transmission backhauling was applied to 100% of the 3G network. This, combined with the activities to optimize radio network, improved company's competitive advantage in terms of Internet speeds and quality of services. Despite the highly utilized radio network, the expansion of radio capacities on 2G kept the main KPIs within targeted levels.

Moreover, within the framework of upgrading its network, in 2014 AMC proceeded to carry out the following actions:

- Deployed a second RNC
- Expanded the Packet Core, in order to support the development of the 3G network
- Modernization of the BSS Network: All legacy BSC2i were removed from the network. Traffic was pushed from the legacy MSCi-s to the new MSS/MGW-s. Within the framework of converting the network to All-IP, MPLS routers were implemented in two core sites (Lapraka and Kashari)
- The legacy Prepaid platform was upgraded into a new technology with all prepaid customers being migrated
- The PCRF node, deployed as a hosted solution in Cosmote, was integrated into AMC infrastructure. The platform is ready from the technical perspective to support four use cases, planned to be commercially live at the beginning of 2015.

### > Services' upgrade - New services

During 2014, both the brand and the Company stood out and despite the increased competition, AMC established itself as the most Innovative, Technology Superior Company in the Telecom sector.

We have successfully responded to competition, applying smart tactics with priority on revenue & market share.

In general our focus was on retaining existing customers, following a distinct customer segmentation in order to derive relevant offers, while with the use of innovative products and processes, we have managed to differentiate from competition and open up new customer segments.

### **Prepaid services**

Prepaid was the focus area of AMC mainly driven by competition, including international minutes and moving to all-net market - already accelerated by small MNO-s. Introduction of new bundles were especially targeted in retaining and upselling of Pay as You Go (PAYG) users, which led to strong outperformance in OG revenues and customer base.

Retention and upselling techniques, which were the strongest value drivers, have positively impacted the

## 03. OUR ACTIVITIES IN 2014

### MOBILE TELEPHONY

#### MOBILE TELEPHONY SERVICES IN ALBANIA (AMC)

number of active customers in bundles that reached 56% of mobile telephony's active customer base.

Focusing on a segmented approach AMC launched the most refreshing concept in the prepaid market, Vitamina. Vitamina was specifically designed for youth, clearly based on segment's needs, offering free Facebook and music through Deezer.

##### **Postpaid services**

Even though postpaid programs were competitive in the market and recently offered very attractive subsidy schemas, postpaid residential and B2B were heavily under pressure from prepaid competition.

Our main focus in residential was to retain existing base, rather than to close the pricing gap to prepaid thus deteriorating the net ARPU.

B2B segment, was one of the highest priorities for AMC for the year. We have been focused on tailor-made offers, which gave high flexibility and met the changing customer's needs.

##### **Data services**

In 2014, AMC's position in this area was established through innovation, technology superiority and exclusivity.

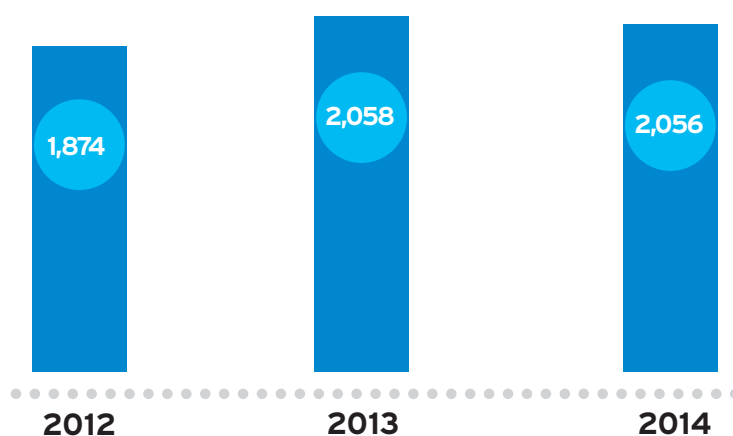
We were the first to launch products like Deezer, Evernote, Magisto, One football app, which have enriched our portfolio of services and have positively impacted smartphones penetration and data usage.

Handset assortment is constantly enriched with last entries like Samsung Galaxy S5, iPhone 6 & iPhone 6Plus, aiming to boost data usage. AMC A5, the best quality own branded terminal in Albania was launched in November, bundled with Vitamina product and had the best sales compared with predecessor.

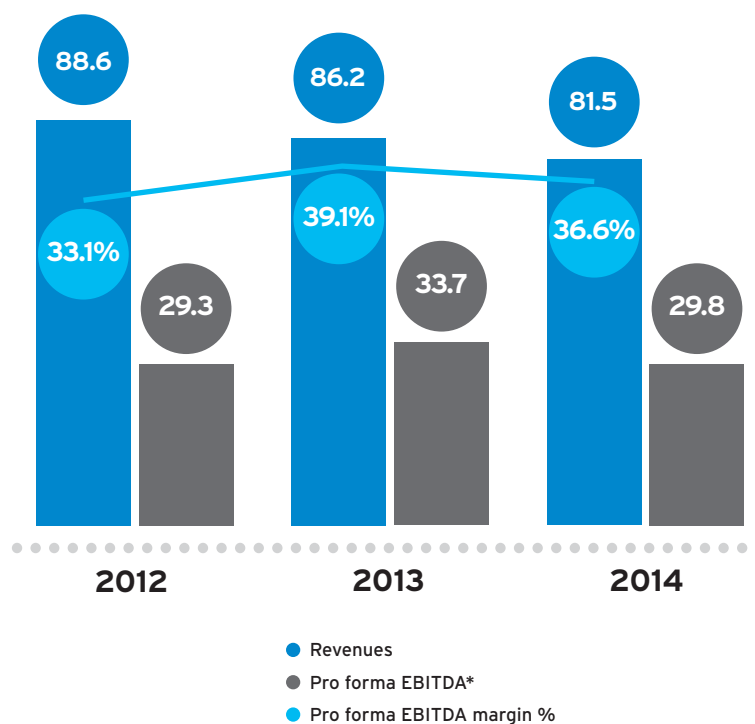
##### **> Financial performance**

AMC's revenues stood at €81.5 mn, posting a drop of 5.5% compared to 2013. Pro Forma EBITDA stood at €29.8 mn, posting a decrease of 11.6% compared to 2013. Pro Forma EBITDA margin for the year reached 36.6%, remaining at relatively high levels despite competitive pressure, national MTR regulation and adverse economic conditions.

### Customer base evolution - Albania (000)



### Mobile telephony Albania - Financial performance (€ mn)



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

# OTHER OPERATIONS IN GREECE REAL ESTATE MANAGEMENT AND DEVELOPMENT SERVICES (OTE ESTATE)

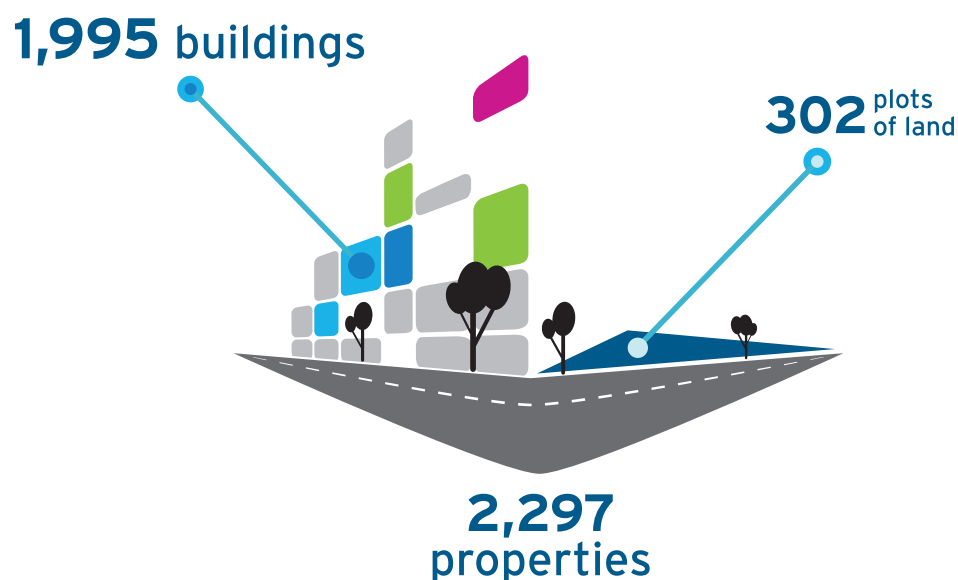
Management,  
development and  
commercial  
exploitation of the  
OTE Group's entire  
real estate  
portfolio

### BRIEF DESCRIPTION

OTE Estate is responsible for the management, development and commercial exploitation of the OTE Group's entire real estate portfolio.

The company's real estate portfolio comprises of 2,297 properties, of which 1,995 are buildings and 302 are plots of land. The majority of the buildings accommodate telecom equipment, technical and administrative personnel services, as well as shops on their ground floors. The total area of the buildings comes to 1.127 mn sq.m, of which approximately 863,000 sq.m. are leased by OTE. The largest part of the real estate's total value is concentrated in a small number of plots and buildings, with 300 assets of the greatest value accounting for 83% of the portfolio's total value, which, by the end of 2013, amounted to €876 mn

### REAL ESTATE PORTFOLIO





**Projects for the improvement of living conditions in the workplace and for the prominence of the company's real estate assets**

## **MARKET TRENDS: CHALLENGES AND OPPORTUNITIES**

The difficult economic conditions continue to adversely affect the real estate market. Despite the continuing recession and the imposition of new taxes (ENFIA), in 2014 certain important sales took place, especially concerning assets of investment interest, as well as assets related with major development projects. It should be noted that, in terms of real estate sales in 2014, the main player was the Greek State and buyers were mainly local Real Estate Investment Trusts (REITs), with prices that have carved out a new landscape in the real estate market.

With respect to leasing, there is a lack of interest in office spaces, and any demand is limited to RE.CA (restaurant cafeteria) spaces and the development of retail spaces for clothing sold by large multinational chains. Given that the construction of new buildings is limited, a relative stabilization of commercial space rents has been observed, while the downward trend in terms of office space rents is continuing.

## **2014 AT A GLANCE**

### **> Optimum utilization of real estate**

Focused on space optimization and cost reduction, in 2014 33,106 sq.m. were released by OTE. Despite the significant deterioration of the real estate market and the ever-decreasing demand, the company signed 22 new leases with third parties for approximately 5,600 sq.m., the most important of which was signed with the Swedish retail clothing company H&M for a self-owned asset in Kalamata. By the end of the year, the percentage of vacant spaces with respect to the total number of spaces available for lease, stood at 20%, when the corresponding market index stood at 21%.

Finally, in alignment with the Group's corporate strategy for releasing frozen funds, we proceeded with two sales of assets of a total flat area of 7,640 sq.m. and an international open tender in late 2013 for the sale of four additional commercial properties. Despite the fact that the tender was unsuccessful, efforts to sell the properties continued. Within this context, in the last quarter of 2014, the company proceeded with an open electronic tender for the asset in Rouf, Athens (a flat area of about 26,000 sq.m.), in which it was the highest bidder.

### **> Technical works for the improvement of buildings and other projects**

The company proceeded to refurbish 18 self-owned assets and to renovate buildings or parts of these assets, with an aim to lease them to third parties. Specifically, renovations were carried out at the Kalamata (1,400 sq.m.) and Serres buildings (2,330 sq.m.) which were put up for lease. Construction at the asset between Troias, Kimolou and Spetson streets is in progress and the building will be handed over to the Athens University of Economics within 2015.

Moreover, with respect to the part of the real estate portfolio used for the company's housing needs, in 2014 refurbishing and remodelling work was carried out at about 7,000 sq.m. of space. In addition, projects were implemented towards the improvement of living conditions in the workplace and towards highlighting company assets based on the 2014-2017 construction programme.

In parallel to all of the above, actions were implemented regarding the conservation of energy and the improved operation of the infrastructure at selected assets of high importance for the Group.

### **> Financial performance**

In 2014 the company's revenues came to €61.4 mn compared to €63.3 mn in 2013. In 2014, EBITDA performance stood at €47.1 mn from €53.1 mn in 2013, posting a drop of 11%, affected mainly by the overall decrease in company revenues.



## 03. OUR ACTIVITIES IN 2014

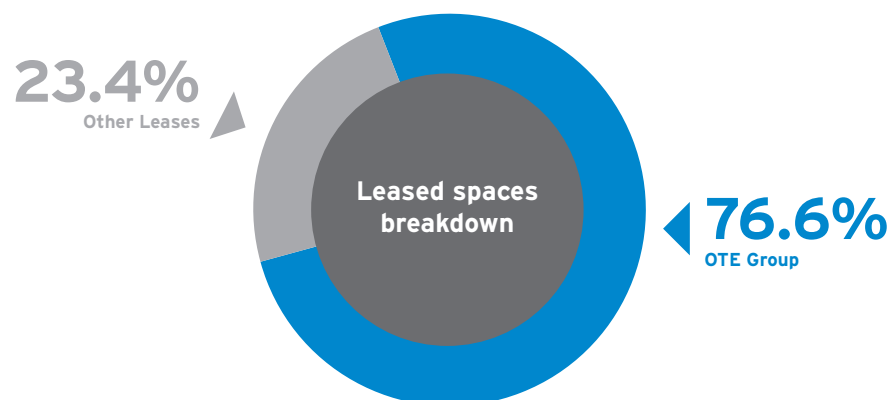
### OTHER OPERATIONS IN GREECE

#### REAL ESTATE MANAGEMENT AND DEVELOPMENT SERVICES (OTE ESTATE)

##### OBJECTIVES FOR 2015

A reversal in real estate market trends is not in the outlook for 2015, therefore the company's projects will focus on the following:

- Supporting the goals set by OTE Estate and aligning them with OTE Group's strategy
- Implementing the strategy of planned sales and pursuing further opportunities for the creation of value for the OTE Group
- Carrying out construction projects on behalf of the OTE Group companies, in line with emerging accommodation needs
- Developing an energy saving strategy for the larger buildings used by the Group, in order to reduce their energy consumption
- Attempting to restrain the increasing number of empty spaces in an ever-worsening market
- Solving the legal and ownership problems related to the company's real estate
- Continuing the upgrade of services provided to the company's customers, both internal (conducting training seminars, etc.) and external.





# PROFESSIONAL TRAINING SERVICES (OTEACADEMY)

## BRIEF DESCRIPTION

OTEAcademy, a member of OTE Group, is active in providing cutting-edge educational services which contribute to the development of human resources.

## 2014 AT A GLANCE

### > Seminars and training programmes

In 2014, OTEAcademy:

- Successfully completed the implementation of the "Customer EXperience EXcellence - C2X®" training programme, as part of the Customer EXperience EXcellence Program of mobile telephony operations. The programme's second phase was completed with 1,000 participants. Also, in collaboration with the Society of Consumers Affairs in Europe (SOCAPie), certification exams for 2,500 people were held in 4 cities and 10 different COSMOTE buildings
- Began the implementation of the "Branded Customer EXperience EXcellence - BC2X®" training programme, as part of the Customer EXperience Program of fixed-line telephony operations. The programme's first phase had 5,500 participants. The programme will continue in 2015
- Implemented the first "Customer EXperience EXcellence-C2X®" training course for DT Group's Customer Experience executives
- Moreover, in collaboration with OTE Group's HR Department, the company designed and implemented the ACT2 (Advanced Certification in Telecommunications Technologies) programme, with regard to the training of technicians. ACT2 is the fundamental training programme for knowledge, skill and behaviour development for all technicians. The programme's objective for OTE is to provide better customer service. This is the first time that a training programme covers the full spectrum of work that is carried out on OTE's urban network. To this end, OTEAcademy set up six specially designed spaces in Athens and Thessaloniki which allow participants to practice on an operational virtual urban network. In 2014, approximately 2,000 people participated in the programme
- Additionally, OTEAcademy organized and materialised the following specialized programmes:
  - The "B2B Power Performance for all executives", intended for Sales Division executives of Corporate and Small and Medium Customers of Fixed-line and Mobile Telephony (approximately 110 participants)
  - The "OTE-COSMOTE Personnel Evaluation System", which entails the presentation of a new evaluation system of the company's executives in positions of responsibility (120 participants)
  - The Shifting for Excellence in Anti-Trust programme through the e-Learning methodology, which was implemented throughout the OTE Group regarding Compliance (485 participants)
- Finally, OTEAcademy carried out a series of open seminars on issues of technology, sales and management.

### > Partnerships - Certificates

In 2014, the company renewed and upgraded important existing partnerships and certifications. Moreover, it proceeded to sign new agreements with prestigious international institutes and educational organizations. Namely, in 2014 OTEAcademy forged partnerships with the following institutions:

- The Business Continuity Institute (BCI), is the world's leading institute for education and certification with regard to Business Continuity. Out of the entire DT Group, OTEAcademy is currently the only company certified by the BCI to offer training
- The Service Desk Institute (SDI) is the leading professional body for the training and certification of people in the IT service and support industry. Specifically, the SDI places emphasis on the field of Services Implementation and Support (e.g., ServiceDesk, HelpDesk, SLA, etc.).

Moreover, OTEAcademy renewed its partnership and continues to be:

- A certified training partner of the Microsoft - IT Academy

Providing  
cutting-edge  
educational  
services which  
contribute to the  
development of  
human resources

## 03. OUR ACTIVITIES IN 2014

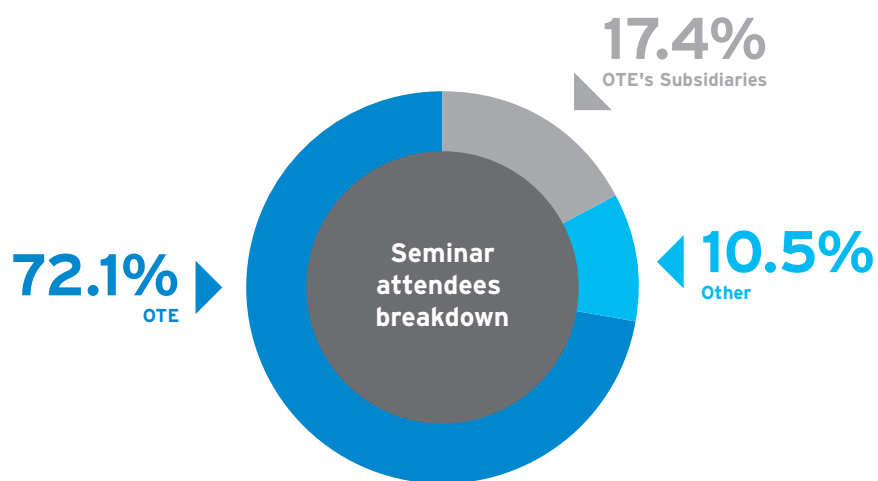
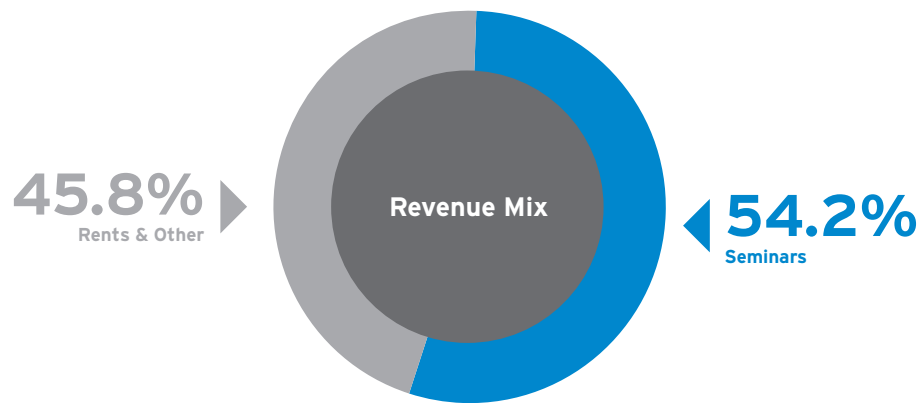
### OTHER OPERATIONS IN GREECE

#### PROFESSIONAL TRAINING SERVICES (OTEACADEMY)

- The only Certified Training Center for Alcatel Lucent Enterprise in SE Europe - The only non self-owned Alcatel training center worldwide
- A member of the Project Management Institute (PMI) - Registered Education Provider P.M.I. As a Registered Education Provider of the PMI, OTEAcademy provides Project Management Education Programmes which are based on the PMI standards, such as the PMBOK Guide. Thus, it ensures that all trainees have the knowledge and skills necessary to effectively manage a project
- An authorized examination center for two of the largest international certification organizations: Pearson VUE (Virtual Computer Based Testing for ICT) and Prometric
- An authorized ECDL examination center
- An authorized examination center, approved by Certiport, for granting Microsoft Office Specialist and IC3 certificates
- A training partner of Hewlett Packard
- The only certified partner of Oracle in Greece
- A certified training partner of Cisco for SE Europe
- A strategic partner of Ian Farmer Associates for Greece and the Balkans
- A Corporate Member of CXPA (Customer Experience Professional Association)
- OTEAcademy was certified as a Cisco Academy Support Center, in charge of supervising 20 Cisco Academies throughout Greece. In this capacity, OTEAcademy has undertaken to promote Cisco training programmes to the Academies, as well as to control the quality certification of the training provided by the Academies. In 2014, OTEAcademy carried out two informative events for the Academies, in which Cisco's new training methods and tools were presented. OTEAcademy was also certified as a Cisco Instructor Training Center (ITC), provides programmes for the training of Cisco trainers
- OTEAcademy also carried out dynamic communication campaigns regarding its training services, aiming to enhance its image and broaden its customer base. These campaigns included advertisements and other media placements, the co-organizing and hosting of major conferences and the creation of a Facebook and LinkedIn business page.

#### ➤ Financial performance

For the third year in a row, OTEAcademy showed positive EBITDA, which in 2014 stood at €0.3 mn, proving that the company is successfully resisting the adverse economic environment which has been prevailing in Greece over the past few years. At the same time, during 2014, company revenues came to €8 mn.



## 03. OUR ACTIVITIES IN 2014

### OTHER OPERATIONS IN GREECE

# TELECOMMUNICATIONS SERVICES FOR THE GREEK AND GLOBAL SHIPPING INDUSTRY (OTESAT-MARITEL)

#### BRIEF DESCRIPTION

OTESat-Maritel, a member of OTE Group, is a leader in providing satellite communication services to the Greek maritime industry and one of the main operators worldwide.

The company is fully harmonized with OTE Group's strategy of providing integrated ICT solutions which meet the contemporary communication needs of businesses, individuals and government agencies in terms especially of satellite communications, as well as customized subscription services and IT applications catering to the continuously increasing demands of international shipping.

Depending on the market it addresses to (oceangoing shipping, coastal navigation and cruise ships, fishing, small vessels and recreational vessels) and the needs that arise, OTESat-Maritel provides Inmarsat, Iridium and VSAT services, as well as integrated telecom solutions by combining fixed, mobile and satellite networks and IT applications. In particular, it offers voice (Voice, VoIP) and data exchange (e-mail) services, services based on IP technology (Internet services) and streaming services.

Driven by the needs of its customers for cutting-edge, reliable telecommunication services, OTESat-Maritel develops and offers a wide range of related Value Added Services for shipping companies and the crews of their ships.

Besides its telecom services, the company also offers the following:

- Ship's bridge equipment inspection services
- Terminal equipment for the Inmarsat, Iridium, and VSAT systems, as well electronic ship's bridge equipment (installation, configuration, technical support)
- Accounting Authority services (AA GR01 and GR12)
- Terminal activation services for Inmarsat (PSA) and Iridium.

It also offers its customers a series of management tools through the Web in order to monitor and manage their telecom traffic and services, while also offering full technical and commercial support on a 24/7 basis.

#### 2014 AT A GLANCE

In 2014, the company:

- Retained its leading position in the Greek maritime market
- Successfully transferred an even greater portion of its customer base to the Inmarsat FleetBroadband, VSAT and Iridium OpenPort broadband systems, thus significantly increasing their revenue and traffic
- Enhanced its position in the international market
- Further broadened its portfolio with new satellite systems and services.

#### ➤ Financial performance

In 2014 OTESat-Maritel revenues stood at €18.2 mn, while EBITDA stood at €0.8 mn. A significant part of the company's revenue derives from foreign markets.

#### OBJECTIVES FOR 2015

In 2015 the company will focus on:

- The retention and growth of its customer base through the targeted attraction of new, big accounts of the Greek and international market, and the increase of the number of its Service Operators & Agents in the international market
- Reinforcing the company's position in the international maritime market through the further development

Leading position  
of OTESat-Maritel  
in the Greek  
maritime  
market



of a direct sales network in selected maritime centres, the first one being that of the Far East

- Effectively tackling the intensifying competition through the further enrichment of its existing product/ services portfolio and the improvement of the quality of its services and the customer's end experience
- Introducing into its services portfolio new satellite systems which include VSAT hybrid services through Inmarsat (Fleet Broadband Xtra and Fleet Xpress) through the use also of VSAT Ka-Band
- Broadening the range of the Value Added Services provided to the crews of oceangoing ships through the addition of content services for their entertainment (Fleet Media)
- Promoting solutions in the form of packages (which combine equipment, telecommunications, software, value added services and customer service) with a flexible tariff policy
- Continuing the active promotion of incentive programs for the replacement of previous generation Inmarsat satellite systems (Inm-B, mini-M, Fleet 77/55/33) with broadband Inmarsat FleetBroad band, VSAT and Iridium OpenPort systems, aiming at the further penetration of these services
- Providing a full range of services to ships' crews (browsing, VoIP, e-mail, etc.) with a simultaneous reduction of the business/operational costs of corporate/business customers (tackling the competition, increasing revenues).

## 03. OUR ACTIVITIES IN 2014

### OTHER OPERATIONS IN GREECE

## CONSULTING SERVICES FOR TELECOMMUNICATIONS TECHNOLOGIES AND BUSINESS SOLUTIONS (OTEPLUS)

#### BRIEF DESCRIPTION

OTEplus, a member of OTE Group, provides integrated solutions in the fields of technical support and consulting (HR Services), New Information and Communication Technology (ICT) and Management Consulting.

OTEplus:

- Provides consultancy and technical support services to various OTE operations, such as:
  - Sales & marketing
  - Call centres
  - Telecom network and infrastructure
  - IT.
- Conducts studies pertaining to:
  - Business, organizational and operational planning/modernization and operational optimization
  - Business research and development
  - Network infrastructure
  - The development of ICT systems, applications and services.
- Undertakes/Carries out:
  - Telecom network construction and maintenance projects (fibre optics and copper cable networks, wire less networks), structured wiring systems
  - Natural infrastructure and space configuration projects (construction and electromechanical works).

#### 2014 AT A GLANCE

##### > Telecom network construction and maintenance projects

In 2014, through tenders and electronic auctions, the company undertook two OTE telecom network construction and maintenance projects, namely the following complex projects:

- Southern Attica
- Epirus-Corfu

The above projects include the repair of cable faults, minor extensions or shifts of networks, as well as the repair of subscription faults, the setup of new telephone connections, the construction/maintenance/improvement of new arteries of the subscription network within the corresponding geographical areas and with a conventional completion time of one or two years.

Moreover OTEplus continued with the implementation of three similar projects which had begun in 2013.

At the same time, the company is participating in conducting earthmoving and telecom network studies as part of the Development of Broadband Infrastructure in Rural "White" Areas of the Greek Territory, while it is continuing to provide support in the context of OTE's GIS Networks project.

##### > Consulting projects

As an OTE subcontractor/associate, the company has undertaken to provide support services (preparing case studies, providing technical know-how, carrying out promotional activities and training) as part of the "Development of a System for Electronic Subscriptions and the Provision of Related Services" and the "Modernization and Upgrading of the Services related to the European Emergency Number 112" projects, through the use of ICT for the optimum management of Emergency incidents - Crises and the timely briefing of citizens. OTEplus also continued to implement two research projects funded by the "Synergasia 2011" action within the framework of the NSRF, as well as a project for providing technical assistance, while it supports OTE in its project management actions and the preparation and submission of bids to tenders.

Integrated  
solutions in the  
fields of technical  
support and  
consulting (HR  
Services), New  
Information and  
Communication  
Technology (ICT)  
and Management  
Consulting



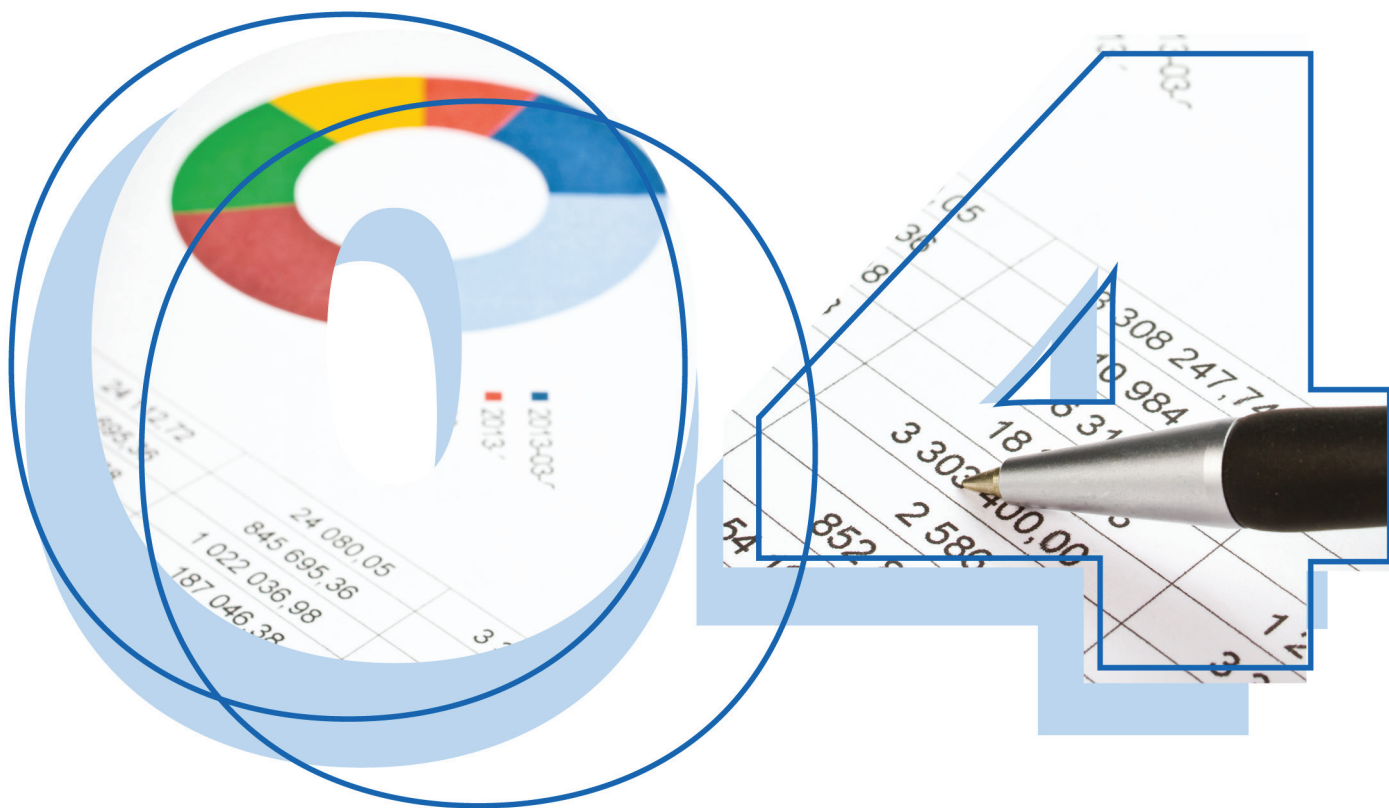
### ➤ Consulting and technical support projects

In 2014 OTEplus provided consulting and technical support services with respect to the operation of the OTE telecommunication network, by selecting and making available an additional 436 technicians nationwide. It also continued to support various OTE Group operations through the provision of additional consultants, as in the following cases:

- 89 call centre consultants to support the company's customer service call centres
- 121 sales consultants to support the operation of the company's network of shops
- 19 sales consultants to support OTE Group's corporate sales
- 29 IT consultants.



2014





# **ANNUAL FINANCIAL REPORT**



# ANNUAL FINANCIAL REPORT

For the period from January 1, 2014  
to December 31, 2014

(TRANSLATED FROM THE GREEK ORIGINAL)  
In accordance with Article 4 of Law 3556/2007



Together, we are one.

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# I. STATEMENTS OF MEMBERS OF THE BOARD OF DIRECTORS

(IN ACCORDANCE WITH ARTICLE 4 PAR. 2 OF LAW 3556/2007)

The members of the Board of Directors of HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.:

1. Michael Tsamaz, Chairman and Managing Director
2. Charalampos Mazarakis, Board Member
3. Panagiotis Tabourlos, Board Member

We confirm that to the best of our knowledge:

a. The attached Annual Financial Statements (Consolidated and Separate) of the HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. for the period January 1, 2014 to December 31, 2014, which have been prepared in accordance with the applicable accounting standards, provide a true and fair view of the assets and liabilities, the owners' equity and the results of the Group and the Company.

b. The Annual Report of the Board of Directors provides a true and fair view of the financial position and the performance of the Group and the Company, including a description of the risks and uncertainties they are facing.

Maroussi, February 25, 2015

CHAIRMAN  
& MANAGING DIRECTOR

BOARD MEMBER

BOARD MEMBER

Michael Tsamaz

CHARALAMPOS MAZARAKIS

PANAGIOTIS TABOURLLOS

The two members of the Board of Directors, who have signed the above statements, have been authorized to do so in accordance with the decision of the Company's Board of Directors of February 25, 2015.

## II. ANNUAL REPORT OF THE BOARD OF DIRECTORS

The report of the Board of Directors of the HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. (hereinafter referred to as "OTE" or the "Company") was prepared in accordance with article 136 of Law 2190/1920, article 4 of Law 3556/2007 and article 2 of Decision 7/448/2007 of the Hellenic Capital Market Commission and refers to the Annual Financial Statements (Consolidated and Separate) as of December 31, 2014, and the year then ended. The OTE Group (the "Group") apart from the Company also includes subsidiaries over which OTE has direct or indirect control. The Consolidated and Separate Financial Statements have been prepared in accordance with International Financial Reporting Standards (I.F.R.S.), as adopted by the European Union (E.U.).

This report includes the financial assessment of the results of the period from January 1, 2014 to December 31, 2014, the strategy and objectives, the significant events which took place in 2014, a presentation of the main risks and uncertainties for the next year, the Corporate Governance statement, the material transactions with the Company's and the Group's related parties, the significant events after the year-end and additional information as required by the respective law.

The amounts in this report are presented in millions of Euro, except when otherwise indicated.

### A. FINANCIAL HIGHLIGHTS OF 2014

**OTE Group revenue decreased by 3.3% in 2014** compared to 2013 and reached Euro 3,918.4, mainly due to:

- decreased revenues from mobile business by 6.1%,
- decreased miscellaneous other revenues by 18.8%, and
- decreased revenues from fixed business by 0.3%

**OTE's revenue** reached Euro 1,511.7, reflecting a decrease of 2.9% compared to the prior year. This is a result of the decrease in revenues from fixed services by 2.4% and the decrease in miscellaneous other revenues by 11.6%, partially offset by the increase in revenues from mobile services by 3.1%.

**The Group's operating expenses** reached Euro 3,395.7 and reflect a decrease of 9.7% compared to the prior year. This decrease is mainly due to the decrease in costs related to early retirement programs by 96.9%, in personnel costs by 15.1%, in commission costs by 10.4% and in depreciation, amortization and impairment by 5.5%. These decreases were offset by the increase in interconnection and roaming costs by 1.2%, in provision for doubtful accounts by 8.4%, in device costs by 8.8%, in maintenance and repairs by 5.9%, in marketing by 6.0% and in other operating expenses by 6.1%. **The Group's operating expenses before depreciation, amortization and impairment and excluding costs related to early retirement programs and other restructuring costs** reached Euro 2,563.2 in 2014 compared to Euro 2,640.1 in 2013, reflecting a decrease of 2.9%.

**The Company's operating expenses** reached Euro 1,208.8 in 2014 and reflect a decrease of 23.1% compared to the prior year. The decrease in operating expenses is mainly due to the following:

- No costs related to early retirement programs in 2014
- 29.1% decrease in personnel costs
- 14.6% decrease in interconnection and roaming costs
- 18.3% decrease in commission costs
- 13.4% decrease in depreciation, amortization and impairment

These decreases were partially offset by the increase in device costs by 67.7%, in provision for doubtful accounts by 7.4%, in maintenance and repairs by 15.7%, in marketing by 10.7% and in other operating expenses by 17.8%. **The Company's operating expenses before depreciation, amortization and impairment and excluding costs related to early retirement programs and other restructuring costs** reached Euro 916.6 in 2014 compared to Euro 999.5 in 2013, reflecting a decrease of 8.3%.

As a result, **operating profit before financial activities of the Group** for 2014 reached Euro 589.1 compared to Euro 335.4 in 2013, reflecting an increase of 75.6%. **Operating profit before financial activities of the Company** for the year 2014 reached Euro 307.0, compared to a loss of Euro 5.1 last year.

**The Group's operating profit before depreciation, amortization and impairment** for 2014 reached Euro 1,385.5 compared to Euro 1,177.9 in 2013, reflecting an increase of 17.6%. The respective margin on revenues reached 35.4% compared to 29.1% in the prior year. **Excluding costs related to early retirement programs and other restructuring costs, the Group's operating profit before depreciation, amor-**

**tization and impairment** for 2014 reached Euro 1,421.6 compared to Euro 1,456.3 in the prior year, reflecting a decrease of 2.4%. The respective margin on revenues reached 36.3% compared to 35.9% in the prior year.

**The Company's operating profit before depreciation, amortization and impairment** for 2014 reached Euro 586.4 compared to Euro 317.4 in 2013, reflecting an increase of 84.8%. The respective margin on revenues reached 38.8% compared to 20.4% in the prior year. **Excluding costs related to early retirement programs and other restructuring costs, the Company's operating profit before depreciation, amortization and impairment** for 2014 amounted to Euro 599.2 compared to Euro 568.3 in the prior year, reflecting an increase of 5.4%. The respective margin on revenues reached 39.6% compared to 36.5% in the prior year.

**In relation to the Group's financial activities**, interest expense in 2014 was Euro 202.7, reflecting a decrease of 18.6% compared to 2013. Interest income amounted to Euro 5.4 for 2014, reflecting a decrease of 38.6% compared to the prior year. Foreign exchange differences resulted in gains of Euro 3.5 in 2014 compared to Euro 2.3 gains in the prior year, mainly due to variations of the foreign exchange rate of the Romanian RON and the Albanian LEK. There was no dividend income in 2014, compared to Euro 0.4 in the prior year representing the dividend from EDEKT. Gains from investments and financial assets amounted to Euro 0.1 in 2014 compared to Euro 216.8 in 2013, mainly representing the pre-tax gain from the sale of HELLAS SAT of Euro 62.2 and the pre-tax gain from the sale of GLOBUL and GERMANOS TELECOM BULGARIA A.D. of Euro 154.2.

**Income tax expense of the Group** amounted to Euro 123.9 in 2014, compared to Euro 20.9 in 2013, mainly due to the higher profit before tax of Euro 395.4 in 2014 compared to Euro 314.8 in 2013 and the positive impact of Euro 50.0 in 2013 due to the remeasurement of the deferred tax position of the Group, as a result of the change in the nominal tax rate in Greece from 20% to 26%.

Considering all the above, **the Group's net profit** from continuing operations of 2014 was Euro 271.5 compared to Euro 293.9 in the prior year, reflecting a decrease of 7.6%.

There were no discontinued operations in 2014, while in 2013 there was a profit of Euro 28.9 from discontinued operations, representing the Bulgarian operations of the Group which were disposed off in July 2013.

In 2014, **profits attributable to non-controlling interests** in the Group's income statement reached Euro 4.1 from Euro 6.1 in 2013, mainly due to the decreased profitability of TELEKOM ROMANIA COMMUNICATIONS.

As a result of all the above, **the Group's profit attributable to the owners of the parent** for the year 2014 amounted to Euro 267.4 compared to Euro 316.7 in the prior year.

**The Group's cash flows from operating activities** in 2014 decreased by 8.4% in comparison with the prior year, amounting to Euro 999.7. This decrease is mainly due to the negative change of working capital, the decreased profitability and the discontinued operations, partially offset by the decreased payments for early retirement programs and for staff retirement indemnities and youth account.

**The Group's capital expenditure (CAPEX)** for the year 2014 amounted to Euro 603.9 from Euro 604.7 in the prior year, reflecting a decrease of 0.1%. Excluding payments for spectrum acquisitions, the Group's CAPEX for the year 2014 amounted to Euro 556.8 from Euro 471.1 in 2013, reflecting an increase of 18.2%. The increase is mainly due to the increased capital expenditure from OTE, TELEKOM ROMANIA COMMUNICATIONS and COSMOTE SA partially offset by decreased capital expenditure from TELEKOM ROMANIA MOBILE COMMUNICATIONS.

**The Group's total debt** as of December 31, 2014 was Euro 2,638.5 compared to Euro 2,956.4 at December 31, 2013, reflecting a decrease of 10.8%. **The Group's Net Debt** (interest bearing loans less cash and cash equivalents and other current financial assets) at December 31, 2014, reached to Euro 1,124.9 from Euro 1,495.6 at December 31, 2013, reflecting a decrease of 24.8%. This decrease is mainly due to the repayment of loans and the increased cash position of the Group.

As of December 31, 2014, **the Group's net current assets** amounted to Euro 59.0 compared to net current assets of Euro 86.5 as of December 31, 2013.

## B. STRATEGY- OBJECTIVES

The management's goal is OTE to become a modern, dynamic, high performance company leading the market and offering the best cus-



tomers' experience based on its technology superiority.

More specifically, the aspiration for OTE Group is to:

- Remain the undisputable market leader in Fixed and Mobile markets
- Safeguard its leading position in Broadband (in both Fixed and Mobile), Information and Communication Technologies (ICT), and Pay-TV services in the Greek market
- Deliver best services based on top quality modern networks (Next Generation Access (NGA)/Next Generation Networks(NGN)) offering high value to the customers
- Offer superior customer experience
- Become the best place to work in the Greek market, develop its personnel and attract best talents
- Increase the value of the shareholders
- Maximize synergies as member of Deutsche Telekom Group

In order to achieve those objectives, an integrated Strategic Program for Fixed and Mobile has been established and is being executed.

### ►Key achievements of the Strategic Program 2014

The integrated Strategic Program for Fixed and Mobile 2014 has been structured along multiple key pillars. Special focus was given towards the maximization of synergies (within OTE Group and with Deutsche Telekom Group ("DT group")) as well aiming to create an integrated high performance organization.

The major achievements per pillar during 2014 are:

#### **1. Revenue Transformation**

Strong growth of VDSL high speed Broadband (customer base doubled) and TV (+100k subscribers). Significant increase in Mobile Broadband leveraging on 4G. Wins in bids for several ICT projects. Successful entrance in books market with cosmotebooks.gr.

#### **2. Lead in Core Business - Defend Market Shares**

Impressive reduction in Fixed Access connection losses by 40% and increase in Broadband net additions by 30%. Sustaining of clear leading position in Mobile with service revenue market share of 53%. Successful launch of combined Fixed-Mobile products.

#### **3. Customer Experience**

Progressed the implementation of Customer Experience program focusing on the improvement of customer activation and fault management processes. Development of e-care services and integration of several Fixed - Mobile processes. Received award as the best Customer Service company from the Greek Institute of Customer Service.

#### **4. Operational and Cost Optimization**

Progressed the transformation of Technology department aiming to fully capture Fixed-Mobile synergies and improve customer support services through the "24/48" program. Implementation of structural changes (integration of subsidiary Voicenet, outsourcing of printing services). Transformation of critical IT systems (e.g. Siebel). Important improvements in physical and information security issues.

Aiming to reduce operating costs, a series of cost optimization programs have been implemented leveraging also on experience from the DT Group and a plan for energy savings has been developed. Voluntary personnel exit program realized in 2013 contributed largely to this.

#### **5. Network and Services Evolution**

Rollout of NGN based on the developed Integrated Network Strategy for Fixed and Mobile (doubled VDSL cabinet coverage, 70% 4G population coverage). In parallel, a proposal for the regulation of Vectoring for super-fast speeds (up to 100Mbps) has been forwarded to national Regulator. The required 800MHz/2.6GHz spectrum for LTE has been successfully acquired. IP Transformation project started.

OTE's participation in the bid for Rural Networks was very successful, acquiring 2 out of the 3 lots (Euro 100 subsidy).

#### **6. People Strategy - Performance Based Culture**

Most important achievement was the agreement for the new Collective Labor Agreement, which secures with the most cost efficient way the smooth operation of the Company.

In parallel, the integrated Fixed - Mobile organization and the application of the new performance management process in Fixed enhanced the common working culture. Finally, the "Graduate Trainee Program" has been successfully launched, which offers career opportunities to talented graduates, preparing them to become the future executives of the Company.

Based on those achievements, OTE managed to achieve its challenging financial targets for 2014.

### ➤Key objectives of the Strategic Program for 2015

For 2015, the Group refreshes its Strategic Program, which will be the base not only for achieving the annual business targets but also will enable the long term evolution of the Company.

As in previous years, special focus will be put in operationalization of Group synergies within the OTE group and also within the DT Group.

The key pillars of the program during 2015 will be:

#### **1. Technology Leadership**

Further rollout of Next Generation Networks (VDSL, Vectoring, LTE/4G) and infrastructure modernization in Fixed and Mobile according to the defined Integrated Network Strategy. Continuation of IP-Transformation. Participation in technology transformation projects of DT Group. Rollout of Rural networks infrastructure.

#### **2. Best Customer Experience**

Exploitation of the Customer Experience program and strengthening of the Group's image. Simplification and automation of customer related processes and enhancement of customer loyalty programs.

#### **3. Revenue Transformation**

Further penetration of VDSL & 4G services and the focus on growing markets (TV, VDSL, ICT) will support the Group to compensate revenue losses due to the erosion of the traditional voice services market. Enhancement of the products and services portfolio with digital services (like books, directory services, music, e-payment). Exploitation of potential cooperation opportunities with 3rd parties.

#### **4. Lead in Core Business**

Defend the leading position in the Fixed and Mobile markets, despite aggressive competition offers, while enhancing the "Value for money" offers, further developing converged 3play/4play offers (Fixed, Broadband, Mobile, TV) and exploiting the B2B market opportunities. Enhancement of brand values and brand equity.

#### **5. Operational and Cost Optimization**

Further exploitation of operational restructuring with focus on Fixed - Mobile synergies aiming to enhance efficiencies. Implementation of cost optimization programs, leveraging also on the expertise and scale of the DT Group.

#### **6. People Strategy**

Implementation of processes and tools which will enhance and support a common performance oriented working culture and also employees' development needs.

## **C. SIGNIFICANT EVENTS OF THE YEAR 2014**

### ➤Absorption of VOICENET

On September 4, 2014, OTE's and VOICENET's Board of Directors decided the merger by absorption of VOICENET by OTE. The process was completed in February 2015.

### ➤New entities

- On March 7, 2014, COSMOHOLDING INTERNATIONAL B.V. was established in the Netherlands with a share capital of Euro 1.6, owned by COSMOTE (99.00%) and GERMANOS (1.00%).
- On August 13, 2014, E-VALUE INTERNATIONAL S.A. was established in Romania with a share capital of Euro 1.5, owned by COSMOHOLDING INTERNATIONAL B.V. (99.00%) and E-VALUE S.A. (1.00%).

- On October 7, 2014, OTE RURAL NORTH and OTE RURAL SOUTH were established with a share capital of Euro 1.8 and Euro 2.2, respectively. Both entities are wholly owned by OTE.

### ►Spectrum acquisition

On October 13, 2014, following the auction process conducted by the Hellenic Telecommunications and Post Committee (HTPC), COSMOTE has secured rights to use radio frequencies in the 800MHz and 2.6GHz spectrum bands.

In particular, COSMOTE has been granted:

- 2 spectrum blocks of 2x5MHz in the 791-821MHz and 832-862MHz bands, for a total price of Euro 103.0.
- 6 spectrum blocks of 2x5MHz in the 2500-2570MHz and 2620-2690MHz bands, for a total price of Euro 28.2.
- 2 unpaired spectrum blocks of 10MHz in the 2575-2615MHz, for a total price of Euro 3.6.

The aforementioned rights have been granted to COSMOTE until February 28, 2030.

### ►Debt refinancing

#### ***New Euro 700.0 Notes under the Global Medium-Term Note Programme***

On July 10, 2014, OTE PLC issued Euro 700.0 Fixed Rate Notes under its Global Medium-Term Note Programme, maturing on July 9, 2020 with an annual coupon of 3.5%. The Notes are guaranteed by OTE.

The new Euro 700.0 Notes contain a change of control clause which is triggered if an entity (other than (i) DEUTSCHE TELEKOM AG, (ii) DEUTSCHE TELEKOM AG together with the Hellenic Republic, any of its agencies or instrumentalities or any entity directly or indirectly controlled by the Hellenic Republic or any of its agencies or instrumentalities, or (iii) any telecommunications operator (other than DEUTSCHE TELEKOM AG) with at least one credit rating equivalent or better than the credit rating of DEUTSCHE TELEKOM AG, gains the power to direct the management and policies of OTE, whether through the ownership of voting capital, by contract or otherwise.

In accordance with the final terms of the Notes, in the event that the change of control clause is triggered, OTE PLC shall promptly give written notice to the bond holders who in turn shall have the option within 45 days to require OTE PLC to redeem the bonds (put option), at their principal amounts together with accrued interest up to the date of redemption.

#### ***Tender Offer by OTE PLC under the Global Medium-Term Note Programme***

On July 11, 2014, OTE PLC concluded a tender for cash of its Notes maturing February 2015 and its Notes maturing May 2016. OTE PLC accepted tenders amounting to Euro 305.0 and Euro 195.0 of the February 2015 and the May 2016 Notes respectively. The tender was financed via the proceeds of the Euro 700.0 new bond issue of OTE PLC. The tendered notes were surrendered for cancellation.

#### ***Bond buybacks***

In October, November and December, 2014, OTE PLC repurchased a nominal amount of Euro 50.4, under the Euro 787.7 Notes maturing February 2015.

In November and December, 2014, OTE PLC repurchased a nominal amount of Euro 43.5, under the Euro 900.0 Notes maturing May 2016.

#### ***Repayment***

On April 8, 2014, OTE PLC fully repaid the remaining outstanding amount of Euro 364.7 under the Euro 500.0 Notes maturing on that date along with the accrued interest.

## **D. RISKS AND UNCERTAINTIES FOR THE NEXT YEAR**

### **a) Credit risk**

Credit risk is the risk of financial loss to the Group and the Company if counterparty fails to meet its contractual obligations.

The carrying value of financial assets at each reporting date is the maximum credit risk to which the Group and the Company are exposed in respect of the relevant assets.

Financial instruments classified as available-for-sale and held-for-trading include mutual funds and other securities. These financial asset

categories are not considered to expose the Group and the Company to a significant credit risk.

Defaulted payments of trade receivables could potentially adversely affect the liquidity of the Group and the Company. However, due to the large number of customers and their diversification of the customer base, there is no concentration of credit risk with respect to these receivables. Concentration of risk is however considered to exist for amounts receivable from other telecommunication service providers, due to their relatively small number and the high level of transactions they have with the Group and the Company. For this category the Group and the Company assess the credit risk following the established policies and procedures and make the appropriate provision for impairment.

The Group and the Company have established specific credit policies under which customers are analyzed for creditworthiness and there is an effective management of receivables in place both before and after they become overdue and doubtful. In monitoring credit risk, customers are grouped according to their credit risk characteristics, aging profile and existence of previous financial difficulties. Customers that are characterized as doubtful are reassessed at each reporting date for the estimated loss that is expected and an appropriate impairment allowance is established.

Cash and cash equivalents are also considered to be exposed to a high level of credit risk, in light of the macroeconomic conditions in Greece which are placing significant pressure on the domestic banks. Most of the Group's cash is invested in highly rated counterparties and with a very short term tenor.

Loans include loans to employees which are collected either through the payroll or are netted-off with their retirement indemnities and loans and advances to Auxiliary Pension Fund mainly due to the Voluntary Leave Scheme. The latter loans (Auxiliary Pension Fund) are exposed to credit risk related to the debt servicing capacity of the Fund.

## **b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will not be able to meet their financial obligations as they fall due. Liquidity risk is kept at low levels by ensuring that there is sufficient cash on demand and / or credit facilities to meet the financial obligations falling due in the next 12 months. The Group's and the Company's cash and cash equivalents and current financial assets as at December 31, 2014 amount to Euro 1,513.6 and Euro 615.3 respectively and their debt amounts to Euro 2,638.5 and Euro 2,279.3, respectively.

For the monitoring of the liquidity risk, the Group prepares cash flows forecasts on a frequent basis.

## **c) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will result in fluctuations of the value of the Group's and the Company's financial instruments. The objective of market risk management is to manage and control exposure within acceptable levels.

The individual risks that comprise market risk and the Group's and the Company's policies for managing them are described below:

### **i. Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the interest rates. The Group's exposure to the risk of changes in interest rates relates primarily to the Group's long-term borrowings.

The Group manages interest rate risk through a combination of fixed and floating rate borrowings.

As of December 31, 2014, the ratio of fixed-rate borrowings to floating-rate borrowings for the Group was 94%/6% (2013: 93%/7%).

### **ii. Foreign currency risk**

Currency risk is the risk that the fair values of the cash flows of a financial instrument fluctuate due to foreign currency changes.

The Group operates in Southeastern Europe and as a result is exposed to currency risk due to changes between the functional currencies and other currencies. The main currencies within the Group are the Euro, Ron (Romania) and the Lek (Albania).

## **Capital Management**

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and

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healthy capital ratio in order to support its business plans and maximize shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

An important means of managing capital is the use of the gearing ratio (ratio of net debt to equity) which is monitored at a Group level. Net debt includes interest bearing loans and notes, less cash and cash equivalents and other current financial assets.

The table below shows a significant decrease in the gearing ratio in 2014 compared to 2013, coming from a decrease in net debt (due to a decrease in borrowings and an increase in cash and cash equivalents) and an increase in equity (through the profit of the year):

GROUP	December 31	
	2014	2013
Borrowings	2,638.5	2,956.4
Cash and cash equivalents	(1,509.9)	(1,444.3)
Other current financial assets	(3.7)	(16.5)
Net debt	1,124.9	1,495.6
Equity	2,498.4	2,295.7
Gearing ratio	0.45x	0.65x

### d) Other risks

#### **Regulatory framework**

Regulatory and competitive pressures affect OTE's ability to set competitive retail and wholesale tariffs, which may adversely affect its ability to compete effectively. Under applicable laws, regulations and related decisions, the Hellenic Telecommunications and Post Committee ("HTPC") has the jurisdiction to assess OTE's tariffs. Regulatory limitations imposed on OTE's ability to set tariffs often require it to charge tariffs which are higher or, in certain cases, significantly higher than those charged by its competitors for the same services, as its competitors do not have significant market power (SMP) and are not therefore subject to the same pricing constraints. If OTE cannot efficiently reduce the cost of providing its services and the level of its tariffs to be more competitive in a timely manner, it could experience a material adverse effect on its business and financial condition.

#### **Potential impairment losses**

In conjunction with the conditions in many markets in which the Group has invested, the Group faces challenges regarding the financial outlook of some of its subsidiaries. In this respect, impairment losses may incur relating to the recognized amounts of goodwill allocated to these subsidiaries, or even more to these subsidiaries' assets.

#### **Additional contributions to pension funds**

Based on actuarial studies performed in prior years and on current estimations, the pension funds show (or will show in the future) increasing deficits. OTE does not have a legal obligation to cover any future deficiencies of these funds and, according to management, neither does it voluntarily intend to cover such possible deficiencies. However, there can be no assurance that OTE will not be required (through regulatory arrangements) to make additional contributions in the future to cover operating deficits of these funds.

#### **Additional tax burdens**

In the previous years the Greek State imposed special tax contributions which materially affected the Group's and the Company's income statement. Given the current fiscal position of the Greek State, additional fiscal measures may be taken, which could have a material adverse effect on the Group's and the Company's financial condition.

#### **Macroeconomic conditions**

The macroeconomic and financial environment in Greece has become more volatile and this is likely to have a material adverse effect on the Group's and the Company's business, results of operations, financial condition and prospects.

Management continually assesses the situation and its possible impact, in order to ensure that timely actions and initiatives are undertaken so as to minimize any impact on the Group's and the Company's business and operations.

#### **Health risk**

Based on rulings of the EU Scientific Committee (SCENIHR) and the International Commission on Non-Ionizing Radiation Protection (ICNIRP), the current state of scientific knowledge does not correlate exposure of human population to electromagnetic fields lower than the proposed levels by ICNIRP, with negative impacts on public health. Relative research, conducted and assessed by the World Health Organization did not indicate any such correlation about potential health effects of electromagnetic radiation. However, OTE and COSMOTE recognize and respect public concerns, and adopt precautionary principles and policies for that purpose in all their Base Stations and wireless telecommunication stations. OTE and COSMOTE have implemented DT EMF Policy. The levels of electromagnetic fields, in all Base Stations, comply with the suggested limits of the World Health Organization and ICNIRP, as well as the latest national limits set by Law 4070/2012 which are 60-70% of ICNIRP limits. In addition, all products placed in OTE retail stores and COSMOTE shops bear all necessary labels foreseen by national and EU legislation, while all phones sold operate within electromagnetic field safety limits (Specific Absorption Rate).

#### **Crucial infrastructure failure**

For all telecom operators, the Information and Communication Technologies (ICT) infrastructure is considered as the backbone of their operations. Given the variety and diversity of contemporary services provided by all telecom operators, the complexity of the ICT infrastructure and the interdependencies between various network nodes and service platforms, are unprecedented. Thus, technical infrastructure outages, due to either external factors (e.g. earthquake, flooding, etc.) or internal factors (e.g. power & air-conditioning outages, human error, etc.) cannot be ruled out. Consequently, service disruptions might appear that could result in revenue losses, increased rehabilitation and/or potential customer compensation costs, and consequential customer and revenue loss.

OTE Group, through a dedicated Business Continuity Management (BCM) Division, has implemented a robust BCM System which was recently awarded with ISO22301:2012 certification by the British Standardization Institute (BSI). Comprehensive Network and IT Disaster Recovery (NDR & IT DR) Programs covering Fixed & Cellular networks are already instated, while mitigation measures are further enhanced through the gradual introduction of architectural changes in the network and IT platforms (e.g. MSS in pool, SGSN in pool, MGW clustering, load balancing, active-active operations etc.). Furthermore, power availability at all major sites is constantly monitored and enhanced, while one of the primary IT Data Centers was recently awarded with a Tier III-category certification by the Uptime Institute.

#### **Data privacy & data security risk**

Telecommunication companies are subject to risks in relation to data privacy and data security that might compromise the integrity and security of any form of disclosed information that they keep under their responsibility, such as customer information, partner or employee data. For OTE Group, ensuring data security and safeguarding all sensitive data is always one of the top priorities; it's more than just an obligation to meet statutory and regulatory requirements, it's also part of the company's culture, since any breach of data security or privacy can have an adverse impact on the company's reputation or result in financial loss. Recent developments in the ICT industry worldwide due to cyber-attacks and security breaches show the need to maintain high security measures and standards.

With regard to Information Security & Data Privacy, OTE Group is responding through a dedicated Business Security and Continuity Division, which develops all necessary policies, oversees their implementation, measures their effectiveness (e.g. periodic security audits) and constantly gathers and analyzes security information from various systems (e.g. data leakage prevention system, identity management system, firewalls, etc.), in order to best contain and mitigate the relevant risks.

### **E. CORPORATE GOVERNANCE STATEMENT**

This Statement covers all of the principles and practices adopted by the Company in order to ensure its efficiency, the interests of shareholders and all other interested parties.

The structure of this Statement of Corporate Governance focuses on the following topics:

- A.** Statement of compliance with the Code of Corporate Governance
- B.** Deviations from the Code of Corporate Governance and explanations
- C.** Corporate Governance practices above the requirements of the Law
- D.** Board of Directors and Committees that consist of members of the Board of Directors - Remuneration of the Board Members/ Com-

pensation Report of Executive Board Members - Other Administrative, Managerial or Supervising Corporate Bodies or Committees

### **E. General Assembly and Shareholders' rights**

### **F. Internal Control and Risk Management Systems of the Company in relation to financial reporting process**

By strengthening its procedures and structures, the Company ensures not only the compliance with the regulatory framework, but also the development of corporate culture, based on the values of entrepreneurship and ethics and on the protection of shareholders' and other parties' interests.

As a listed company on the Athens Exchange, OTE duly complies, regarding corporate governance practices, with the legislation in force and with the Corporate Governance Code of the Hellenic Federation of Enterprises ("SEV") as in force, as Hellenic Corporate Governance Code (HCGC) after its amendment by the Hellenic Corporate Governance Council, in October 2013.

The principles and practices followed by the Company are reflected in the Articles of Incorporation, the Internal Regulation of Operations, the OTE Group Code of Conduct and in other regulations and/or policies of the Company regulating its operations as described here below.

### **›A. Statement of compliance with the Code of Corporate Governance**

The Company complies with the specific practices for listed companies laid down in Hellenic Corporate Governance Code (HCGC), which can be found on the website [http://www.ecgi.org/codes/documents/hellenic\\_cg\\_code\\_oct2013\\_en.pdf](http://www.ecgi.org/codes/documents/hellenic_cg_code_oct2013_en.pdf)

### **›B. Deviations from the Code of Corporate Governance and explanations**

More specifically, as per February 25, 2015, the following deviations should be mentioned from the HCGC:

**(1)** The Board of Directors does not determine whether a candidate fulfils the independence criteria before being proposed for election at the General Assembly. However, during the meeting of the General Assembly for the election of members of the Board of Directors, the independence issues as provided for by L.3016/2002 and by the HCGC are mentioned, in order the shareholders to have the necessary information for the submission of their proposals. Also, after the election of independent members and the acceptance of their duties to the Board of Directors and its Committees, the independent members sign a statement confirming that the impediments of article 4 of L. 3016/2002 do not exist. In accordance with the above procedure the Board of Directors has ensured that the independent members fulfill the independence criteria (Part A, paragraph 2.4 of the Code).

**(2)** Neither the Articles of Incorporation nor the Regulation of Operations of the Board of Directors provide that the Independent Vice Chairman may request to include specific items in the agenda. Two (2) members of the Board of Directors may request the convening of a meeting as provided by the article 20 paragraph 5 of C.L. 2190/1920. Also, there is no specific procedure whereby the Independent Vice Chairman may be available to the shareholders to discuss issues of corporate governance or coordinate the communication between executive and non-executive members of the Board of Directors as the Board of Directors acts and decides as a unity. Moreover, a separate meeting of non-executive members of the Board of Directors without the presence and participation of the executive members is not provided as the non-executive members represent the majority of the members (9 non-executive members whereof 5 independent non-executive) and as a result the decisions are taken after discussion, taking into account all members' opinions (Part A, paragraph 3.4 of the Code).

**(3)** No Committee has been established for the election of candidates for members of the Board of Directors after submission of nominations. Law does not provide for the formation of this Committee. The shareholders submit the nominations either before or during the shareholders meeting either before the General Assembly, according to the procedure provided by the article 27 paragraph 3 sub-paragraph d of C.L. 2190/1920, or during the General Assembly as the law states and therefore the Board of Directors does not give opinion on the independence of the proposed members. It is noted that the shareholders in case that in the General Assembly new Directors of the Board are to be elected, they are requested, on their discretion, to state the names of the proposed candidates and their CV, on the document for the appointment of their proxy holder that the Company makes available to the Shareholders (Part A paragraphs, 1.2, 5.2, 5.4-5.8 and Part DII paragraph 2.1 subpar. 5th of the Code).

**(4)** There is no procedure for the evaluation of the efficiency of the Members of the Board of Directors, its Chairman (in this case the Independent Vice-Chairman to lead the evaluation process) and its Committees. The Company examines the compliance to this special procedure after drafting the relevant process (Part A, paragraph 3.4 and paragraph 7 of the Code).

**(5)** The new members of the Board of Directors receive an induction briefing regarding the corporate issues, yet there is no program on



the continuing professional development. However, the members of the Board engage frequently with senior executives of the Company, as every proposal submitted to the Board is accompanied with the presentation by the Head of the respective Business Unit and the members have the opportunity to communicate with the Managers. The members receive timely the proposals and the information, having the opportunity to request further clarifications and briefing by the competent managers (Part A paragraphs 6.5-6.6 of the Code).

**(6)** The Regulation of Operation of the Board of Directors does not explicitly provide for the engagement of independent external advisors, however the Board every time is was deemed necessary for the exercise of their duties, engages independent professional advisors, practice that has been followed in the past on respective occasions (Part A paragraph 6.8 of the Code).

**(7)** According to the terms of the three-year Stock Option Plan (Plan), which was applicable , among other executives, also to executive members of OTE Board of Directors, stock options have been granted in the years 2008, 2009 and 2010 (year in which the last grant of stock options has taken place), and its implementation will be completed in 2016:

- the Additional Rights (granted on an annual basis in the years 2008, 2009 and 2010 to executives that have been previously granted Basic Rights), have been converted to Definite rights for the acquisition of OTE shares (matured) at 100% upon completion of the third year from the Grant Date.
- the Basic rights (granted once to the executive members of the Board of Directors, upon their initial participation to the Plan and not granted again during the duration of the Plan) converted into Vested Rights for the Acquisition of OTE Shares as follows:
  - 40% upon completion of the first year from the Grant Date,
  - 30% upon completion of the second year from the Grant Date, and
  - the rest 30% upon completion of the third year from the Grant Date.

(Part C, paragraph 1.2 of the Code).

**(8)** Executive members of the Board of Directors contracts do not provide that the Board may demand full or partial recovery of any bonuses awarded on the basis of misstated financial statements of previous years or otherwise erroneous financial data used to calculate such bonuses and misconduct. However the Company has established such control mechanisms ensuring that the financial statements are being drafted according to the IFRS and the best international practices in order to avoid any manipulation or falsification of the Company's financial statements (Part C paragraph 1.3 of the Code).

**(9)** Compensation Committee Regulations does not include explicitly the examination and the submission of proposals regarding the total annual package of variable compensation in the Company or any business policy related to remuneration. However, in a forthcoming amendment of said Regulations such clause will be included, as the Compensation Committee already reviews the above issues (more specific information on the duties of the Compensation Committee Part D herein below) (Part C paragraph 1.7 of the Code).

**(10)** The Company does not publish amounts through the Compensation Report of executive Board Members, for the protection of personal data and of the persons they refer to. However, these amounts are based on resolutions / approvals of the General Assembly of shareholders (Part C paragraph 1.11 of the Code)

**(11)** Procedure on electronic or by mail voting at the General Assemblies is not provided. Though, the Board of Directors has the ability to establish such a procedure, according to the law. However, pursuant to article 28a par.8 of C.L. 2190/1920, a Ministerial Decision is required in order to define the specifications on ensuring the identity of the voting shareholder. This Ministerial Decision has not yet been issued (Part DII 2.2 of the Code).

**(12)** The Company does not publish summary of the minutes of the General Assembly of shareholders. However, immediately after the meeting a public announcement on the quorum of the General Assembly and its resolutions is issued. Within 5 days after the General Assembly, the voting results on each agenda item are available on the Company's website (Part DII paragraph 2.3 of the Code).

**(13)** The Secretary of the Board of Directors, the Executive Director Internal Audit OTE Group and the statutory Auditor attend the General Assembly, however there is no respective practice for the Board Members (Part DII paragraph 2.4 of the Code).

For the issues referred in this Statement as deviations from the Code of Corporate Governance of HCGC, there are no legal require-

<sup>1</sup><http://www.ote.gr/portal/page/portal/InvestorRelation/CorporateGovernance/diafaneiapliroforisi/regulations>

<sup>2</sup><http://www.ote.gr/portal/page/portal/InvestorRelation/CorporateGovernance/diafaneiapliroforisi/codeofethics>



ments or regulatory provisions set by the Hellenic Capital Market Commission, so as the necessary adjustments and measures to be done and adopted by the Company. However, the Company will proceed with the necessary adjustments of the Internal Policies and Rules in order to minimize the deviations by adopting the best practice procedures.

### ›C. Corporate Governance practices above the requirements of the Law

The Company and OTE Group have adopted, in May 2009 a Compliance Management System (CMS), regarding the compliance of all (personnel and management) with the legislation in force and with internal policies, aiming at avoiding of risks and other legal consequences for the Company and all the personnel – employees, executives and management. The CMS safeguards the Company, Company's employees', customers', suppliers' and shareholders' interests.

The key elements of the CMS are:

**a)** the prevention of misconduct together with the compliance with the policies, in order the Company and its employees to be protected from legal consequences due to misconduct. Additionally, the CMS contributes in reducing the reputational risks of the Company and the Group. Prevention is achieved mainly through:

- the development of compliance policies & procedures for OTE Group companies.
- employees' training aiming to inform them about the risks of corruption, fraud, misuse of personal data, manipulation of financial statements, disclose of inside business information, etc.
- the conduct of a compliance risk assessment annually, aiming at the identification and assessment of important risks and at the determination of necessary actions & measures for risks' mitigation.
- the channels that have been developed for the communication with employees, so that the latter can submit questions regarding the implementation of the policies, in case they are uncertain as to how they should handle issues that come up in their daily work.

**b)** the detection of compliance violations, the investigation thereof and the proposal of remedies and measures deemed necessary. In order to provide the possibility of filing a tip-off regarding violations of policies, regulations and of the legislation in force, the Company has established the Whistleblowing Policy and the relevant communication channels.

In the framework of the CMS, specific policies/codes have been adopted by the Company and Group-wide describing the principles and rules that apply to the Group and specific procedures are followed. In the framework of the CMS the following policies/codes have been adopted:

- Code of conduct
- Code of ethics for senior financial officers
- Code of conduct for the protection of the individual's right to privacy in the handling of personal data within OTE Group
- Whistle blowing policy
- Fraud policy
- Policy on insider trading
- Policy on avoiding corruption and other conflicts of interest
- Policy on accepting and granting of benefits
- Policy on donations and sponsorships
- Events policy
- Policy on avoiding sexual harassment within OTE Group
- Anti-Trust policy
- Policy on employee relations within OTE Group
- Policy on pensions and risk benefits programs
- Policy on insurance and risk management

In 2014, the Company's Compliance Management System (CMS) has been successfully reviewed by independent external auditors, who confirmed the effectiveness of the Company's compliance procedures and control mechanisms, regarding the avoidance of anti-trust issues (Anti-Trust Certification 2014).

The effectiveness and the efficiency of the CMS are being supervised by the Governance, Risk and Compliance Committee (GRC Committee, information in Part D here below).

The Company has adopted the Policy on employee relations within OTE Group, in which, inter alia, it is stated that the Company undertakes

every effort to create equal opportunities for all current and potential employees regardless of gender, origin, disability, sexual orientation, religion, union memberships and political orientation, etc. The companies of OTE Group take seriously into consideration the rule for non-discrimination based on gender and in 2010 have introduced a women's quota, which renders the Company a pioneer among large international companies. By the end of 2015, at least thirty percent of upper and middle management positions in the company are to be filled by women. In addition to broadening our talent pool, the above is expecting to add value to the Company in the long term with greater diversity at management level.

Until December 31, 2014 the percentage of representation of each gender in the Board of Directors is 91% men and 9% women and in the Senior management positions is 75% men and 25% women.

#### **>D. Board of Directors and Committees that consist of members of the Board of Directors - Remuneration of the Board Members/ Compensation Report of executive Board Members - Other Administrative, Managerial or Supervising Corporate Bodies or Committees**

##### **1. Board of Directors (Role, Composition, Operation)**

**1.1.** The Board of Directors is the top administrative body of the Company. Its aim is to safeguard the general interests of the Company and ensure its operational efficiency.

**1.2.** Pursuant to the provisions of the Articles of Incorporation, as in force:

The Board of Directors consists of nine (9) up to eleven (11) members, which may be or not be shareholders of the Company and the exact number is defined by the General Assembly. The members are distinguished between executive and non-executive members; at least two (2) of the members of the Board must be independent. The members are elected by the shareholders General Assembly, which also appoints the independent members, serving for a three (3) year term. Their term terminates at the completion of the ordinary General Assembly of the year in which the three year- term has already been completed. The members can always be reelected and can be revoked any time by the General Assembly. In the event of resignation, death or any other reason of one or more than one members prior to the expiration of their term, the Board shall, with at least five (5) of the remaining members, present or represented, either elect substitute(s) for the remaining term of service of the member(s) being replaced and under the same capacity of executive, non-executive or independent members or continue the management of the business affairs and the representation of the Company without electing such substitute(s). If a member is elected from the Board of Directors in replacement of an independent member, then the elected member has to be independent as well. Any such election(s) are announced at the next General Assembly (ordinary or extraordinary), which can replace the elected members, even if such announcement has not been included in the agenda of such General Assembly.

**1.3** The Ordinary General Assembly of 15/6/2012 has defined the number of the Board Directors to eleven (11).

The table below includes the members of the Board of Directors from 1/1/2014 until 31/12/2014, as well as the capacity of each member, including independent members, preserving such capacity:

NAME	CAPACITY	DATE OF APPOINTMENT AND ANY RE-APPOINTMENT	END OF TERM
Michael Tsamaz	Chairman and CEO, Executive member	Appointment 3/11/2010 Re-appointment 15/6/2012	2015
Nikolaos Karavitis	Vice-Chairman, Independent Non Executive member	Appointment 11/10/2013	2015
Raphael Kübler	Non Executive member	Appointment 23/5/2013	2015
Klaus Müller	Non Executive member	Appointment 15/11/2011 Re-appointment 15/6/2012	2015
Claudia Nemat	Non Executive member	Appointment 26/10/2011 Re-appointment 15/6/2012	2015
Christos Kastoris	Independent Non Executive member	Appointment 11/10/2013	2015
Charalampos Mazarakis	Executive member	Appointment 19/7/2012	2015

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NAME	CAPACITY	DATE OF APPOINTMENT AND ANY RE-APPOINTMENT	END OF TERM
Theodoros Matalas	Independent Non Executive member	Appointment 11/10/2013	2015
Stylianios Petsas	Non Executive member	Appointment 3/9/2013	2015
Panagiotis Tabourlos	Independent Non Executive member	Appointment 17/6/2004 Re-appointment 15/6/2012 (the most recent)	2015
Leonidas Filippopoulos	Independent Non Executive member	Appointment 11/10/2013	2015

The CV's of the members of the Board of Directors are listed here below and on the Company's website:

<http://www.ote.gr/portal/page/portal/InvestorRelation/CorporateGovernance/BoardofDirectors/composition>

### **Michael Tsamaz** *Chairman and Managing Director*

Mr Michael Tsamaz was appointed as Chairman and CEO of OTE on November 3, 2010. Mr. Tsamaz joined the OTE Group in 2001 and has been CEO of Cosmote Mobile Telecommunications SA (COSMOTE) since September 2007. Prior to COSMOTE, he assumed a number of senior roles within OTE, contributing to the turnaround of its international activities. He has also served on the Board of Directors of many OTE and COSMOTE subsidiaries. Prior to joining OTE, Mr. Tsamaz assumed marketing, sales and general management functions of increasing responsibility in multinational companies, including Vodafone Greece and Philip Morris Europe, building solid expertise in the telecommunications and consumer goods industries. Mr. Tsamaz holds a degree in Business Administration from the University of New Brunswick, Canada.

### **Nikolaos Karavitis** *Vice-Chairman, Non-executive, Independent member*

Mr. Nikolaos Karavitis was born in 1959 and is Associate Professor of Public Finance in the Department of Public Administration of the Panteion University. He is a graduate of the University of Athens Economics Department and holds a master's degree in Economic Development and a Ph.D. in Public Finance from the University of Leicester, U.K. Mr. Karavitis has served as Senior Research Associate of the Council of Economic Advisors (Ministry of Finance) from 1989 to 1997 in the areas of fiscal policy and labor market. He held the position of Secretary General at the National Statistical Service from 1997 to 2004. He worked as Research Associate in charge of the Public Sector Observatory of the Foundation of Economic and Industrial Research (IOBE) from 2010-2013. Mr. Karavitis is the author of papers and books on various aspects of Public Finance, including public expenditure, tax policy, social security and public debt and deficit. Over the years he has served on a number of high-level committees in Greece and in the European Union, including the E.U. Economic Policy Committee (EPC), the E.U. Monetary Committee (EFC), the U.N. Statistical Commission (Vice-President) and the Statistical Program Committee (Eurostat). He speaks English and Spanish.

### **Charalampos Mazarakis** *Executive Member*

Mr. Charalampos Mazarakis, born in 1964, has 20 years of professional experience, chiefly in senior management positions in Greece and abroad. Before joining OTE Group, on July 1st, 2012, as OTE Group Chief Financial Officer, Mr. Mazarakis was Group Chief Financial Officer (CFO) of the National Bank of Greece, which is listed on the Athens and New York Stock Exchanges and from 2008 until 2010 he was Group Chief Financial Officer (CFO) and Member of the Group Executive Committee of TITAN Cement Company, which is listed on the Athens Stock Exchange. From 1999 to 2008 Mr. Mazarakis served in various executive positions in Vodafone Group. Initially, he was Group CFO and Member of the BoD in Greece (1999-2006), then Chief Executive Officer (CEO) in Hungary (2006-2007) and in 2007 he returned to Greece as COO and Vice-Chairman of the BoD. During the period 1997-1999 he held the position of Finance Director and Member of the BoD at Georgia Pacific-Delica in Greece, while from 1992 until 1997 he worked as Financial Analysis Group Manager at Procter & Gamble, first in Athens and then in the European Headquarters in Brussels. Mr. Mazarakis holds a Bachelor's degree in Business Administration from the University of Piraeus (with distinction) and an MBA from the Ohio State University, The Fischer School of Business (with Wielder Scholar), where he was Teaching Assistant in Finance. He has been listed among the 30 most distinguished CFOs in Europe below 40 years old (2002, CFO Europe magazine).

**Klaus Müller** *Non-executive member*

Mr. Klaus Müller, born in 1965, has been a member of the Deutsche Telekom Group since 1997. Currently he holds the position of Senior Vice-President for Strategy Execution and Performance Management in DT's Board Area Europe. Until September 2011 he was COO of DT's mobile telephony subsidiary in FYROM and Deputy CEO of DT's fixed-line subsidiary in FYROM. Prior to that he was Executive Vice-President for DT Group Regulatory Strategy and from 2000 - 2005 he served as Director of Magyar Telekom's Wholesale Division. Mr. Müller holds a Diploma in Economics and a PhD in Political Economics from Nuremberg University, Germany.

**Claudia Nemat** *Non-executive member*

Mrs. Claudia Nemat, born in 1968, has been a member of the Board of Management of Deutsche Telekom AG since October 2011 and is responsible for the Board area Europe and the strategic steering of technology. Before joining Deutsche Telekom, Claudia Nemat spent 17 years working for the consultancy McKinsey&Company. In her last position there, she was responsible for the high-tech sector in Europe, the Middle East and Africa. In addition, Claudia Nemat was responsible for projects in the fields of information and communication technology integration (ICT), sustainable IT, as well as medical technology for international companies. As a consultant, Claudia Nemat also worked on corporate leadership and performance culture as well as on questions regarding the influence of diversity on a company's performance. Claudia Nemat studied physics at the University of Cologne, where she also once taught at the department of theoretical physics and mathematics.

**Raphael Kübler** *Non-executive member*

Dr. Raphael Kübler is a Senior Vice President Group Controlling at Deutsche Telekom AG where he is responsible for the financial planning, analysis and steering of the overall Deutsche Telekom Group as well as the financial management of central headquarters and shared services of the Deutsche Telekom Group, a position he has held since 2009. From 2003 to 2009, Mr. Kübler served as Chief Financial Officer of T-Mobile Deutschland GmbH, the mobile operations of Deutsche Telekom AG in Germany, where he executed various cost reduction programs, developed value-based steering mechanisms for sales and market investments, and implemented a new service oriented culture in all customer facing finance operations. In the years 2000-2003 Mr. Kübler was Senior Vice President Mergers&Acquisition of the Deutsche Telekom Group. Mr. Kübler presently serves on the supervisory boards of T-Systems International, T-Mobile USA, Inc. and Deutsche Telekom Kundenservices GmbH, the customer services subsidiary of Deutsche Telekom AG.

**Stylianos Petsas** *Non-executive member*

Mr. Stylianos Petsas is Officer in the Ministry of Finance and now Head of Programming and Audit of the General Accounting Office's EU Co-Financed Programmes Audit Directorate. During his service at the Ministry of Finance he has served, among other, as Head of the Office of the Deputy Minister of Finance, Head of the Revenues Unit of the General Government's Budget Directorate at the General Accounting Office, as Economic Counselor of Greece to the OECD, has participated as national expert in Institution Building Programs of the European Commission (Twinning Projects) and has represented Greece in various EU Working Groups and Committees on EU Budget issues and on the Financial Perspectives 2007-2013 formulation. Mr Petsas has also served as member of Committees and working groups on issues such as the compensation system in the Public Sector and in Independent Administrative Authorities, the EU's own resources system, the reform of the Income Tax Code and the Procedures Tax Code. He has been member of the OECD's Economic and Development Review Committee (EDRC) Bureau, of the Governing Board of the European Studies New Scientists Union and the Graduates Union of the National School of Public Administration. Mr Petsas is a Graduate of the National School of Public Administration and holds Bachelor and Master's Degrees in International and European Economic Studies. In addition, he has published books and articles on fiscal policy, international economics, structural reforms and European integration issues. Mr Petsas speaks English and French, is married and has two daughters.

**Panagiotis Tabourlos** *Non-executive member , Independent*

Mr. Tabourlos is a graduate of the Piraeus University of Economics and holds a Master's degree in Business Administration (MBA) from McGill University (Montreal, Canada). Since 1980 he has worked as Finance Manager in various corporations, including Milchem International, Hilti SA, American Express and ICI. From 1990 to 2003 he worked for Pfizer/Warner Lambert SA, where immediately prior to his departure he held the position of Regional CFO for Europe, Middle East and Africa. From June 2003 until April 2004 he held the position of Chief Financial Officer at OTE. He then resumed the position of Group CFO at Frigoglass SA, which he held until October 2013. From November 2013 he assumed the responsibilities of Corporate Development & Strategy Director until his departure in May 2014. Mr. Tabourlos serves as Chairman of OTE Audit Committee, being also its financial expert. He is also Chairman of OTE Compensation & Human Resources Committee, as well as member of Cosmote Board of Directors.

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### **Christos Kastoris** *Non-executive member, Independent*

Mr. Christos Kastoris was born in 1950 and holds a BA in Electrical Engineering and a Ph.D. in Engineering from the University of Patras. From 1973 until 1976 he served as Research Assistant in the Electrical Engineering Department of the University of Patras and from 1976 to 1977 as Senior Lecturer in the School of Engineering of the University of Patras. From 1977 to 1980 he worked as specialized Engineer in the Transmission Systems at OTE's Research Department. From 1980 to 1987, Mr. Kastoris worked as Network Engineer as well as Head of the Call Centers in the Magnisia region. He served as Senior System Engineer in AXE exchanges of Ericsson/Intracom, from 1988 until 1992, and in AT&T in 1992. From 1992 to 1996 he headed the International Telecom Exchanges in Thessaloniki. From 1996 to 2006 he held the position of Regional Director of OTE in Thessalia. Mr Kastoris has published regarding telecoms and has participated in numerous relevant conferences. Mr Kastoris is a member of the Supervisory Board of the Technical Educational Institute of Thessaly. He speaks English, German and Turkish.

### **Theodoros Matalas** *Non-executive member, Independent*

Mr. Theodoros Matalas, born in 1968, holds a BA in Civil Engineering from the University of Thrace, an MA in Economy and Law from the University of Athens. Mr. Matalas has been working as a Civil Engineer since 1994, has participated in numerous studies and has overseen a large number of private and public work projects. From 1996 to date, Mr. Matalas serves as General Director and Manager of the public educational Foundation 'Matalas Foundation'. From 2007 to 2009 he served as CEO of Agrogi SA and in 2009 as Secretary of the Labor Inspection Force. From 2012 to March 2013 he was member of the permanent committee of the former Workers' Housing Organization. Mr. Matalas has also served as president of the Hellenic-American Association, as Vice President of the European Association for Rural Development Institutions (AEIAR) and as Member of the Technical Chamber of Greece. He speaks English and German.

### **Leonidas Filippopoulos** *Non-executive member, Independent*

Mr. Leonidas Filippopoulos was born in 1968, holds a BA in Business Administration and International Economic Relations from the University of Sofia and an MA in Business Administration from Middlesex University of London. Since January 2013, Mr Filippopoulos is Managing Director of the "Galaxy SA Tourist Hotel Businesses", where he has also served as member of the Board of Directors since 2004. In the past, he has served as Chairman of the Board of C.A.I.S.P.S. (Centre of Awareness, Information and Sensitization for Psychodrastic Substances), as financial consultant in TITANIUM S.A. and BNF Company and also as manager in a brokerage firm. He speaks English, Bulgarian and Russian.

In addition, the C.V. of the Company's Secretary of the Board of Directors is hereby provided:

### **Konstantinos Paradeisis** - *Secretary of the Company's Board of Directors*

Mr Konstantinos Paradeisis was born in 1959 and holds a Bachelor's degree in Business Administration from the Athens University of Economics and Business (former Athens School of Economics and Business). From 1977 to 1989 he served in various executive and operational departments of OTE S.A. Since then, he serves in the Company's Board of Directors Secretariat and since 2000 he holds the position of the Secretary of the Company's Board of Directors and its Committees (namely, Audit Committee and Compensation and Human Resources Committee). He has served as a member - acting chairman of the Company's first instance Disciplinary Council and in his capacity as Secretary of the Company's Audit Committee, he participates in the meetings of the Company's Compliance, Enterprise Risks and Corporate Governance Committee.

The members of the current Board of Directors have notified the Company on the following professional engagements (including significant non-executive commitments in Companies or non-profit Organizations/Foundations).

MEMBERS	CORPORATE NAME	PROFESSIONAL ENGAGEMENT
Michael Tsamaz	COSMOTE-MOBILE TELECOMMUNICATIONS S.A.	CEO and Chairman of the BoD
	TELEKOM ROMANIA COMMUNICATIONS	Chairman of the BoD
	OTE INVESTMENT SERVICES S.A.	CEO and Chairman of the BoD
	OTE INTERNATIONAL INVESTMENTS LTD	Chairman of the BoD
	COSMOHOLDING ALBANIA S.A.	CEO and Chairman of the BoD
	EE Limited	BoD member
	Greek-German Commercial & Industrial Chamber	BoD member
	Greek-American Commercial Chamber	BoD member
	Foundation of Economic and Industrial Research (IOBE)	BoD member
Nikolaos Karavitis	Panteion University	Professor
Charalampos Mazarakis	COSMOTE-MOBILE TELECOMMUNICATIONS S.A.	BoD Member
	TELEKOM ROMANIA COMMUNICATIONS	BoD Member
	OTE- Estate	Chairman of the BoD
	OTE PLC	BoD Member
	GERMANOS	BoD Member
Klaus Müller	Deutsche Telekom AG	Senior Vice-President for Strategy Execution and Performance Management - Board Area Europe
	COSMOTE-MOBILE TELECOMMUNICATIONS S.A.	BoD Member
	TELEKOM ROMANIA COMMUNICATIONS S.A	BoD Member
Claudia Nemat	Deutsche Telekom AG	Member Board of Management - Europe & Technology
	Buyin SA	BoD Member
	Lanxess AG	Member of the Supervisory Board
Raphael Kübler	Deutsche Telekom AG	Senior Vice President Group Controlling
	T-Mobile US	BoD Member
	DT Holding BV	BoD Member
Stylianios Petsas	Ministry of Finance	Head of Programming and Audit of the General Accounting Office's EU Co-Financed Programmes Audit Directorate
Panagiotis Tabourlos	COSMOTE-MOBILE TELECOMMUNICATIONS S.A.	BoD Member
Christos Kastoris	Technical Educational Institute of Thessaly	Member of the Supervisory Board
Theodoros Matalas	Apsida Engineering SA	ΠCEO and Chairman of the BoD
	Public Educational Foundation 'Matalas Foundation'	General Director and Manager
	Matalas Theodoros	Personal company
	J/V TSOUTSOS-MELKA ENERGY ALFA SA	Administrator until 2/10/2014
Leonidas Filippopoulos	Galaxy SA Tourist Hotel Businesses	CEO and Chairman of the BoD

It is noted that none of the Members of the Board of Directors participates in the Board of Directors of more than five (5) listed companies.

### **1.4.** According to the Company's Articles of Incorporation :

The Board of Directors as part of its responsibilities:

- Convenes ordinary or extraordinary General Assemblies of shareholders and proposes on their agenda.
- Prepares and approves the Company's annual financial reports and submits them to the General Assembly of shareholders.
- Approves the Company's strategy and decides upon the establishment of subsidiaries or upon the Company's participation in the share capital of other companies (domestic or foreign) as well as the establishment of branches or offices (domestic or foreign).
- Is informed systematically on the course of the Company's business and the implementation of its plan with a view to protecting the Company's broader interests.
- Decides upon share capital increases through the issuance of new shares and convertible bonds, following the authorization granted by the General Assembly of shareholders.
- Decides upon the issue of convertible or exchangeable bonds.

The Board of Directors may delegate its powers to its members, executive directors, third parties or Committees, determining the extent of that delegation for the following matters (indicated but not limited to):

- financial issues,
- matters related to subscribers, subscribers' complaints - requests,
- matters of labour law, health and safety of the Company's employees, who are employed by the Company on any kind of contractual or project basis,
- matters of personal data of the Company's personnel, on intellectual property matters in case intellectual property rights are infringed by creation of archives, saving, processing, transmitting or distribution of works of intellectual property without the permission of the creators through IT systems owned or used by the Company,
- matters related to compliance with personal data legislation and privacy of communications,
- matters related to compliance with market police orders regarding the products and/or services of the Company,
- matters regarding the products and/or services of the Company and/or third parties provided through the Company's network,
- matters regarding compliance with fire brigade legislation or with police orders or with any administrative order concerning the operation of the Company's shops and infrastructure, technical or not.

Finally, beyond the provisions of the law, the Articles of Incorporation provide for special matters, which cannot be further delegated as the decisions on these matters should necessarily be taken by the Board of Directors, with the required majority and quorum.

The Chairman of the Board of Directors sets the agenda of the meetings, chairs the meetings of the Board and coordinates its works. He coordinates and directs the operations of the Board of Directors in general. In other respects the Chairman has the same rights and obligations as any other member of the Board of Directors, as well as those explicitly prescribed in Law, the Articles of Incorporation and the Regulation of Operations of the Board of Directors.

The Board of Directors shall meet whenever deemed necessary or upon request to the Chairman by at least two (2) members. Without prejudice to the relevant articles of the Articles of Incorporation on specific quorums and majorities on special matters, the Board of Directors is in quorum and convenes validly when half-plus-one of its members are present; nevertheless, the number of members present should not be less than three (3). Resolutions are reached by simple majority, unless otherwise provided by C.L. 2190/1920 as currently in force, or by the Company's Articles of Incorporation.

**1.5.** The Regulation of Operations of the Board of Directors, which has been approved by the Board of Directors, regulates the details of the procedure followed on convening, meeting and deciding. It also refers to the powers of the Chairman and the Vice-Chairman of the Board of Directors.

Concisely, according to the above Regulation, the Chairman is elected by the Board members and may also hold the position of the CEO. Today, Mr. Michael Tsamaz holds the positions of Chairman of the Board of Directors and CEO. The Vice-Chairman, Mr. Nikolaos Karavitis, is an independent non-executive member of the Board of Directors, following the resolution of the extraordinary General Assembly of the shareholders held on December 30, 2013.

<sup>3</sup><http://www.ote.gr/portal/page/portal/InvestorRelation/CorporateGovernance/diafaneiapiroforisi/regulations>

1.6. During 2014, the Board of Directors met 26 times. In principle, the Board of Directors meets at least once a month.

The presences of each member of the Board of Directors during 2014 are described in the following table:

NAME	NUMBER OF MEETINGS DURING THE TERM	NUMBER OF MEETINGS BEING PRESENT	NUMBER OF MEETINGS BEING REPRESENTED
Michael Tsamaz	26	26	-
Nikolaos Karavitis	26	25	1
Raphael Kübler	26	23	3
Klaus Müller	26	21	5
Claudia Nemat	26	20	6
Christos Kastoris	26	26	-
Charalampos Mazarakis	26	26	-
Theodoros Matalas	26	26	-
Stylios Petsas	26	26	-
Panagiotis Tabourlos	26	26	-
Leonidas Filippopoulos	26	23	3

1.7 In accordance with the business practice, apart from the initial information that is provided to the new members of the Board of Directors after their election, the members of the Board of Directors are briefed on issues related to the Company, during the meetings of the Board of Directors or after the discussion of the items of the agenda, as well as whenever there is a need for an update through communication between the Chairman and the members (by relevant information memos).

Also, the Members are informed by the Executive Director Compliance, ERM and Insurance OTE Group:

- a. with the OTE Group Compliance Report on information about the planning and effectiveness of the operation of the Compliance Management System and the activities in its framework, including any deficiencies as well as for important compliance cases (cases/complaints) that come to the attention of the Company,
- b. with the OTE Group Corporate Risks Report on information about the overview of corporate risks that have been identified as important (evaluation, risk assessment, need for measures, characterization of risk trends, early warning function), the operation of the Risk Management System as well as the activities carried out in its framework.

Moreover the Executive Director Internal Audit OTE Group, informs the members of the Board of Directors on issues under his competencies (here below under Part F "Internal control and risk management systems of the Company in relation to financial reporting process").

#### 1.8. Board of Directors remuneration for year 2014

For the fiscal year 2014, the ordinary General Assembly of the Company's shareholders held on June 24, 2014 has determined the Board of Directors members' remuneration for their participation in the meetings of the Board of Directors in the amount of Euro 2,000 "net" per month (absolute amount), regardless of the number of meetings.

Moreover, by resolution of the General Assembly of the shareholders of the Company, the Company covers:

- A. the travel/ sojourn expenses of the members of the Board of Directors for their attendance at the meetings of the Board and its Committees, from and to the country of their permanent residence, provided that are not covered by their employers, as follows:
  - In the event of air transportation, the Company assumes the fare of "business class" ticket, for flights with duration of more than four hours and the fare of "economy class" ticket for flights with duration of less than four hours.
  - The Company assumes the sojourn expenses, at the place where the meetings are held, for up to two overnight stays per transfer.
- B. the travel/sojourn expenses of the members of the Board of Directors for their attendance at the meetings of the Board and its Committees, from and to the place of their permanent residence, provided that it is within the country but outside the prefecture of the



Company's seat at a distance of more than one hundred and fifty (150) kilometers, and provided that these expenses are not covered by their employers, as follows:

- In the event of air transportation, the Company assumes the fare of an "economy class" ticket.
- The Company assumes the sojourn expenses of the abovementioned members, at the place where the meetings are held, for one overnight stay per travel.

In case the members of the Board of Directors are employed with the Company, they receive the compensation provided under their employment contract and are not eligible to the remuneration paid to the other members of the Board of Directors for the participation to the meetings of the Board of Directors.

Regarding the compensation of the executive members of the Board of Directors for year 2014, see here below par. 1.9.

### **1.9. Compensation Report of executive Members of the Board of Directors for year 2014.**

**I.** For the executive members of the Board of Directors (Managing Director and OTE Group Chief Financial Officer), the following are implemented:

- The compensation and benefits policies of the Company for the level of the positions held by the above members of the Board of Directors, and
- Any terms and conditions of their individual agreements (that have been approved by the General Assembly of the Company's shareholders). It is noted that with regards to the independent services agreement of the Managing Director, the expiration date shall be the date of the ordinary General Assembly of the Company's shareholders to be held in 2018, whereas the employment agreement of OTE Group Chief Financial Officer is of indefinite time.

#### **Compensation and benefits policies**

The compensation structure for the executive members of the Board of Directors includes a fixed part and a variable part, as follows:

- The Annual Base Salary,
- The Annual Variable Reward which is linked to the individual and corporate performance within the year, and
- Voluntary Benefits (in the form of additional fringe benefits or long-term compensation elements) always according to the level of the positions in the organizational structure of the Company, the respective Company policies and terms and conditions of their individual agreements.

In particular:

The Annual Base Salary is the fixed part of the compensation of the executive members of the Board of Directors, which is defined in their individual contracts following the approval of the General Assembly of the Company's shareholders, and taking into consideration the level of their position in the organizational structure, as well as the market (salary) data for positions of comparable level.

The variable part of the compensation of the executive members of the Board of Directors is the Annual Variable Reward (annual performance bonus or annual short term incentive or special performance bonus) which is related to the annual performance management process, for all levels of employees including the levels of the positions of the executives in the organizational structure of the Company. The Annual Variable Reward is provided for the attainment of predefined quantitative and qualitative targets which are related to the performance of the Company, of OTE Group and/or of DT Group, and to the strategic corporate targets, as well as the performance of the said executives. Indicative performance criteria of the annual performance management process are the revenues, the EBITDA (financial targets), the change management, the modernization / transformation of the Company, the loyalty / satisfaction of the customers and of the employees, the compliance with the guiding principles of corporate behavior and of leadership principles and other.

The relationship between the fixed and variable part of compensation is defined in the individual agreements of the executive members of the Board of Directors, with the fixed salaries constituting the largest part of the total (annual) compensation.

- According to the independent services agreement of the Managing Director, as in force for the year 2014, for the on target achievement (100%) of the predefined targets, the Annual Variable Reward equals 50% of the Annual Base Salary. The maximum Annual Variable Reward, for the achievement of the predefined targets at a level of 150% or higher, could reach the 150% of 50% of the Annual Base Salary.

- According to the employment agreement of the OTE Group Chief Financial Officer, as in force for the year 2014, his special annual performance bonus could reach up to 50% of his Annual Base Salary if the predefined targets from the beginning of the year have been met.

Both for the Managing Director as well as the OTE Group Chief Financial Officer, any payment in relation to the above is approved by the OTE Board of Directors, the Remuneration Committee and the General Assembly of the Company's Shareholders.

**II.** In particular in relation to the Managing Director (MD), his independent services agreement provides for his participation in a rolling Long term (3-year) Incentive Plan, as well as in a Share Matching Plan.

**II i.** More explicitly, in relation to the plans in force for the year 2014:

**A.** The MD Long Term Incentive Plan constitutes a compensation tool that promotes the medium- and long-term value enhancement of OTE, aligning the interests of management and shareholders. It is a program which is based on the fulfillment of specific success parameters, either financial or related to the sustainability of the OTE, defined by the OTE Board of Directors and approved by the OTE Shareholders' General Meeting.

Based on the achievement of the set targets for the above parameters during the respective assessment period, the OTE's MD will be entitled to a variable payment which will be equal to 50% of his gross annual base salary for 100% achievement of the set targets for each assessment period (On Target Long term Incentive variable payment).

In case of overachievement of the set targets of more than 100% and up to 150%, the Long term Incentive variable payment will be increased accordingly and may be increased up to 150% of the On Target Long term Incentive variable payment. Any levels of target achievement of more than 150% will not be taken into consideration.

**B.** The Managing Director Share Matching Plan is a long-term (3-year) program based on shares. In the framework of this program, the Managing Director is obliged to invest in Company's shares (OTE shares) an amount totaling 33,30 (%) percent of the actually gross Annual Performance Bonus paid to him for the previous year (Private Investment Obligation). The calculated Private Investment Obligation shall be effected from the net Annual Performance Bonus sum paid to OTE MD. The OTE shares purchased as part of the Private Investment Obligation must be held by the Managing Director continuously, for the scope of this Plan, for a period of at least three years from the date of purchase (hereinafter "lock-up period"). At the end of the lock-up period, the Managing Director shall be granted by OTE one additional OTE share for free ("matched share") for each OTE share purchased by him under the Private Investment Obligation.

Any payment to the Managing Director in relation to the aforementioned A and B, is approved by the Company's Board of Directors, the Remuneration Committee and the General Assembly of the Company's shareholders.

**II ii.** In December 2014 the extraordinary General Assembly of the Company's shareholders approved the amendment of the independent services agreement of the Managing Director. Within this framework, certain amendments in the implementation of the above plans (the Long Term Incentive Plan and the Share Matching Plan) have been approved with effect from 1.01.2015. In particular:

**A.** In relation to the Long Term Incentive Plan, apart from the rolling three-year plan for the three-year period 2015-2017 that will be implemented according to the aforementioned in par. II.I.A., a new rolling long term (four-year) incentive plan is initiated, which is linked to phantom shares and in which the Managing Director will be participating starting from 2015 hereinafter.

The underlying amount for the MD's participation, is calculated on the basis of the MD's Total Target Cash Remuneration (defined as the sum of gross Annual base salary plus the Annual Short Term Incentive for the on-target achievement of the predefined annual targets) and is set at 33,33% of the MD's Total Target Cash Remuneration of the current year. The relevant amount shall be converted at the beginning of each 4-year LTI into phantom Deutsche Telekom AG (DT) shares (phantom DT's shares) on the basis of the DT share price in the XETRA trading system (Basic Number).

The Basic Number of phantom shares is linked to four equally weighted, DT and / or DT Group, success parameters. The target values of the success parameters are set at the beginning of the four-year plan term. An interim value shall be determined for each annual tranche. The success parameters have a target achievement corridor of between 0 per cent and 150 per cent. The Basic Number of phantom DT shares to be granted to the Managing Director corresponds to target achievement of 100 per cent. The annual level of target achievement

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shall be determined at the end of each year by DT and approved by OTE Board of Directors. This annual level of target achievement shall be multiplied on a pro rata basis by the Basic Number of phantom shares granted to the MD (25 per cent of the Basic Number for each year). The number of phantom shares which will result using this method per year shall then be "fixed" for the MD as the binding result for that specific year ("Annual Result").

At the end of the 4-year plan term of each plan, the four binding Annual Results shall be added together. The phantom shares also earn dividends in case dividend is paid to DT's shareholders. The resulting total number of phantom shares shall be converted into a cash sum which is paid out to the Managing Director. The share price used as the basis for said conversion shall be determined on the basis of a specific reference period.

**B.** In reference to the Share Matching Plan, in particular for the year 2015, MD undertakes the obligation to invest, in both in OTE and DT shares, in a total amount of minimum 33.3% up to maximum 43,3% of the actually paid gross Annual Performance Bonus (or Short Term Incentive) for year 2014. More explicitly, the Managing Director undertakes the obligation to invest in OTE shares, in an amount of minimum 10% up to maximum 33,3% of the above actually paid gross Annual Performance Bonus (or Short Term Incentive) for year 2014 (Private Investment Obligation). These shares will be held by the Managing Director for a period of three (3) years (Lock Up Period), i.e. the Managing Director may not liquidate, sell, dispose them etc. At the end of the Lock Up Period, MD will be granted, for free, one additional OTE share for each OTE share acquired by the Managing Director under the Private Investment Obligation .

In addition, the Managing Director undertakes the obligation to invest in DT shares, in an amount of minimum 10% up to maximum 23,3% of the above actually paid gross Annual Performance Bonus (or Short Term Incentive Plan) for year 2014 (Private Investment Obligation). These shares will be held by the Managing Director for a period of four (4) years (Lock Up Period), i.e. the Managing Director may not liquidate, sell, dispose them etc. At the end of the Lock Up Period, the Managing Director will be granted, for free, one additional DT share for each DT share acquired by the Managing Director under the Private Investment Obligation .

The actual percentage (for the Private Investment Obligation) of the above actually paid gross Annual Performance Bonus (or Short Term Incentive Plan) for year 2014 as well as the split of the Private Investment in DT and OTE shares, will be decided by the Managing Director in 2015 and more specific during the period of implementation of the Private Investment Obligation by the Managing Director.

For year 2016 and henceforth, MD undertakes the obligation to invest in DT shares, in an amount of 33% of the actually gross Annual Performance Bonus (or Short Term Incentive Plan) paid regarding the previous year (Private Investment Obligation). These shares will be held by the Managing Director for a period of four (4) years (Lock Up Period). At the end of the Lock Up Period, the Managing Director will be granted, for free, one additional DT share for each DT share under the Private Investment Obligation.

**III.** Regarding the OTE Group Chief Financial Officer, the next ordinary General Assembly of the Company's shareholders, following a relevant resolution of the Company's Board of Directors, will be requested to decide the amendment of his individual agreement with the Company, in order for a new short term and long term compensation program, which will be valid for 2015 for other executives of similar position levels, to be implemented also for the OTE Group Chief Financial Officer.

**IV.** The Managing Director participated in the OTE Stock Option Plan (granting of stock options in the years 2008, 2009 and 2010), and maintains the right to exercise (during the exercise periods of April and October each year within the specific period the Plan provides for) the rights that have been granted to him which have been converted to definite rights according to the terms and conditions of the Plan and have not been lost. The stock options that have been not exercised are 57.310 and have been granted to the Managing Director in 2009 at a grant price of Euro 11,26 (absolute amount).

The OTE Group Chief Financial Officer following a resolution of the General Assembly of the Company's shareholders, participated in 2013 in a Shadow Stock Option Plan. The Shadow Options that have been granted to the OTE Group Chief Financial Officer once off, have been converted to definite rights in October 2013 at a Preferential Purchase Price that has been defined by the Board of Directors for the Option Rights granted in 2010 in the framework of OTE Stock Option Plan. The OTE Group Chief Financial Officer is eligible to exercise, by his own choice, part or the total of his "shadow" Definite Rights, in April and October of the years 2015 and 2016. The Shadow Options that have been not exercised are 19.875 and can be exercised at the price Euro 4.49 (absolute amount). In case OTE Group Chief Financial Officer exercises the abovementioned rights, he will be entitled to receive, for each "shadow" definite right, an Additional Variable Cash Payment that will be equal to the balance between the said price of the "shadow" Rights and the highest closing Stock Exchange price for OTE share

during the last working day of the month of exercise of the “shadow” Definite Rights. This Additional Variable Cash Payment will be paid following decision by the competent corporate bodies through payroll (and after all statutory taxes and contributions have been withheld), provided that the terms and conditions of OTE Stock Option Plan are met, with regards at least to the achievement of corporate targets, the level of annual individual performance and the preservation of the OTE Group Chief Financial Officer employment relation with the Company.

**V.** Finally in relation to fringe benefits, the said executive members of the Board of Directors are covered by private health insurance plan (including their dependants), for life and disability, they participate in a private pension plan, use company cars (with the respective coverage), and corporate mobile and fixed telephony programs, Internet and OTE TV. They also have the opportunity to participate in the savings program for their children (Youth Account), as well as to participate in the Fund for providing financial support to the employees.

**1.10** The OTE Group Code of Conduct and the Group Policy on Avoiding Corruption and other conflicts of interest, provide that the Members of the Board of Directors (as well as employees of the Company) must refrain from any act which may give rise to a conflict of their personal interests- or members of their families -with those of the Company or its affiliated companies and specific examples are provided on the issue of Conflict of interest. Specifically, among others, it is provided that :

- Employees and members of the Board of Directors are not allowed to maintain, directly or indirectly, any material economic interest (as the latter is defined each time in the Internal Operations Regulations) in vendors, customers, competitors or other undertakings, if such interest may influence their business decisions.
- Employees and members of the Board of Directors cannot accept or allow a member of their family to accept money, gifts, loans, entertainment services or favorable treatment from anyone maintaining business relations with the Company or being a competitor, except if these benefits are considered to be tacitly approved and permitted by the provisions of the Policy on accepting and offering of benefits.

In conjunction with the above-mentioned, the Company’s Internal Regulation of Operations provides for a procedure on the monitoring of economic activities and transactions of the members of the Board of Directors and the persons carrying out managerial duties with significant customers or suppliers of the Company, as well as the financial transactions concerning shares issued by the Company, derivatives or other financial instruments linked to them.

Regarding transactions with related parties, the Company’s Board of Directors has adopted the "OTE Group Transfer Pricing Regulation", which defines the required internal procedures for the implementation and enforcement of the rules on invoicing and documentation of transfer pricing between companies of OTE Group and their own affiliated companies. The Regulation sets the procedures to be followed and the compliance with this Regulation is subject to internal and external audits. Responsible for the implementation of this Regulation are the competent Tax Units and the Units responsible for the drawing up of contracts with the affiliated companies. Within the framework of the legislation in force, companies of OTE Group through their corporate bodies, adopt this Regulation, in order to follow the same procedure of documentation and to facilitate the compliance.

Moreover, transactions between Deutsche Telekom AG (DTAG), the Company’s controlling shareholder, with affiliated companies are approved by the Board of Directors of the affiliated companies, as to their terms, validating this transaction is current and part of this company due course of business with third parties, and then they are submitted to the Company’s Board of Directors to confirm that the transaction is current (in this case, the Board of Directors do not assess the merits and the necessity of the contracts/transactions or their terms).

Finally, there are relevant provisions in the policies that have been adopted in the framework of the Compliance Management System of OTE Group, such as the Policy on Accepting and Granting of Benefits and the Policy on Insider Trading.

## **2. Board of Directors’ Committees – Composition – Responsibilities – Remuneration**

Two Committees have been formed and operate in the Company the members of which are members of the Board of Directors. These are the Audit Committee and the Compensation and Human Resources Committee. In particular:

**2.1.** The Audit Committee consists of three independent non-executive members of the Board of Directors, nominated by the General Assembly of Shareholders according to article 37 of Law 3693/2008.

The Audit Committee during 2014 consisted of the following members: Mr. Panagiotis Tabourlos (Chairman -Financial Expert), Mr. Nikolaos

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Karavitis (Member) and Mr. Christos Kastoris (Member).

For the fiscal year 2014, by resolution of the ordinary General Assembly of the Company's shareholders held on June 24, 2014, the remuneration of the Chairman and the members of the Audit Committee for their participation in its meetings was determined as follows:

**(a)** Chairman: Euro 1,200 (absolute amount) "net" per meeting in which he participates.

**(b)** Members: Euro 960 (absolute amount) "net" per meeting in which they participate.

According to the Regulation of its Operation, the Audit Committee holds at least four (4) meetings every year. During 2014, it held seventeen (17) meetings.

The presences of the Chairman and the members of the Audit Committee in its meetings during 2014 are described in the following table:

NAME	NUMBER OF MEETINGS DURING THE TERM	NUMBER OF MEETINGS BEING PRESENT	NUMBER OF MEETINGS BEING REPRESENTED
Panagiotis Tabourlos	17	17	-
Nikolaos Karavitis	17	17	-
Christos Kastoris	17	17	-

The framework for the operation of the Audit Committee is described in the Regulation of Operation of the Audit Committee, as approved by the Board of Directors.

Concisely, the objective of the Audit Committee is to support the Company's Board of Directors in the exercise of the latter's supervisory authority and the fulfillment of the latter's obligations towards shareholders, the investment community and third parties, especially with regards to the financial reporting process.

In 2014, the Audit Committee dealt with all issues provided in its Regulation including, among others:

- The approval and monitoring of the Company's Internal Audit activities.
- Approval and monitoring of the activities of Compliance, Enterprise Risk Management & Insurance
- The assessment of the accuracy and consistency of Financial Statements.
- The assurance of the Certified Auditors' independence, in relation to the services provided by the latter to the companies of OTE group.
- The expression of opinion on the appointment of certified auditors.
- Handling of complaints and allegations.

Furthermore, the Audit Committee during 2014 dealt with the review and assessment of the completeness, accuracy and precision of the Quarterly Compliance Reports - which include, among others, information on the handling and results of complaints and allegations - as well as the Quarterly Enterprise Risk Management Reports.

To ensure the independence of statutory auditors, by resolution of the Board of Directors a "Policy on Commissioning the Services of Auditors" has been approved.

The Audit Committee has a frequent communication with the Internal Audit during the course of its operations. In this context, the Executive Director Internal Audit OTE Group is invited and participates in most of the meetings of the Audit Committee. The statutory auditors are also invited and participate, when the semi-annual and annual separate and consolidated financial statements are reviewed.

**2.2.** Compensation and Human Resources Committee, which is appointed by the Company's Board of Directors and, as per the Regulation of its Operation, consists of a minimum three members of the Board of Directors, at least two of them being non-executive .

<sup>4</sup><http://www.ote.gr/portal/page/portal/InvestorRelation/CorporateGovernance/diafaneiapiroforisi/regulations>

<sup>5</sup> Από 25-2-2015 η Επιτροπή απαρτίζεται αποκλειστικά από μη εκτελεστικά μέλη του Διοικητικού Συμβουλίου

The Compensation and Human Resources Committee during 2014 consisted of the following members: Mr. Panagiotis Tabourlos (Chairman), Mrs. Claudia Nemat (Member) and Mr. Charalampos Mazarakis (Member).

For the fiscal year 2014, by resolution of the ordinary General Assembly of the Company's shareholders held on June 24, 2014, the remuneration of the Chairman and the members of the Compensation and Human Resources Committee, for their participation in its meetings was determined on the amount of Euro 480 (absolute amount) "net" per meeting in which they participate.

According to the Regulation of its Operation, the Compensation and Human Resources Committee holds at least two (2) meetings every year. During 2014 the Committee held six (6) meetings.

The presences of the Chairman and the members of the Compensation and Human Resources Committee in its meetings during 2014 are described in the following table:

NAME	NUMBER OF MEETINGS DURING THE TERM	NUMBER OF MEETINGS BEING PRESENT	NUMBER OF MEETINGS BEING REPRESENTED
Panagiotis Tabourlos	6	6	-
Claudia Nemat	6	5	1
Charalampos Mazarakis	6	6	-

The framework for the operation of the Committee is described in the Regulation of Operation of the Compensation and Human Resources Committee, which has been approved by the Board of Directors.

Concisely, in 2014, the Committee, within the framework of its responsibilities, dealt with the issues below:

- Set the principles of the Company's human resources policy, that will guide the decisions and actions of the management.
- Define the Company's compensation and remuneration policy.
- Approve the schemes and plans concerning compensation, benefits, stock options and bonuses.
- Propose to the Board of Directors the compensation and benefits of the Managing Director.
- Study and process issues related to the Company's human resources.
- Set the principles of Corporate Social Responsibility.

### **3. Other Administrative, Managerial or Supervising Corporate Bodies or Committees**

#### **3.1. Management Meeting**

By resolution of the Chairman of the Board of Directors & Managing Director the OTE Group Management Meeting has been established and operates with primary mission to coordinate and ensure the necessary cohesion in OTE SA and its affiliated companies, the resolution of material issues regarding the current management and the examination and decision on any other matter entrusted to the Meeting either from the Board of Directors or the Managing Director of the Company. The Meeting takes place weekly, it is chaired by the Managing Director or his Deputy appointed by his decision. In the Management Meeting participate, except for the Managing Director, the following executives: the OTE Group Legal Counsel - OTE Group Chief Legal and Regulatory Affairs Officer, the OTE Group Chief Operating Officer, the OTE Group Chief Financial Officer, the OTE Group Chief Information Technology Officer, the OTE Group Chief Human Resources Officer, the OTE Group Chief Technology & Operations Officer, the OTE Group Chief Strategic Planning & Transformation Officer, the OTE Group Chief International Activities Officer, the Executive Director Corporate Communications OTE Group and any other managers that are being invited by the Chairman of the Management Meeting.

#### **3.2 OTE Group Compliance, Enterprise Risks and Corporate Governance Committee**

By resolution of the Chairman of the Board of Directors & Managing Director, the OTE Group Compliance, Enterprise Risks and Corporate Governance Committee has been established with primary mission the support, the audit and assurance of the implementation of the Compliance and Risk Management Systems (CMS and RMS) and general corporate governance issues. Indicatively, the Committee designates the strategic issues regarding corporate governance, compliance and corporate risks, keeping abreast of best practices, monitors and reviews the implementation of RMS, CMS and supports business units in their risk analysis, ensuring efficient communication between employees

and management about the RMS and CMS Programs. Proposes the appropriate measures/procedures and policies to the competent corporate bodies to be approved on the issues of its competences and supports the design of the implementation of these measures. Reviews the Reports and the results of CMS and RMS procedures and assess the completeness, accuracy and precision of the reports that are being submitted to the competent corporate bodies (quarterly or/and ad hoc), namely the Board of Directors and the Audit Committee. Members of the Committee are the Executive Director Compliance, Enterprise Risk Management & Insurance OTE Group (Committee's Chairman), the Executive Director Internal Audit OTE Group, the OTE Group Legal Counsel - OTE Group Chief Legal and Regulatory Affairs Officer, the OTE Group Chief Human Resources Officer, the Executive Director Regulatory Issues and the Executive Director Business Security & Continuity OTE Group. In every meeting the Executive Director Corporate Communications OTE Group is present and participates, while extraordinarily other executives may participate according to the agenda items.

### ►E. General Assembly and Shareholders' Rights

#### 1. General Assembly - Operation and Powers

According to article 15 of the Company's Articles of Incorporation, the General Assembly of shareholders is the foremost body of the Company and has the right to resolve upon all matters concerning the Company unless otherwise specified in these Articles of Incorporation. Every shareholder of fully paid in shares having the right to vote may participate in the General Assembly of shareholders according to the number of shares held. The resolutions of the General Assembly also bind those shareholders who are absent or disagree.

The General Assembly of shareholders is convened by the Board of Directors pursuant to the provisions of the Law and meets mandatorily at the registered office of the Company, or the region of another municipality within the prefecture of the Company's registered office, or another municipality neighboring the Company's registered office or in the region of the municipality where the Stock Exchange is located, at least once every financial year and within six (6) months from the end of the financial year. The Board of Directors may convoke the General Assembly of shareholders in an extraordinary meeting, if deemed expedient.

The notification of the ordinary or extraordinary General Assembly of shareholders and of every repeated General Assembly must specify the venue, the date and the time of the meeting, the items of the agenda, the shareholders that have right to participate, as well as precise instructions on how the shareholders will be able to participate in the meeting and exercise their rights. The Board of Directors decides on the items of the agenda and on the convocation of the General Assembly of shareholders in the same meeting. The notification is posted at a visible position at the Company's registered office and is published pursuant to the provisions in force.

The General Assembly is in quorum and convenes validly on the issues of the agenda when at least twenty (20) percent of its paid-in share capital is represented. In the event that such quorum is not reached during the first convocation a new repeated assembly is held within twenty (20) days. The repeated assembly is in quorum and convenes validly with the same agenda items, irrespectively of the percentage of the paid in share capital represented. The resolutions of the General Assembly are adopted upon an absolute majority of the votes represented at the assembly.

Exceptionally, according to article 20 of the Articles of Incorporation, the General Assembly is in quorum and convenes validly only if two thirds (2/3) of the paid-in share capital are represented, with respect to the following matters:

- (a) Merger or dissolution of the Company.
- (b) Increase or decrease of the share capital, with the exception of cases which are governed by different provisions under the law or the present Articles of Incorporation.
- (c) Issuance of bond loans convertible to shares.
- (d) Amendment of the manner of distribution of profits.
- (e) Increase of the liability of shareholders.
- (f) Limitation or cancellation of the preemption rights of existing shareholders in the event of increases of share capital in cash or contributions in kind.
- (g) Amendment of the special majority of the Board of Directors provided in Article 6 paragraph 1 of the Articles of Incorporation.
- (h) Amendment of Article 20.

In the event that the quorum of the preceding paragraph is not achieved during the first assembly, the first repeated assembly is held, within twenty (20) days of this assembly, which is in quorum and convenes validly when at least one half (1/2) of the paid in share capital is represented. In the event that this second quorum is not achieved, the General Assembly convenes once again within twenty days after the first repeated assembly, and is in quorum and convenes validly when at least one fifth (1/5) of the paid in share capital is represented. The



resolutions on the above issues are adopted upon a majority of two thirds (2/3) of the votes represented at the assembly.

## **2. Participation of the Shareholders**

**2.1.** Any natural person or legal entity, recognized as a shareholder according to the registry of the Dematerialized Securities System (managed by the Hellenic Exchanges S.A.) in which the shares of the Company are recorded, is entitled to participate in the General Assembly provided that must qualify as a shareholder on the Record Date, i.e. at the beginning of the fifth (5th) day before the date of the General Assembly.

Proof of qualification as a shareholder either via a relevant written certification of the above organization or, alternatively, through the direct electronic link of the Company with the records of the Hellenic Exchanges S.A. must be submitted to the Company at the latest, the third day before the date of the General Assembly.

In case of a Repeated General Assembly, the deadlines are those provided by law.

Shareholders who are not in compliance with the provisions of article 28a of C.L. 2190/1920 may participate in the General Assembly only after the Assembly's approval.

The exercise of the above rights does not require blocking of shares or any other similar processes that would restrict the possibility of sale and transfer of shares during the period between the Record Date and the General Assembly.

The information of article 27 paragraph 3 of C.L. 2190/1920 including the invitation, the forms of appointment and revocation of a proxy holder, the procedure of voting by proxy, the draft resolutions for the agenda items, as well as further information regarding the exercise of minority rights of article 39, paragraphs 2, 2a, 4 and 5 of C.L. 2190/1920 are available before every General Assembly in electronic form on the Company's website and in hard copy, at the Company's competent department.

**2.2.** Shareholders may participate in the General Assembly and may either vote in person or by proxy holders. Each shareholder may appoint up to 3 proxy holders. Legal entities may participate in the General Assembly by appointing up to 3 natural persons as proxy holders. However, if a shareholder has shares of the Company held in more than one securities account, the above limitation shall not prevent the shareholder from appointing a separate proxy holder as regards shares held in each securities account. A proxy holder, acting on behalf of several shareholders may cast votes differently in respect of shares held by each shareholder so represented.

The appointment and the revocation of the appointment of a proxy holder shall be made in writing and shall be notified to the Company following the same procedure, at least 3 days before the date of the General Assembly. The forms on the appointment of a proxy holder or on the revocation, completed and signed by the shareholder must be submitted to the Company at least 3 days before the date of the General Assembly. The shareholders are requested to ensure the successful dispatch of the form and receipt thereof by the Company. Same procedure is being followed In case a shareholder appoints a bank as a proxy holder.

The proxy holder is obliged to disclose to the Company, before the commencement of the General Assembly, any fact which might be useful to the shareholders in assessing whether the proxy holder might pursue any interest other than the interest of the represented shareholder. A conflict of interest within this context may in particular arise where the proxy holder:

- a. Is a controlling shareholder of the Company, or is another entity controlled by such shareholder;
- b. Is a member of the Board of Directors or the management of the Company, or of a controlling shareholder or an entity controlled by such shareholder;
- c. Is an employee or an auditor of the Company, or of a controlling shareholder or an entity controlled by such shareholder;
- d. Is a spouse or close relative (of 1st degree) with a natural person referred to in points (a) to (c).

The Company does not provide for shareholders' participation and voting in the General Assembly via electronic or long-distance means, however article 18 par.3 of the Company's Articles of Incorporation provides that the Board of Directors may decide upon a procedure for remote voting during the shareholders' General Assembly.

## **3. Minority Shareholders' Rights**

Following a request by the shareholders, representing the one twentieth (1/20) of the paid-up share capital, the Board of Directors must convoke an extraordinary General Assembly of shareholders, setting the date of the meeting which must not be later than forty five (45)



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days from the date of service of the request to the Chairman of the Board of Directors. The request includes the subject of the agenda. If the General Assembly is not convoked by the Board of Directors within twenty (20) days from the service of the relevant request, the convocation is made by the requesting shareholders at the expense of the Company by decision of the Single-Member Court of First Instance of the Company's seat, issued following the procedure of interim measures. This decision sets the date and place of the meeting as well as the agenda.

Shareholders representing 1/20 of the paid-in share capital may request from the Board of Directors of the Company to include in the agenda of the General Assembly already held, additional items, provided that the relevant request is communicated to the Board of Directors at least fifteen (15) days before the General Assembly. The request for an additional item on the agenda must be accompanied by a justification or a draft resolution to be adopted in the General Assembly. The revised agenda is made available in the same manner as the previous agenda thirteen (13) days before the General Assembly and at the same time, it is made available to the shareholders on the Company's website, together with the justification or the draft resolution that had been submitted by the shareholders.

Following a request of shareholders, representing one twentieth (1/20) of the paid-in share capital, the Board of Directors makes available to the shareholders the draft resolutions for the items included in the initial or revised agenda, in accordance with article 27 paragraph 3 of C.L. 2190/1920, at least six (6) days before the General Assembly, if the relevant request is communicated to the Board of Directors at least seven (7) days before the General Assembly.

The Board of Directors is not obliged, in the above cases, to proceed with the inclusion of subjects in the agenda or to publication or notification of the subjects along with the justification or the draft decisions submitted by the shareholders, if their content is contrary to the law and to bonos mores.

Following a request by a shareholder or shareholders representing the one twentieth (1/20) of the paid-up share capital, the chairman of the Assembly is obliged to postpone, only once, the taking of a decision by the General Assembly, ordinary or extraordinary, for all or some subjects of the agenda, setting as date on which the Assembly will continue the date set in the shareholders' request which may not be later than thirty (30) days from the date of the postponement. The General Assembly which follows a postponed one is a continuation of the previous one and the publicity formalities of the invitation of shareholders need not be repeated. New shareholders may also participate abiding to the provisions of the Law.

Following the request of any shareholder, communicated to the Company at least 5 full days before the General Assembly, the Board of Directors must provide to the General Assembly, the requested, specific information with respect to matters of the Company, to the extent that this information is useful for the actual assessment of the items on the agenda. The Board of Directors may refuse to provide information on the grounds of a substantial cause, which must be mentioned in the minutes.

The Board of Directors may provide an overall response to requests of shareholders of the same content. The obligation of providing information does not exist if the relevant information is already available on the Company's website, especially in a question and answer format.

Following a request by the shareholders representing the one twentieth (1/20) of the paid-up share capital, the Board of Directors must announce to the General Assembly, provided that it is ordinary, the amounts which during the last two years were paid to each member of the Board of Directors or the managers of the Company, as well as any benefit to these persons for any reason or any contract between them and the Company. In the above cases, the Board of Directors may decline to provide such information on reasonable grounds which must be mentioned in the minutes.

Following a request of shareholders representing one fifth (1/5) of the paid-up share capital which is communicated to the Company five (5) complete days before the General Assembly, the Board of Directors must provide to the General Assembly information with respect to the course of the Company affairs and the financial condition of the Company. The Board of Directors may refuse to provide this information on reasonable grounds which must be mentioned in the minutes.

Following a request by shareholders representing the one twentieth (1/20) of the paid-up share capital, the decision on any subject of the agenda of the General Assembly is taken by roll-call vote.

In the aforementioned cases, the shareholders, who are communicating a request, must provide proof of their qualification as shareholders as well as the number of shares held by them at the moment of the exercise of the relevant right. The presentation of a certification of the

Hellenic Exchanges S.A or the verification of a shareholder's qualification through the direct electronic link of the Hellenic Exchanges S.A and the Company, may be recognized as such proofs.

**4. Decisions of the General Assembly (Regular and extraordinary) of the shareholders of OTE S.A. for important issues, which have been taken during 2014:**

Beyond the issues within the competence of the General Assembly, which are discussed annually, such as the approval of the annual financial statements, the election of the statutory auditor etc, the General Assembly decided in 2014, inter alia the following:

Pursuant to the resolution of the extraordinary General Assembly of the shareholders dated April 30, 2014, the amendment of article 2 (Object) of the Company's Articles of Incorporation, by adding a new subsection "m" to paragraph 1 thereof, has been approved as follows: "m) The purchase, sale and, in general, trading (wholesale and retail) of any kind of batteries, electric, electronic and telecommunication goods and their peripherals (indicatively computers, cameras, wire line and wireless devices, memory cards, videogames etc), expendables, technology products, software products and telephony equipment via Internet as well as goods of any related technology".

**›F. Internal control and risk management systems of the Company in relation to financial reporting process**

***Internal control system (ICS)***

OTE Group applies an internal control system (ICS) in order to ensure proper financial reporting, the effectiveness and efficiency of operations and adherence to legal requirements. OTE Group ICS is based on the internationally recognized COSO (Committee of Sponsoring Organizations of the Treadway Commission) Internal Control - Integrated Framework.

OTE Group has established a standardized process for documenting and evaluating the ICS. The scope of the ICS is defined based on certain materiality levels (both quantitative and qualitative) to ensure that financial reporting risks are appropriately identified and assessed and internal controls are designed and applied on a continuous basis by the management and the personnel. The process contains two types of controls: a) "Principles" that provide the basic safeguards for financial reporting, compliance and operations and b) "Transaction level controls" that are focused on financial reporting risks.

Corporate Governance best principles and practices are embedded in the ICS which contributes to the effective and secure operation of the Company. Management tests and evaluates the internal controls annually and provides a written assurance of the effectiveness of the system.

The responsibility of the Internal Audit function is to provide an opinion on the ICS for every area under review that results from its Annual Audit Plan. The Annual Audit Plan approved by the Audit Committee is the result of a risk assessment methodology of potential risks as well as an evaluation of the Internal Control System.

Furthermore, there are mechanisms that support the evaluations and review of the ICS process performed by the Board of Directors. Indicatively, the principles and policies that comprise the Compliance Management System, the Compliance, Enterprise Risk Management and Insurance Division, the Compliance, Enterprise Risks and Corporate Governance Committee, the Compensation and Human Resources Committee as well as the Audit Committee.

***Risk & Insurance Management System (RIMS)***

According to the 8th EU Company Law Directive on Statutory Audit (European Directive 2006/43/EC - article 41: "Three lines of defense model"), FERMA (Federation of European Risk Management Associations) and ECIIA (European Confederation of Institutes of Internal Auditing) introduced a guidance about monitoring the effectiveness of internal control, internal audit and risk management systems. Part of this system, in the Second line of defense, is the OTE Group Compliance, Enterprise Risk Management and Insurance, which is responsible for the continuous development of the Early Warning, Compliance and Risk Management Systems, as well as adopting standards applicable to the entire Group in order to ensure their implementation methodically and consistently. Its key goal is to safeguard the OTE Group existence and maintain corporate success.

The operation of the OTE Group Risk & Insurance Management System, is based on the COSO standard, developed by the Committee of Sponsoring Organizations of the Treadway Commission, recognized by the US Securities and Exchange Commission - SEC and the ISO 31000 "Risk management - Principles and guidelines", a risk management standard with global application.

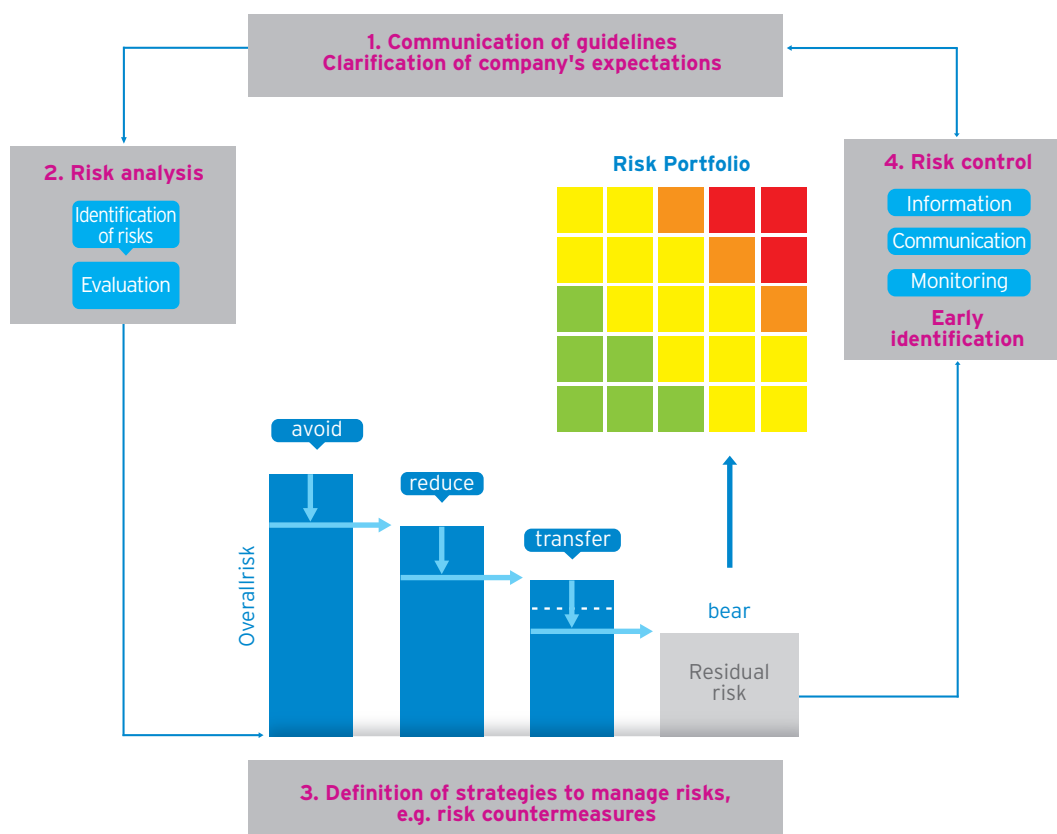
The RIMS at OTE Group includes all the strategic, operational and organizational controls and monitoring measures used to manage risks by undertaking the following tasks:

- Ensuring that existing risks are systematically identified, analyzed and evaluated and that information relevant to risks and opportunities is promptly communicated to the respective decision-makers
- Providing prompt risk information (reporting), that could have a material impact on future business success, either financial impact and revenue loss or operational impact that involves company's activities.
- Recording OTE Group's response to mitigate recognized analyzed and communicated risks.
- Review options for mitigating and transferring risks to external risk takers (e.g insurance companies).
- Establish tolerance thresholds for each level of risk evaluation (risk appetite), triggering a reporting requirement when these are exceeded (a limit system).
- Establish an enterprise risk methodology regarding the risk identification, assessment and response, integrated with relative risk assessments of all business units.

Maintain the OTE Group Risk Register, consolidating all individual risk reports of OTE Group subsidiaries.

Enterprise Risk Management (ERM) involves the adequate depiction of business risks, increasing the value of OTE Group. The Risk Landscape, which is a "risk map" of the organization's most critical risk areas, is used as a basis for optimized decisions. ERM aims to manage risks to an acceptable level that has been determined by the Board of Directors and the senior management. ERM provides a framework for risk management, which involves identifying particular events or circumstances relevant to the organization's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy and monitoring progress.

The Risk Management process, also called RM loop, is performed in the following order:



The OTE Group Enterprise Risk Management Department facilitates and monitors the implementation of effective risk management practices by operational management and assists the risk owners in defining the target risk exposure and reporting adequate risk related information through the organization. The duties of the risk managers include reporting and monitoring the identified risks and complying with the methodology of risk analysis and risk assessment. The OTE Group ERM on a quarterly basis, submits the Enterprise Risk Management Report to the OTE GRC Committee for its review, evaluation and submission to the competent corporate bodies, namely the OTE Audit Committee and the Board of Directors.

External auditing provides assurance to the organization's shareholders, board and senior management regarding the true and fair view of the organization's financial statements. The external auditors are entrusted with the duty to determine whether a risk monitoring system has been installed in accordance with the Greek and European auditing standards, and whether it is sufficient to meet the requirements that have been set. This determines whether the measures taken to identify and notify all potential risks early enough are sufficient, in order for the Management to be able to take all the appropriate measures. The external auditors also consider whether the risk management system, and the risks and opportunities arising from business developments, are accurately described in the OTE Group Risk Report which is submitted by the Executive Director Compliance, Enterprise Risk Management & Insurance OTE Group to the Audit Committee and the Board of Directors.

## F. MATERIAL TRANSACTIONS WITH RELATED PARTIES

OTE's related parties have been identified based on the requirements of IAS 24 "Related Party Disclosures".

The OTE Group includes all entities which OTE controls, either directly or indirectly. Transactions and balances between companies in the OTE Group are eliminated on consolidation.

DEUTSCHE TELEKOM AG is a 40.00% shareholder of OTE and consolidates OTE using the full consolidation method. Therefore, all companies included in the DEUTSCHE TELEKOM group are also considered related parties.

The Company purchases goods and services from these related parties, and provides services to them. Furthermore, OTE grants/ receives loans to/ from these related parties, receives dividends and pays dividends.

OTE's purchases and sales with related parties are analyzed as follows:

	2014		2013	
	Sales OTE	Purchases OTE	Sales OTE	Purchases OTE
COSMOTE group of companies	70.3	69.8	74.8	66.4
OTE INTERNATIONAL INVESTMENTS LTD	0.7	4.1	0.9	3.9
HELLAS-SAT	n/a	n/a	0.1	0.2
COSMO-ONE	-	0.6	-	0.7
VOICENET	0.9	1.8	1.6	2.5
OTE SAT - MARITEL	0.5	0.4	0.6	0.7
OTE PLUS	0.4	64.8	0.5	52.0
OTE ESTATE	0.3	45.3	0.7	46.8
OTE-GLOBE	11.2	55.3	13.0	59.3
OTE ACADEMY	0.1	5.7	0.1	4.7
TELEKOM ROMANIA	-	0.3	-	0.4
DEUTSCHE TELEKOM group of companies (except for OTE Group)	1.3	1.8	0.2	0.5
<b>TOTAL</b>	<b>85.7</b>	<b>249.9</b>	<b>92.5</b>	<b>238.1</b>

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Purchases and sales of the Group with related parties which are not eliminated in the consolidation are analyzed as follows:

	2014		2013	
	Group's sales	Group's purchases	Group's sales	Group's purchases
DEUTSCHE TELEKOM group of companies (except for OTE Group)	28.0	21.4	21.0	24.7
<b>TOTAL</b>	<b>28.0</b>	<b>21.4</b>	<b>21.0</b>	<b>24.7</b>

OTE's financial activities with its related parties comprise interest on loans received and are analyzed as follows:

	Finance expense OTE	
	2014	2013
OTE PLC	147.4	125.8
<b>TOTAL</b>	<b>147.4</b>	<b>125.8</b>

OTE's dividend income from its related parties is analyzed as follows:

	2014	2013
COSMOTE	-	0.6
HELLAS - SAT	-	7.0
OTE SAT - MARITEL	1.0	-
OTE INSURANCE	0.1	-
EDEKT	-	0.4
<b>TOTAL</b>	<b>1.1</b>	<b>8.0</b>

Amounts owed to and by the related parties as a result of OTE's transactions with them are analyzed as follows:

	2014		2013	
	Amounts owed to OTE	Amounts owed by OTE	Amounts owed to OTE	Amounts owed by OTE
COSMOTE group of companies	85.7	117.2	44.0	87.3
OTE INTERNATIONAL INVESTMENTS LTD	0.2	1.0	0.4	1.1
COSMO-ONE	-	0.1	0.1	0.2
VOICENET	n/a	n/a	0.6	1.1
OTE SAT - MARITEL	3.3	4.5	1.7	4.0
OTE PLUS	0.5	23.6	0.5	18.9
OTE ESTATE	0.5	4.6	0.6	11.0
OTE-GLOBE	14.8	53.5	14.8	54.9
OTE ACADEMY	0.5	1.1	0.4	1.6
TELEKOM ROMANIA	0.5	0.2	0.4	0.5
DEUTSCHE TELEKOM group of companies (except for OTE Group)	1.3	1.6	0.2	0.9
<b>TOTAL</b>	<b>107.3</b>	<b>207.4</b>	<b>63.7</b>	<b>181.5</b>

Amounts owed to and by the related parties as a result of the Group's transactions with them, which are not eliminated in the consolidation, are analyzed as follows:

	2014		2013	
	Amounts owed to Group	Amounts owed by Group	Amounts owed to Group	Amounts owed by Group
DEUTSCHE TELEKOM group of companies (except for OTE Group)	17.3	72.6	14.5	57.2
<b>TOTAL</b>	<b>17.3</b>	<b>72.6</b>	<b>14.5</b>	<b>57.2</b>

Amounts owed by OTE relating to loans received, are analyzed as follows:

	Amounts owed by OTE	
	2014	2013
OTE PLC	2,344.5	2,217.0
<b>TOTAL</b>	<b>2,344.5</b>	<b>2,217.0</b>

Key Management Personnel and those closely related to them are defined in accordance with IAS 24 "Related Party Disclosures". Compensation includes all employee benefits (as defined in IAS 19 "Employee Benefits") including employee benefits to which IFRS 2 "Share-based Payment" applies.

Fees to the members of the Board of Directors and OTE's key management personnel amounted to Euro 6.1 and Euro 6.2 for the years 2014 and 2013, respectively.

As of December 31, 2014, 680,314 options under OTE's share based payment plan have been granted to the Company's key management personnel.

## G. SIGNIFICANT EVENTS AFTER THE YEAR END

The most significant events after December 31, 2014 are as follows:

### >GROUP

#### **Bond buybacks**

In January and February 2015, OTE PLC repurchased a nominal amount of Euro 49.8, under the Euro 787.7 Notes maturing February 2015, along with the payment of accrued interest. The Notes were surrendered for cancellation. As a result, the outstanding nominal amount of the Euro 787.7 Notes amounted to Euro 382.6.

In January 2015, OTE PLC repurchased a nominal amount of Euro 24.3, under the Euro 900.0 Notes maturing May 2016, along with the payment of accrued interest. The Notes were surrendered for cancellation. As a result, the outstanding nominal amount of the Euro 900.0 Notes is Euro 632.3.

#### **Repayment of Euro 787.7 Notes due February 12, 2015**

In February 2015, OTE PLC proceeded with the full redemption of the remaining outstanding amount of Euro 382.6 under the Euro 787.7 Notes maturing on February 12, 2015, along with the payment of the accrued interest.

### >COMPANY

Prepayments under loans granted from OTE PLC

In January and February 2015, OTE proceeded with partial prepayments of a nominal amount of Euro 49.8 under the Euro 600.0 loan from OTE PLC maturing on February 11, 2015 along with the payment of the accrued interest. As a result, the outstanding nominal amount of the loan amounted to Euro 382.6.

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In February 2015, OTE proceeded with partial prepayment of a nominal amount of Euro 102.4 under the Euro 170.7 zero coupon bond loan from OTE PLC maturing on December 10, 2015.

In February 2015, OTE proceeded with the full prepayment of the Euro 51.0 bond loan from OTE PLC maturing on May 29, 2015 along with the payment of accrued interest.

### ***Repayment of loan granted from OTE PLC***

In February 2015, OTE proceeded with the full repayment of the remaining outstanding amount of Euro 382.6 under the Euro 600.0 loan from OTE PLC maturing on February 11, 2015, along with the payment of accrued interest.

### **H. INFORMATION IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 16 par. 9 C.L. 2190/1920 REGARDING ACQUIRED OWN SHARES**

- (a) OTE has acquired own shares in the context of the existing Share Option Plan.
- (b) During 2014, OTE acquired 5,526,651 own shares of a nominal value of Euro 15.6 representing the 1.13% of its share capital. In April and October 2014, 5,354,659 vested rights were exercised and an equal number of shares of nominal value Euro 15.2, representing the 1.09% of OTE's share capital were transferred to the beneficiaries.
- (c) The consideration of the 5,526,651 own shares acquired amounted in total to Euro 63.2 and the consideration that the above beneficiaries of the plan had paid for the 5,354,659 shares transferred to them, amounted in total to Euro 26.2.
- (d) As a result of the above transfer of 5,354,659 own shares to the beneficiaries of the plan, at December 31, 2014, the outstanding number of own shares held by OTE was 1,369,951 shares of a nominal value of Euro 3.9 representing the 0.28% of its share capital.

### **I. INFORMATION ACCORDING TO ARTICLE 4.7 OF LAW 3556/2007**

#### **(a) Share capital structure**

The Company's share capital amounts to one billion three hundred eighty seven million one hundred twenty five thousand six hundred Euros and eighty seven cents (Euro 1,387,125,600.87) (absolute amount), divided into four hundred ninety million, one hundred fifty thousand three hundred eighty-nine (490,150,389) common registered shares of a nominal value of two Euros and eighty three cents (Euro 2.83) each (absolute amount).

According to the Company's share registry as of December 31, 2014 the Company's ownership was as follows:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE %
Hellenic State	29,409,027	6.00%
IKA-ETAM (refers only to the transfer of 4% from the Hellenic State)	19,606,015	4.00%
DEUTSCHE TELEKOM AG	196,060,156	40.00%
Institutional investors	209,569,201	42.76%
Private investors	34,136,039	6.96%
Treasury shares	1,369,951	0.28%
<b>TOTAL</b>	<b>490,150,389</b>	<b>100.00%</b>

All of the Company's shares are common, registered with voting rights and there are no special shareholder categories. The Company's shares are listed (dematerialized) on the Athens Exchange under the High Capitalization category. Until September 19, 2010, OTE ADRs (American Depositary Receipts) were also listed in the New York Stock Exchange. Following OTE's delisting from NYSE, OTE ADRs now trade in the US OTC (Over the Counter) market. OTE GDRs (Global Depositary Receipts) are also listed on London Stock Exchange.

Each share incorporates all rights and obligations as these derive from C.L. 2190/1920 and the Company's Articles of Incorporation, the provisions of which are in line with the provisions of the Law.

Any shareholder that has in their possession any number of shares has the right to participate in the General Assembly of the shareholders

of the Company either in person or by proxy. The Greek State, as shareholder, is represented at the General Assembly by the Minister of Finance or by a representative.

Each share is entitled to one vote.

The allocation of the Company's net profits is being executed as provided by Law and the Company's Articles of Incorporation.

The General Assembly of shareholders maintains all its rights during liquidation. Shareholder's liability is limited to the nominal value of shares that they have in their possession. Shareholders' rights are the ones determined by the provisions of C.L. 2190/1920, as in force.

#### **(b) Restrictions in the transfer of the Company's shares**

The Company's shares are intangible and freely traded on the Athens Exchange and are transferred according to the Law.

According to article 4 of Law 3016/2002, the independent non-executive members of the Board of Directors of the Company cannot possess more than 0.5% of the paid-in share capital.

According to article 13 of Law 3340/2005, management personnel and their close relatives, without having restrictions on the acquisition or transfer of the Company's shares or derivatives or other financial instruments related to them, are obliged to disclose their direct and indirect transactions in the Company's shares, exceeding the amount of Euro 5,000 (absolute amount) on an annual basis. The obligation of such disclosures is dictated by Law and the relevant decisions of the Hellenic Capital Market Commission.

According to article 25 of Law 4070/2012, (Regulation of Electronic Telecommunications, Transports and Public Constructions and other provisions), any change in control of the Company is approved by the Hellenic Telecommunications and Post Committee ("HTPC"). The approval of HTPC with respect to the change in control is also required by Law 3959/2011 on Protection of Free Competition (in combination with article 12, par. f of the above Law 4070/2012).

According to the shareholders agreement of May 14, 2008 between the Hellenic Republic and DEUTSCHE TELEKOM AG, ratified by the Law 3676/2008, no other member of DEUTSCHE TELEKOM AG Group possesses OTE shares or voting rights.

#### **(c) Significant direct or indirect investments**

Significant direct ownership in the share capital of the Company as of December 31, 2014, according to Law 3556/2007 (FEK A' 91/2007), was as follows:

1. The Hellenic Republic which as shareholder holds directly 6.00% of the paid-up share capital of the Company and the respective voting rights. Moreover, based on the agreement signed on March 4, 2009 for the transfer of 4% of OTE's share capital from the Hellenic Republic to "Institute for Social Security - Unified Insurance Fund for Employees" "IKA-ETAM", the latter undertakes to exercise its voting rights corresponding to the above shares, in coordination with the Hellenic Republic and has to instruct individuals who will be authorized to exercise the voting rights at any General Assembly of the OTE's shareholders on its behalf in the same way the Hellenic Republic does.
2. DEUTSCHE TELEKOM AG's direct participation in OTE's paid-up share capital which stands at 40.00%, corresponding to 196,060,156 shares, with respective voting rights.

As of December 31, 2014, the Company is not aware of any other shareholder who holds, has acquired or has transferred to a third person or corporate body the ownership of 5% or more of its paid-up share capital with the respective voting rights.

#### **(d) Owners of shares that offer special control rights**

There are no issued shares of the Company that offer special control rights.

#### **(e) Restrictions on voting rights - Deadlines in exercising relating rights**

There are no restrictions on voting rights according to the Company's Articles of Incorporation. Regarding restrictions deriving indirectly from Shareholders Agreements see below under paragraph (f).

#### **(f) Shareholder agreements for restrictions in the transfer of shares or in exercising of voting rights**

On May 14, 2008, an agreement was signed between the two shareholders, i.e. the Hellenic Republic and DEUTSCHE TELEKOM AG, which was ratified by Law 3676/2008 and which provides restrictions in the transfer of shares or in the exercising of voting rights regarding the



shares held by the shareholders mentioned in this agreement.

Also in the transfer agreement signed on March 4, 2009 between the Hellenic Republic and the public entity under the corporate name "Institute for Social Security - Unified Insurance Fund for Employees" (IKA-ETAM), restrictions on transfer of shares (right of the Hellenic Republic to buy back shares of IKA-ETAM and preference in case of sale) are provided. Also the same contract provides restrictions on the exercise of voting shares held by IKA-ETAM. These limitations are imposed on the contractual parties of each agreement.

### **(g) Rules of appointment and replacement of members of the Board of Directors and amendment of the Company's Articles of Incorporation if they differ from the provisions of C.L.2190/1920.**

The provisions of the Company's Articles of Incorporation in relation to the appointment and replacement of the Board of Directors members and the amendment of its Articles of Incorporation are in accordance with the provisions of C.L. 2190/1920.

In particular, according to the provisions in the Articles of Incorporation, the Board of Directors consists of nine (9) up to eleven (11) members, elected by the General Assembly, which also defines the number of members. The term of each Board member is three years and their service term commences on the day of the member's election by the General Assembly and terminates on the Annual General Assembly of the year when the three years from their election are completed.

In case of resignation, death or for any reason occurs derogation of one or more members before the end of their term, the remaining members of the Board of Directors, either elect - provided that at least five (5) members are present or represented- one or more replacements, or they continue to exercise the management or the representation of the Company, without having elected one or more replacements. If someone is elected by the Board of Directors as temporary member in someone else's position, this election is announced at the next General Assembly (regular or extraordinary), which has the authorization to replace the elected members even if this issue has not been included in the agenda of this General Assembly.

By resolution of the General Assembly, the members of the Board of Directors are eleven (11).

The members of the Board of Directors may always be re-elected and can be revoked anytime by the General Assembly of Shareholders.

### **(h) Authority of the Board of Directors or of some of its members for the issuance of new shares/share buy backs according to article 16 of Law 2190/1920**

In accordance with article 6 of the Company's Articles of Incorporation, the General Assembly of Shareholders, following its decision (subject to the disclosure procedures specified by article 7b of Law 2190/1920) can transfer to the Board of Directors the authority to decide with a majority of two thirds (2/3) of its members and within five (5) years from the date of the relevant decision for:

- I. The increase of the share capital with the issuance of new shares. The amount of the increases cannot exceed the total amount of the share capital as at the date of the delegation of the relevant authority by the General Assembly to the Board of Directors.
- II. The issue of bonds up to an amount not exceeding the paid-up share capital, by issuing convertible bonds.

The above authorities of the Board of Directors may be renewed by the General Assembly for a period not exceeding five (5) years for each renewal.

Exceptionally, in the event the reserves of the Company exceed one fourth (1/4) of the paid-up share capital, a resolution of the General Assembly for the increase of the share capital through the issuance of a new shares or a bond convertible into shares, will always be required.

There are no resolutions of the General Assembly of Shareholders in force for the concession of the above authorities to the Board of Directors.

Following a resolution of the General Assembly of Shareholders and pursuant to the regulations that are in force, the Company may acquire own shares corresponding to a maximum of 10% of its paid-up share capital. Such resolutions of the General Assembly are effectuated by the Board of Directors' decisions.

In light of the above, the General Assembly of Shareholders decided on June 26, 2013 the approval of the acquisition by OTE S.A. of own shares, pursuant to article 16 of C.L. 2190/1920, as in force, up to one tenth (1/10) of its total paid-in share capital for a period of 24 months, at a maximum purchase price of Euro 30 and a minimum purchase price of Euro 2. The Board of Directors has delegated to the Chief

Executive Officer the power to implement the respective decision of the General Assembly of buying own shares, along with the right to delegate further the respective power. More detailed information regarding own shares having been acquired by the Company are provided above at respective Chapter H bearing title "INFORMATION IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 16 par. 9a C.L. 2190/1920 REGARDING ACQUIRED COMPANY OWN SHARES".

(i) Significant Group's agreements that are in force and are amended/ terminated upon a change in control applicable to OTE or a Group subsidiary

### **LOAN AGREEMENTS**

The Group has entered into various loan agreements and bond issuance agreements in which a change of control clause applicable to OTE or a Group subsidiary is included. If the clause is activated the relevant company must proceed with prepayment of the loan in line with what is contractually stipulated.

The wording of the specific clause varies in each contract and specifically the text is as follows:

#### **1) Euro 700.0 due 2018 and Euro 700.0 due 2020 notes under the Global Medium-Term Note Programme**

On February 7, 2013, OTE PLC issued Euro 700.0, 5-year Fixed Rate Notes under its Global Medium-Term Note Programme, maturing on February 7, 2018, with an annual coupon of 7.875%, paid semi-annually.

On July 10, 2014, OTE PLC issued new Euro 700.0, 6-year Fixed Rate Notes under its Global Medium-Term Note Programme, maturing on July 9, 2020, with an annual coupon of 3.5%.

The Euro 700.0 due 2018 and Euro 700.0 due 2020 notes include a change of control clause applicable to OTE which is triggered if an entity (other than (i) DEUTSCHE TELEKOM AG, (ii) DEUTSCHE TELEKOM AG together with the Hellenic Republic, any of its agencies or instrumentalities or any entity directly or indirectly controlled by the Hellenic Republic or any of its agencies or instrumentalities, or (iii) any telecommunications operator (other than DEUTSCHE TELEKOM AG) with credit rating equivalent or better than the credit rating of DEUTSCHE TELEKOM AG), gains the power to direct the management and policies of OTE, whether through the ownership of voting capital, by contract or otherwise. In the event that the clause is triggered OTE PLC is obliged to notify the bondholders, who can request (within 45 days) the repayment of their notes.

#### **2) Euro 787.7 and Euro 900.0 notes under the Global Medium-Term Note Programme:**

- Euro 600.0 maturing in February 2015 (after new notes issued in January 2013 amount to Euro 787.7) and
- Euro 900.0 maturing in May 2016.

The Euro 900.0 and Euro 787.7 notes include a change of control clause applicable to OTE which is triggered if both of the following events occur:

- a)** any person or persons acting in concert (other than the Hellenic Republic) at any time directly or indirectly come (s) to own or acquire (s) more than 50% of the issued ordinary share capital or of the voting rights of OTE, and
- b)** as a consequence of (a), the rating previously assigned to the bonds by any international rating agency is withdrawn or downgraded to BB+/Ba1 or their respective equivalents (non-investment grade), within a specific period and under specific terms and conditions.

In the event that the clause is triggered OTE PLC is obliged to notify the bondholders, who can request (within 45 days) the repayment of their notes.

#### **3) Euro 225.0 Syndicated Loan arranged by the European Bank for Reconstruction and Development Loan ("EBRD")**

On July 24, 2013, Telekom Romania Mobile signed a Euro 225.0 loan arranged by the EBRD in order to finance the strategic growth of its broadband infrastructure through the renewal of spectrum licenses and the expansion of its 4th generation network.

The loan includes a change of control clause applicable to Telekom Romania Mobile, Sunlight Romania Filiala, Telemobil, Germanos Telecom Romania (all referred to as "Obligors"), which is triggered if OTE ceases to own, directly or indirectly, at least 50% plus one share of the voting share capital of, or otherwise ceases to control any Obligor or Telekom Romania. In the event that the clause is triggered, EBRD may at its option, by notice to Telekom Romania Mobile, require the prepayment of the whole or any portion of the loan.

### **COMMERCIAL AGREEMENTS**

# ANNUAL FINANCIAL REPORT

## II. ANNUAL REPORT OF THE BOARD OF DIRECTORS

OTE or OTE Group companies have entered into various commercial agreements in which a change of control clause applicable to OTE or OTE Group companies is included. The most significant of them are the following:

A. Regarding the provision of television services (as per sports and cinema content) as follows:

1. Agreements with UEFA for the rights of Champions League and Europa League 2015 - 2018 championships (1-7-2015 until 30-6-2018):

In 2014 OTE has concluded agreements with UEFA for the rights of Champions League and Europa League 2015 - 2018 championships. In case of a substantial change in the direct or indirect ownership or control of OTE which in the reasonable opinion of UEFA adversely affects the ability of OTE to perform its obligations under the agreements or is detrimental to the interests of UEFA, UEFA may terminate the agreements with immediate effect.

2. Agreement with Die Liga e.V represented by DFL Sports Enterprises GmbH for the Bundesliga 2015 - 2017 championship rights (from execution until 30-6-2017)

In 2014 OTE has concluded agreements with Die Liga e.V represented by DFL Sports Enterprises GmbH for the Bundesliga 2015 - 2017 championship rights. In case of a change of control of OTE, Licensor may terminate the agreement with immediate effect.

3. Agreement with ASSET OGILVY PUBLIC RELATIONS S.A. for the Formula 1 2015 - 2017 rights

In 2014 OTE has concluded agreement with ASSET OGILVY PUBLIC RELATIONS S.A. for the Formula 1 2015 - 2017 rights. In case of a material change in the ownership (either direct or indirect) or control of OTE, ASSET OGILVY PUBLIC RELATIONS S.A. shall have the right at its discretion to terminate the agreement.

4. Agreement (output deal) with Universal Studios International B.V. for the acquisition of film rights

OTE has concluded agreement with Universal Studios International B.V. for the acquisition of film rights until 30-6-2018. In case of a change of control of OTE, Universal may terminate the agreement.

B. In years 2013 and 2014 COSMOTE and companies of Deutsche Telekom Group have signed the following three (3) agreements which include a change of control clause: (i) the first for the provision of billing, transition and operations services by COSMOTE (Supplier) to T-MOBILE NETHERLANDS B.V., (ii) the second for the provision of IT Computing Services by COSMOTE (Supplier) to T-MOBILE NETHERLANDS B.V. and (iii) the third for the provision of Support Services for the BSCS Billing System by COSMOTE (Contractor) to Slovak Telekom.

C. OTE, following a Public Open International Tender by "Information Society S.A." (KTP SA), was selected as a Private Partnership (PP) for the Project "Development of Broadband Infrastructure in Rural "White" Areas" of Greek Territory and Infrastructure Exploitation and Development Services via Public Private Partnership" at zones 1 and 3. In accordance with the tender requirements, OTE established the special purpose company (SPV) "OTE RURAL NORTH", which signed with KTP SA a partnership contract regarding the implementation of the above project at zone 1 and the special purpose company (SPV) "OTE RURAL SOUTH", which signed with KTP SA a partnership contract regarding the implementation of the above project at zone 3. Both partnership contracts contain a term according to which the written consent of KTP SA is required for a change in each of these SPV shareholding structure. In case of shares transfer or for any other act by which the rights of vote are transferred, the written consent of KTP SA is required.

D. OTE has concluded business agreements with strategic partners/sellers (Nec Nederland B.V, Alcatel -Lucent, Unify, Cisco, SAP και HP) for the purchase of products and services for the purposes of reselling to business and enterprise customers. Said Agreements include terms according to which the partners have a right to terminate the Agreement in case of a change of control of OTE.

### **OTE'S CREDIT EVALUATION**

On August 7, 2014, Moody's Investors Service upgraded the corporate family rating of OTE to Ba3 from B2. Concurrently, it upgraded the company's probability of default rating (PDR) to Ba3-PD from B2-PD. In addition, Moody's has upgraded the senior unsecured ratings on the global medium-term note program (GMTN) and the global bonds issued by OTE PLC to (P)Ba3 from (P)B2 and to Ba3 from B2, respectively. The outlook on all the ratings remains stable.

On September 30, 2014, Standard & Poor's Ratings Services raised its long-term corporate credit rating on OTE to 'BB' from 'BB-'. At the

same time, it affirmed its 'B' short-term corporate credit rating on OTE. The outlook is stable. In addition, Standard & Poor's Ratings Services raised to 'BB' from 'BB-' its issue ratings on the debt issued by OTE PLC.

On February 9, 2015 Moody's Investors Service placed on review for downgrade the Ba3 corporate family rating and the Ba3 probability of default rating of OTE. Concurrently, the rating agency has placed on review for downgrade the provisional Ba3 senior unsecured ratings of the global medium-term note programme (GMTN) and the Ba3 rating of the global bonds issued by OTE PLC. The outlook changed to Rating Under Review from Stable.

On February 16, 2015, Standard & Poor's Ratings Services lowered its long-term corporate credit rating on OTE to 'BB-' from 'BB' and placed the rating on CreditWatch with negative implications. At the same time, it affirmed its 'B' short-term corporate credit rating on OTE. In addition, it lowered its issue ratings on the debt issued by OTE PLC to 'BB-' from 'BB' and placed these ratings on CreditWatch negative.

The rating action on OTE follows Standard & Poor's Ratings Services lowering of the long-term sovereign ratings on Greece by one notch to 'B-' from 'B'. Standard & Poor's Ratings Services cap the long-term corporate credit rating on OTE at three notches above the sovereign rating to reflect OTE's significant country risk exposure to the Greek economy.

**(j)** Compensating agreements with Board of Directors members or personnel in case of resignation/unfair dismissal or service employment termination due to a public offer

The Company has not entered into any agreements with the members of the Board of Directors or its personnel to compensate these persons, in case that because of a public offer for the acquisition or concession of its shares, are forced to resign or dismissed unfairly or their services or employment are terminated.

Athens, February 25, 2015

Michael Tsamaz

Chairman and Managing Director

## III. AUDITORS' REPORT OF THE FINANCIAL STATEMENTS

### INDEPENDENT AUDITOR'S REPORT

To the Shareholders of HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.

#### Report on the Separate and Consolidated Financial Statements

We have audited the accompanying separate and consolidated financial statements of HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. which comprise the separate and consolidated statement of financial position as of 31 December 2014 and the separate and consolidated income statement and statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these separate and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these separate and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate and consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate and consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the financial position of HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. and its subsidiaries as at December 31, 2014, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

#### Reference on Other Legal and Regulatory Matters

- a) Included in the Board of Directors' Report is the corporate governance statement that contains the information that is required by paragraph 3d of article 43a of Codified Law 2190/1920.

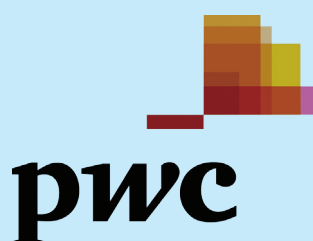
PricewaterhouseCoopers SA, 268 Kifissias Avenue, 15232 Halandri, Greece

T: +30 210 6874400, F: +30 210 6874444, [www.pwc.gr](http://www.pwc.gr)

260 Kifissias Avenue & Kodrou Str., 15232 Halandri, T: +30 210 6874400, F: +30 210 6874444

17 Ethnikis Antistassis Str., 55134 Thessaloniki, T: +30 2310 488880, F: +30 2310 459487

b) We verified the conformity and consistency of the information given in the Board of Directors' report with the accompanying separate and consolidated financial statements in accordance with the requirements of articles 43a, 108 and 37 of codified Law 2190/1920.



PricewaterhouseCoopers S.A.  
Certified Auditors - Accountants  
268, Kifissias Avenue  
152 32 Halandri  
SOEL Reg. No 113

Athens, 25 February 2015  
Certified Auditor - Accountant

**Marios Psaltis**  
SOEL Reg. No 38081

PricewaterhouseCoopers SA, 268 Kifissias Avenue, 15232 Halandri, Greece  
T: +30 210 6874400, F: +30 210 6874444, [www.pwc.gr](http://www.pwc.gr)  
260 Kifissias Avenue & Kodrou Str., 15232 Halandri, T: +30 210 6874400, F: +30 210 6874444  
17 Ethnikis Antistassis Str., 55134 Thessaloniki, T: +30 2310 488880, F: +30 2310 459487

## IV. ANNUAL FINANCIAL STATEMENTS

**ANNUAL FINANCIAL STATEMENTS (CONSOLIDATED AND SEPARATE)  
AS OF DECEMBER 31, 2014**

**IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS  
as adopted by the European Union**

**(TRANSLATED FROM THE GREEK ORIGINAL)**

The Annual Financial Statements presented on pages 43-101,  
were approved by the Board of Directors on February 25, 2015 and are signed by:

Chairman  
& Managing Director

Board Member  
& OTE Group Chief  
Financial Officer

Executive Director Finan-  
cial Operations  
OTE Group

Accounting  
Director

Michael Tsamaz

Charalampos Mazarakis

George Mavrakis

Konstantinos Vasilopoulos

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.  
REGISTRATION No 1037501000  
99 KIFISSIAS AVE-151 24 MAROUSI ATHENS, GREECE

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# ANNUAL FINANCIAL REPORT

## IV. ANNUAL FINANCIAL STATEMENTS

### STATEMENTS OF FINANCIAL POSITION (CONSOLIDATED AND SEPARATE)

(Amounts in millions of Euro)	NOTES	GROUP		COMPANY	
		2014	2013	2014	2013
ASSETS					
Non-current assets					
Property, plant and equipment	4	3,103.3	3,278.9	1,277.5	1,356.4
Goodwill	5	505.9	506.0	-	-
Telecommunication licenses	6	575.4	474.8	4.6	2.7
Other intangible assets	7	568.2	506.6	225.8	139.3
Investments	8	0.2	0.1	3,539.5	3,538.5
Loans and advances to pension funds	19	104.4	110.9	104.4	110.9
Deferred tax assets	22	360.0	393.9	178.6	223.2
Other non-current assets	9	93.0	78.0	63.4	48.2
Total non-current assets		5,310.4	5,349.2	5,393.8	5,419.2
Current assets					
Inventories	10	87.9	97.0	11.8	16.7
Trade receivables	11	684.9	703.3	349.1	332.0
Other financial assets	12	3.7	16.5	2.2	11.4
Other current assets	13	203.0	228.5	110.7	104.3
Restricted cash		4.5	4.5	-	-
Cash and cash equivalents	14	1,509.9	1,444.3	613.1	426.6
Total current assets		2,493.9	2,494.1	1,086.9	891.0
TOTAL ASSETS		7,804.3	7,843.3	6,480.7	6,310.2
EQUITY AND LIABILITIES					
Equity attributable to owners of the Parent					
Share capital	15	1,387.1	1,387.1	1,387.1	1,387.1
Share premium	15	496.7	511.9	496.7	511.9
Treasury shares	15	(14.8)	(11.2)	(14.8)	(11.2)
Statutory reserve	16	352.7	347.2	352.7	347.2
Foreign exchange and other reserves	16	(186.6)	(157.9)	(31.1)	(11.3)
Changes in non-controlling interests	8	(3,314.1)	(3,315.2)	-	-
Retained earnings	16	3,401.0	3,158.4	496.9	393.1
Total equity attributable to owners of the Parent		2,122.0	1,920.3	2,687.5	2,616.8
Non-controlling interests	8	376.4	375.4	-	-
Total equity		2,498.4	2,295.7	2,687.5	2,616.8

The accompanying notes on pages 190-253 form an integral part of these financial statements.

(Amounts in millions of Euro)	NOTES	GROUP		COMPANY	
		2014	2013	2014	2013
Long-term borrowings	18	2,173.1	2,556.5	1,316.7	1,600.6
Provision for staff retirement indemnities	19	244.6	199.3	206.5	171.4
Provision for youth account	19	188.8	182.3	188.8	182.3
Deferred tax liabilities	22	60.3	68.1	-	-
Other non-current liabilities	20	204.2	133.8	205.0	161.9
Λοιπές μακροπρόθεσμες υποχρεώσεις	20	204,2	133,8	205,0	161,9
<b>Total non-current liabilities</b>		<b>2,871.0</b>	<b>3,140.0</b>	<b>1,917.0</b>	<b>2,116.2</b>
<b>Current liabilities</b>					
Trade accounts payable		998.4	923.7	387.6	362.6
Short-term borrowings	21	-	11.0	270.6	167.0
Short-term portion of long-term borrowings	18	465.4	388.9	692.0	366.8
Income tax payable	22	46.4	82.8	-	38.1
Deferred revenue		143.0	147.4	78.6	80.3
Provision for voluntary leave scheme	19	142.9	237.9	142.9	237.9
Dividends payable	17	0.5	1.0	0.5	1.0
Other current liabilities	23	638.3	614.9	304.0	323.5
<b>Total current liabilities</b>		<b>2,434.9</b>	<b>2,407.6</b>	<b>1,876.2</b>	<b>1,577.2</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>7,804.3</b>	<b>7,843.3</b>	<b>6,480.7</b>	<b>6,310.2</b>

## INCOME STATEMENTS (CONSOLIDATED AND SEPARATE)

(Amounts in millions of Euro except per share data)	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Continuing operations					
Revenue					
Fixed business:					
Retail services revenues		1,228.2	1,268.3	865.5	881.9
Wholesale services revenues		610.8	606.1	328.2	345.5
Other revenues		332.7	303.1	220.2	221.9
Total revenues from fixed business		2,171.7	2,177.5	1,413.9	1,449.3
Mobile business:					
Service revenues		1,390.7	1,489.8	-	-
Handset revenues		242.2	247.3	16.7	16.2
Other revenues		18.1	21.7	-	-
Total revenues from mobile business		1,651.0	1,758.8	16.7	16.2
Miscellaneous other revenues		95.7	117.8	81.1	91.7
Total revenues		3,918.4	4,054.1	1,511.7	1,557.2

The accompanying notes on pages 190-253 form an integral part of these financial statements.

# ANNUAL FINANCIAL REPORT

## IV. ANNUAL FINANCIAL STATEMENTS

(Amounts in millions of Euro except per share data)	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Other operating income	24	66.4	42.3	4.1	10.6
<b>Operating expenses</b>					
Interconnection and roaming costs		(473.6)	(468.2)	(119.8)	(140.2)
Provision for doubtful accounts	11	(92.0)	(84.9)	(21.9)	(20.4)
Personnel costs		(697.1)	(821.5)	(315.1)	(444.5)
Costs related to early retirement programs	19	(8.4)	(272.4)	-	(250.9)
Commission costs		(151.2)	(168.7)	(9.8)	(12.0)
Device costs		(300.7)	(276.4)	(50.3)	(30.0)
Maintenance and repairs		(96.4)	(91.0)	(53.7)	(46.4)
Marketing		(119.8)	(113.0)	(27.0)	(24.4)
Other operating expenses, out of which:		(660.1)	(622.4)	(331.8)	(281.6)
Rental, leasing and facility costs		(195.0)	(200.0)	(103.3)	(104.0)
Third party fees and services		(129.7)	(123.8)	(136.9)	(100.0)
Other taxes and regulatory charges		(89.3)	(72.1)	(19.7)	(22.2)
Other sundry operating expenses		(246.1)	(226.5)	(71.9)	(55.4)
<b>Total operating expenses before depreciation, amortization and impairment</b>		<b>(2,599.3)</b>	<b>(2,918.5)</b>	<b>(929.4)</b>	<b>(1,250.4)</b>
<b>Operating profit before financial activities and depreciation, amortization and impairment</b>		<b>1,385.5</b>	<b>1,177.9</b>	<b>586.4</b>	<b>317.4</b>
Depreciation, amortization and impairment	4,6,7	(796.4)	(842.5)	(279.4)	(322.5)
<b>Operating profit /(loss) before financial activities</b>		<b>589.1</b>	<b>335.4</b>	<b>307.0</b>	<b>(5.1)</b>
<b>Income and expense from financial activities</b>					
Interest expense		(202.7)	(249.0)	(149.5)	(159.4)
Interest income		5.4	8.8	2.4	4.3
Foreign exchange differences, net		3.5	2.3	1.0	0.4
Dividend income	8	-	0.4	1.1	8.0
Impairment of investments and other financial assets		-	0.1	-	0.1
Gains /(losses) from investments and financial assets		0.1	216.8	0.1	(18.0)
<b>Total profit /(loss) from financial activities</b>		<b>(193.7)</b>	<b>(20.6)</b>	<b>(144.9)</b>	<b>(164.6)</b>

The accompanying notes on pages 190-253 form an integral part of these financial statements.

(Amounts in millions of Euro except per share data)	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Profit /(loss) before tax		395.4	314.8	162.1	(169.7)
Income tax	22	(123.9)	(20.9)	(52.0)	31.7
Profit /(loss) for the year from continuing operations		271.5	293.9	110.1	(138.0)
Discontinued operations					
Profit for the year from discontinued operations (attributable to owners of the parent)		-	28.9	-	-
Profit /(loss) for the year		271.5	322.8	110.1	(138.0)
Attributable to:					
Owners of the parent		267.4	316.7	110.1	(138.0)
Non-controlling interests		4.1	6.1	-	-
Profit /(loss) for the year		271.5	322.8	110.1	(138.0)
Earnings per share from continuing operations attributable to owners of the parent					
Basic earnings per share	25	0.5480	0.5873		
Diluted earnings per share	25	0.5478	0.5847		

## STATEMENTS OF COMPREHENSIVE INCOME (CONSOLIDATED AND SEPARATE)

(Amounts in millions of Euro)	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Profit / (loss) for the year		271.5	322.8	110.1	(138.0)
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Actuarial gains/(losses)	19,20	(37.2)	16.1	(27.0)	10.0
Deferred taxes on actuarial gains/(losses)		9.2	(4.0)	7.4	(2.5)
Deferred taxes on actuarial gains due to change in the tax rate		-	3.0	-	3.0
Total items that will not be reclassified subsequently to profit or loss		(28.0)	15.1	(19.6)	10.5

# ANNUAL FINANCIAL REPORT

## IV. ANNUAL FINANCIAL STATEMENTS

(Amounts in millions of Euro)	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation		(2.7)	(12.4)	-	-
Net movement in available for sale financial assets	9,12	(1.2)	0.5	(0.2)	0.4
Deferred taxes on net movement in available for sale financial assets		0.2	-	-	-
Total items that may be reclassified subsequently to profit or loss		(3.7)	(11.9)	(0.2)	0.4
Other comprehensive income / (loss) for the year		(31.7)	3.2	(19.8)	10.9
Total comprehensive income / (loss) for the year		239.8	326.0	90.3	(127.1)
Attributable to:					
Owners of the parent		238.7	324.1	90.3	(127.1)
Non-controlling interests		1.1	1.9	-	-
		239.8	326.0	90.3	(127.1)
Total comprehensive income attributable to owners of the parent arises from:					
Continuing operations		238.7	295.2	-	-
Discontinued operations		-	28.9	-	-
		238.7	324.1	-	-

The accompanying notes on pages 190-253 form an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED)

(Amounts in millions of Euro)	Attributed to equity holders of the parent								Non-controlling interests	Total equity
	Share capital	Share premium	Treasury shares	Statutory reserve	Foreign exchange and other reserves	Changes in non-controlling interests	Retained earnings	Total		
Balance as at January 1, 2013	1,171.5	509.6	-	347.2	(165.3)	(3,321.5)	3,057.3	1,598.8	390.0	1,988.8
Profit for the year	-	-	-	-	-	-	316.7	316.7	6.1	322.8
Other comprehensive income / (loss)	-	-	-	-	7.4	-	-	7.4	(4.2)	3.2
Total comprehensive income / (loss)	-	-	-	-	7.4	-	316.7	324.1	1.9	326.0
Share capital increase	215.6	-	-	-	-	-	(215.6)	-	-	-
Share-based payment	-	2.3	-	-	-	-	-	2.3	-	2.3
Acquisition of treasury shares	-	-	(11.2)	-	-	-	-	(11.2)	-	(11.2)
Net change of participation in subsidiaries	-	-	-	-	-	6.3	-	6.3	(16.5)	(10.2)
<b>Balance as at December 31, 2013</b>	<b>1,387.1</b>	<b>511.9</b>	<b>(11.2)</b>	<b>347.2</b>	<b>(157.9)</b>	<b>(3,315.2)</b>	<b>3,158.4</b>	<b>1,920.3</b>	<b>375.4</b>	<b>2,295.7</b>
Balance as at January 1, 2014	1,387.1	511.9	(11.2)	347.2	(157.9)	(3,315.2)	3,158.4	1,920.3	375.4	2,295.7
Profit for the year	-	-	-	-	-	-	267.4	267.4	4.1	271.5
Other comprehensive income / (loss)	-	-	-	-	(28.7)	-	-	(28.7)	(3.0)	(31.7)
Total comprehensive income / (loss)	-	-	-	-	(28.7)	-	267.4	238.7	1.1	239.8
Dividend payment	-	-	-	-	-	-	-	-	(0.1)	(0.1)
Transfer to statutory reserve (see Note 16)	-	-	-	5.5	-	-	(5.5)	-	-	-
Net change of participations in subsidiaries (see Note 8)	-	-	-	-	-	1.1	(1.1)	-	-	-
Acquisition of treasury shares for purposes of share option plan (see Note 15)	-	-	(63.2)	-	-	-	-	(63.2)	-	(63.2)
Transfer of treasury shares upon exercise of share option plan (see Note 15)	-	-	59.6	-	-	-	-	59.6	-	59.6
Exercise of share options under the share option plan (see Note 15)	-	(15.2)	-	-	-	-	(18.2)	(33.4)	-	(33.4)
<b>Balance as at December 31, 2014</b>	<b>1,387.1</b>	<b>496.7</b>	<b>(14.8)</b>	<b>352.7</b>	<b>(186.6)</b>	<b>(3,314.1)</b>	<b>3,401.0</b>	<b>2,122.0</b>	<b>376.4</b>	<b>2,498.4</b>

The accompanying notes on pages 190-253 form an integral part of these financial statements.

# ANNUAL FINANCIAL REPORT

## IV. ANNUAL FINANCIAL STATEMENTS

### STATEMENT OF CHANGES IN EQUITY (SEPARATE)

(Amounts in millions of Euro)	Share capital	Share premium	Treasury shares	Statutory reserve	Other reserves	Retained earnings	Total equity
Balance as at January 1, 2013	1,171.5	509.6	-	347.2	(22.2)	746.7	2,752.8
Profit / (loss) for the year	-	-	-	-	-	(138.0)	(138.0)
Other comprehensive income / (loss)	-	-	-	-	10.9	-	10.9
Total comprehensive income / (loss)	-	-	-	-	10.9	(138.0)	(127.1)
Share capital increase	215.6	-	-	-	-	(215.6)	-
Share-based payment	-	2.3	-	-	-	-	2.3
Acquisition of treasury shares	-	-	(11.2)	-	-	-	(11.2)
<b>Balance as at December 31, 2013</b>	<b>1,387.1</b>	<b>511.9</b>	<b>(11.2)</b>	<b>347.2</b>	<b>(11.3)</b>	<b>393.1</b>	<b>2,616.8</b>
Balance as at January 1, 2014	1,387.1	511.9	(11.2)	347.2	(11.3)	393.1	2,616.8
Profit / (loss) for the year	-	-	-	-	-	110.1	110.1
Other comprehensive income / (loss)	-	-	-	-	(19.8)	-	(19.8)
Total comprehensive income / (loss)	-	-	-	-	(19.8)	110.1	90.3
Absorption of subsidiary (see Note 8)	-	-	-	-	-	(0.8)	(0.8)
Transfer to statutory reserve (see Note 16)	-	-	-	5.5	-	(5.5)	-
Acquisition of treasury shares for purposes of share option plan (see Note 15)	-	-	(63.2)	-	-	-	(63.2)
Transfer of treasury shares upon exercise of share option plan (see Note 15)	-	-	59.6	-	-	-	59.6
Exercise of share options under the share option plan (see Note 15)	-	(15.2)	-	-	-	-	(15.2)
<b>Balance as at December 31, 2014</b>	<b>1,387.1</b>	<b>496.7</b>	<b>(14.8)</b>	<b>352.7</b>	<b>(31.1)</b>	<b>496.9</b>	<b>2,687.5</b>

The accompanying notes on pages 190-253 form an integral part of these financial statements.

## STATEMENTS OF CASH FLOWS (CONSOLIDATED AND SEPARATE)

(Amounts in millions of Euro)	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Cash flows from operating activities					
Profit / (loss) before tax		395.4	314.8	162.1	(169.7)
Adjustments for:					
Depreciation, amortization and impairment	4,6,7	796.4	842.5	279.4	322.5
Share-based payment		-	3.2	-	0.7
Costs related to early retirement programs	19	8.4	272.4	-	250.9
Provision for staff retirement indemnities	19	9.4	10.2	7.2	8.9
Provision for youth account	19	1.0	3.7	1.0	3.7
Write down of inventories	10	11.7	5.2	-	-
Provision for doubtful accounts	11	92.0	84.9	21.9	20.4
Other provisions		3.1	4.2	(0.1)	(2.1)
Foreign exchange differences, net		(3.5)	(2.3)	(1.0)	(0.4)
Interest income		(5.4)	(8.8)	(2.4)	(4.3)
Dividend income	8	-	(0.4)	(1.1)	(8.0)
(Gains) / losses from investments and financial assets - Impairments		(0.1)	(216.9)	(0.1)	17.9
Interest expense		202.7	249.0	149.5	159.4
Working capital adjustments:					
Decrease / (increase) in inventories		(2.8)	(0.5)	4.9	(1.9)
Decrease / (increase) in receivables		(38.9)	(7.3)	(10.0)	99.6
(Decrease) / increase in liabilities (except borrowings)		32.4	122.6	26.4	(19.9)
Plus / (Minus):					
Payment for early retirement programs and voluntary leave scheme	19	(114.5)	(163.1)	(105.7)	(141.6)
Payment of staff retirement indemnities and youth account, net of employees' contributions	19	(12.0)	(106.7)	(8.9)	(105.5)
Interest and related expenses paid		(238.3)	(249.2)	(172.5)	(163.4)
Income taxes paid		(137.3)	(121.3)	(58.2)	(9.7)
Net cash flows from operating activities of discontinued operations		-	55.7	-	-
Net cash flows from operating activities		999.7	1,091.9	292.4	257.5

The accompanying notes on pages 190-253 form an integral part of these financial statements.



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## IV. ANNUAL FINANCIAL STATEMENTS

(Amounts in millions of Euro)	Notes	GROUP		COMPANY	
		2014	2013	2014	2013
Cash flows from investing activities					
Establishment of new subsidiaries	8	-	-	(4.1)	-
Acquisition of non-controlling interest		-	(10.2)	-	-
Purchase of financial assets		-	(226.4)	-	(75.0)
Sale or maturity of financial assets	9, 12	12.8	229.6	9.0	75.0
Repayment of loans receivable		12.0	10.7	12.0	10.7
Purchase of property plant and equipment and intangible assets		(603.9)	(604.7)	(222.3)	(179.8)
Movement in restricted cash		-	58.8	-	-
Proceeds / (payments) from disposal of subsidiaries /investments		(2.2)	717.0	-	202.8
Interest received		5.3	14.8	2.2	7.5
Dividends received	8	-	0.4	0.7	7.4
Return of capital invested in subsidiary		-	1.0	-	1.0
Net cash flows used in investing activities from discontinued operations		-	(30.7)	-	-
Net cash flows from/(used in) investing activities		(576.0)	160.3	(202.5)	49.6
Cash flows from financing activities					
Acquisition of treasury shares, net of exercise proceeds	15	(43.1)	(6.0)	(43.1)	(6.0)
Proceeds from loans granted and issued	18,21	700.0	1,245.7	1,230.3	1,412.2
Repayment of loans	18,21	(1,013.9)	(2,201.2)	(1,091.4)	(1,678.1)
Dividends paid to Company's owners		(0.5)	(0.9)	(0.5)	(0.9)
Net cash flows used in financing activities from discontinued operations		-	(3.8)	-	-
Net cash flows from/(used in) in financing activities		(357.5)	(966.2)	95.3	(272.8)
Net increase in cash and cash equivalents		66.2	286.0	185.2	34.3
Cash and cash equivalents, at the beginning of the year		1,444.3	1,161.6	426.6	392.3
Net foreign exchange differences		(0.6)	(3.3)	-	-
Absorption of subsidiary		-	-	1.3	-
Cash and cash equivalents, at the end of the year	14	1,509.9	1,444.3	613.1	426.6

The accompanying notes on pages 190-253 form an integral part of these financial statements.

## 1. CORPORATE INFORMATION

Hellenic Telecommunications Organization S.A. ("Company", "OTE" or "parent"), was incorporated as a société anonyme in Athens, Greece in 1949, and is listed in the Greek General Commercial Registry (Γ.Ε.ΜΗ.) with the unique number 1037501000. The registered office is located at 99 Kifissias Avenue - 151 24 Maroussi Athens, Greece, and the website is [www.ote.gr](http://www.ote.gr). The Company is listed on the Athens Exchange. Until September 19, 2010, OTE ADRs (American Depositary Receipts) were also listed on the New York Stock Exchange. Following OTE's delisting from NYSE, OTE ADRs now trade in the US OTC (Over the Counter) market. OTE GDRs (Global Depositary Receipts) are also listed on the London Stock Exchange.

OTE's principal activities are the provision of telecommunications and related services.

Effective February 6, 2009, the financial statements are included in the consolidated financial statements of DEUTSCHE TELEKOM AG (full consolidation method), which has its registered office in Germany and as of December 31, 2014 holds a 40.00% interest in OTE (see Note 15).

The OTE Group ("Group") includes other than the parent Company, all the entities which OTE controls directly or indirectly.

The Annual Consolidated and Separate Financial Statements ("financial statements") as of December 31, 2014 and for the year then ended, were approved for issuance by the Board of Directors on February 25, 2015, and are subject to the final approval of OTE's General Assembly.

The total number of Group and Company employees as of December 31, 2014 and 2013 is as follows:

	GROUP	COMPANY
December 31, 2014	22,144	6,924
December 31, 2013	22,667	6,878

The consolidated financial statements include the financial statements of OTE and the following subsidiaries which OTE controls directly or indirectly:

COMPANY NAME	LINE OF BUSINESS	COUNTRY	GROUP's OWNERSHIP INTEREST	
			2014	2013
COSMOTE MOBILE TELECOMMUNICATIONS S.A. ("COSMOTE")	Mobile telecommunications services	Greece	100.00%	100.00%
OTE INTERNATIONAL INVESTMENTS LTD	Investment holding company	Cyprus	100.00%	100.00%
COSMO-ONE HELLAS MARKET SITE S.A. ("COSMO-ONE")	E-commerce services	Greece	61.74%	61.74%
VOICENET S.A. ("VOICENET") (see Note 8)	Telecommunications services	Greece	-	100.00%
OTE PLC	Financing services	U.K.	100.00%	100.00%
OTE SAT-MARITEL S.A. ("OTE SAT - MARITEL")	Satellite telecommunications services	Greece	94.08%	94.08%
OTE PLUS TECHNICAL AND BUSINESS SOLUTIONS S.A.- SECURITY SERVICES ("OTE PLUS")	Consulting and security services	Greece	100.00%	100.00%

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COMPANY NAME	LINE OF BUSINESS	COUNTRY	GROUP's OWNERSHIP INTEREST	
			2014	2013
DIERGASIA ENERGY TECHNICAL COMMERCIAL S.A. - GENERAL CONSTRUCTION COMPANY ("DIERGASIA") (see below)	Consulting services	Greece	100.00%	100.00%
OTE ESTATE S.A. ("OTE ESTATE")	Real estate	Greece	100.00%	100.00%
OTE INTERNATIONAL SOLUTIONS S.A. ("OTE-GLOBE")	Wholesale telephony services	Greece	100.00%	100.00%
HATWAVE HELLENIC-AMERICAN TELECOMMUNICATIONS WAVE LTD ("HATWAVE")	Investment holding company	Cyprus	52.67%	52.67%
OTE INSURANCE AGENCY S.A. ("OTE INSURANCE")	Insurance brokerage services	Greece	100.00%	100.00%
OTE ACADEMY S.A. ("OTE ACADEMY")	Training services	Greece	100.00%	100.00%
TELEKOM ROMANIA COMMUNICATIONS S.A. ("TELEKOM ROMANIA") (ex ROMTELECOM - see below)	Fixed line telephony services	Romania	54.01%	54.01%
NEXTGEN COMMUNICATIONS SRL ("NEXTGEN")	Telecommunications services	Romania	54.01%	54.01%
TELEKOM ROMANIA MOBILE COMMUNICATIONS S.A. ("TELEKOM ROMANIA MOBILE") (ex COSMOTE ROMANIA - see below)	Mobile telecommunications services	Romania	86.20%	86.20%
COSMO-HOLDING ALBANIA S.A. ("CHA") (see below)	Investment holding company	Greece	100.00%	100.00%
ALBANIAN MOBILE COMMUNICATIONS Sh.a ("AMC")	Mobile telecommunications services	Albania	99.76%	99.76%
GERMANOS S.A. ("GERMANOS")	Retail services	Greece	100.00%	100.00%
E-VALUE S.A.	Marketing services	Greece	100.00%	100.00%
GERMANOS TELECOM ROMANIA S.A.	Retail services	Romania	100.00%	100.00%
SUNLIGHT ROMANIA S.R.L. FILIALA	Retail services	Romania	100.00%	100.00%
MOBILBEEEP LTD	Retail services	Greece	100.00%	100.00%
OTE INVESTMENT SERVICES S.A.	Investment holding company	Greece	100.00%	100.00%
COSMOHOLDING ROMANIA LTD	Investment holding company	Cyprus	100.00%	100.00%
TELEMOBIL S.A. ("ZAPP")	Mobile telecommunications services	Romania	100.00%	100.00%

COMPANY NAME	LINE OF BUSINESS	COUNTRY	GROUP'S OWNERSHIP INTEREST	
			2014	2013
E-VALUE DEBTORS AWARENESS ONE PERSON LTD ("E-VALUE LTD")	Overdue accounts management	Greece	100.00%	100.00%
COSMOHOLDING INTERNATIONAL B.V. (see below)	Investment holding company	Netherlands	100.00%	-
E-VALUE INTERNATIONAL S.A. (see below)	Marketing services	Romania	100.00%	-
OTE RURAL NORTH SPECIAL PURPOSE DEVELOPMENT AND MANAGEMENT OF BROADBAND INFRASTRUCTURE S.A. ("OTE RURAL NORTH") (see Note 8)	Wholesale broadband and infrastructure services	Greece	100.00%	-
OTE RURAL SOUTH SPECIAL PURPOSE DEVELOPMENT AND MANAGEMENT OF BROADBAND INFRASTRUCTURE S.A. ("OTE RURAL SOUTH") (see Note 8)	Wholesale broadband and infrastructure services	Greece	100.00%	-

## DISSOLUTION AND LIQUIDATION OF DIERGASIA

On June 21, 2013, the Extraordinary General Assembly of Shareholders of DIERGASIA (OTE PLUS's wholly owned subsidiary) decided to proceed with the dissolution and liquidation of DIERGASIA.

## COSMOHOLDING INTERNATIONAL B.V.

On March 7, 2014, COSMOHOLDING INTERNATIONAL B.V. was established in the Netherlands with a share capital of Euro 1.6, owned by COSMOTE (99.00%) and GERMANOS (1.00%).

## E-VALUE INTERNATIONAL S.A.

On August 13, 2014, E-VALUE INTERNATIONAL S.A. was established in Romania with a share capital of Euro 1.5, owned by COSMOHOLDING INTERNATIONAL B.V. (99.00%) and E-VALUE S.A. (1.00%).

## REBRANDING OF ROMANIAN COMPANIES

Following a rebranding process in the Romanian operations, the new name of ROMTELECOM is TELEKOM ROMANIA COMMUNICATIONS S.A. and the new name of COSMOTE ROMANIA is TELEKOM ROMANIA MOBILE COMMUNICATIONS S.A..

## MERGER OF CHA

On September 4, 2014, the Board of Directors of COSMOTE and CHA approved the initiation of the merger process between CHA and COSMOTE, by which CHA will be absorbed by COSMOTE.

## 2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU").

The financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instruments which have been measured at fair values in accordance with IFRS. The

carrying values of recognized assets and liabilities that are hedged items in fair value hedges that would otherwise be carried at amortized cost, are adjusted to record changes in the fair values attributable to the risks that are being in effective hedge relationships.

The financial statements are presented in millions of Euro, except when otherwise indicated.

### **Significant accounting judgments, estimates and assumptions**

The preparation of the financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities included in the financial statements. On an ongoing basis, management evaluates its estimates, including those related to legal contingencies, allowance for doubtful accounts, the estimated useful life of non-financial assets, impairment of property, plant and equipment, impairment of goodwill and intangible assets, reserve for staff retirement indemnities and youth account, recognition of revenues and expenses and income taxes. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the bases for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

### **Impairment of goodwill**

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details on impairment testing are disclosed in Note 5.

### **Provision for income taxes**

The provision for income taxes in accordance with IAS 12 "Income taxes", are the amounts expected to be paid to the taxation authorities and includes provision for current income taxes reported and the potential additional tax that may be imposed as a result of audits by the taxation authorities. Group entities are subject to income taxes in various jurisdictions and significant management judgment is required in determining provision for income taxes. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which the Group and the Company operate, or unpredicted results from the final determination of each year's liability by taxing authorities. These changes could have a significant impact on the Group's and the Company's financial position. Where the actual additional taxes payable are different from the amounts that were initially recorded, these differences will impact the income tax and deferred tax provisions in the period in which such a determination is made. Further details are provided in Note 22.

### **Deferred tax assets**

Deferred income tax assets and liabilities have been provided for the tax effects of temporary differences between the carrying amount and tax base of such assets and liabilities, using enacted tax rates in effect in the years in which the differences are expected to reverse. Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused losses can be utilized. The Group and the Company have considered future taxable income and followed ongoing feasible and prudent tax planning strategy in the assessment of the recoverability of deferred tax assets. The accounting estimate related to deferred tax assets requires management to make assumptions regarding the timing of future events, including the probability of expected future taxable income and available tax planning opportunities. Further details are provided in Note 22.

### **Allowance for doubtful trade receivables**

The Group and the Company establish an allowance for doubtful accounts sufficient to cover reasonably estimable loss for these accounts. Because of the number of accounts, it is not practical to review the collectibility of each account; therefore, at each reporting date all accounts receivable are assessed based on historical trends, statistical information, future expectations regarding suspended or cancelled customers, reactivation rates for suspended or cancelled customers and collection rates for amounts due from cancelled customers. Other domestic and international operators are examined and assessed on an individual basis. The balance of such allowance for doubtful accounts is adjusted

by recording a charge to the income statement of the reporting period. Any amount written off with respect to customer account balances is charged against the existing allowance for doubtful accounts. Additional details are provided in Note 11 and Note 29.

### **Post retirement and other defined benefit plans**

Staff Retirement Indemnities and Youth Account obligations are calculated at the discounted present value of the future retirement benefits and benefits to children of employees deemed to have accrued at year-end. Retirement and Youth Account obligations are calculated on the basis of financial and actuarial assumptions that require management to make assumptions regarding discount rates, pay increases, mortality and disability rates, retirement ages and other factors. Changes in these key assumptions can have a significant impact on the obligation and pension costs for the period. Net pension costs for the period consist of the present value of benefits earned in the year, interest costs on the benefits obligation, prior service costs and actuarial gains or losses. The Staff Retirement Indemnities and Youth Account benefit obligations are not funded. Due to the long term nature of these defined benefit plans these assumptions are subject to a significant degree of uncertainty. Further details are provided in Note 19.

### **Estimating the useful life of non-financial assets**

The Group and the Company must estimate the useful life of property, plant and equipment and intangible assets recognized at acquisition or as a result of a business combination. These estimates are revisited at least on an annual basis taking into account new developments and market conditions.

### **Contingent liabilities**

The Group and the Company are currently involved in various claims and legal proceedings. Periodically, the Group and the Company review the status of each significant matter and assess potential financial exposure, based in part on the advice of legal counsel. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reliably estimated, the Group and the Company recognize a provision for the estimated loss. Significant judgment is required in both the determination of probability and the determination as to whether an exposure is reasonably estimable. As additional information becomes available, the Group and the Company reassess the potential liability related to pending claims and litigation and may revise assessments of the probability of an unfavorable outcome and the related estimate of potential loss. Such revisions in the estimates of the potential liabilities could have a material impact on the Group's or the Company's financial position and results of operations.

### **Impairment of property, plant and equipment**

The determination of impairment of property, plant and equipment involves the use of estimates that include, but are not limited to, the cause, timing and amount of the impairment. Impairment is based on a large number of factors, such as changes in current competitive conditions, expectations of growth in the telecommunications industry, increased cost of capital, changes in the future availability of financing, technological obsolescence, discontinuance of services, current replacement costs, prices paid in comparable transactions and other changes in circumstances that indicate an impairment exists. The recoverable amount is typically determined using a discounted cash flow method. The identification of impairment indicators, as well as the estimation of future cash flows and the determination of fair values for assets (or groups of assets) require management to make significant judgments concerning the identification and validation of impairment indicators, expected cash flows, applicable discount rates, useful lives and residual values.

### **Customer activation fees**

Installation and activation fees are received from new customers. These fees (and related directly attributable costs) are deferred and amortized over the expected duration of the customer relationship. If management estimates of the duration of the customer relationship are revised, significant differences may result in the timing of revenue for any period.

### **New standards, amendments to standards and interpretations:**

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning during the current financial year and subsequent years.

#### **›Standards and Interpretations effective for the current financial year**

- IAS 32 (Amendment) "Financial Instruments: Presentation": This amendment to the application guidance in IAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position.

### Group of standards on consolidation and joint arrangements

The IASB has published five new standards on consolidation and joint arrangements: IFRS 10, IFRS 11, IFRS 12, IAS 27 (amendment) and IAS 28 (amendment). The main provisions are as follows:

- IFRS 10 "Consolidated Financial Statements": IFRS 10 replaces all of the guidance on control and consolidation in IAS 27 and SIC 12. The new standard changes the definition of control for the purpose of determining which entities should be consolidated. This definition is supported by extensive application guidance that addresses the different ways in which a reporting entity (investor) might control another entity (investee). The revised definition of control focuses on the need to have both power (the current ability to direct the activities that significantly influence returns) and variable returns (can be positive, negative or both) before control is present. The new standard also includes guidance on participating and protective rights, as well as on agency / principal relationships.
- IFRS 11 "Joint Arrangements": IFRS 11 provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. The types of joint arrangements are reduced to two: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed. Equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations today. The standard also provides guidance for parties that participate in joint arrangements but do not have joint control.
- IFRS 12 "Disclosure of Interests in Other Entities": IFRS 12 requires entities to disclose information, including significant judgments and assumptions, which enable users of financial statements to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. An entity can provide any or all of the above disclosures without having to apply IFRS 12 in its entirety, or IFRSs 10, 11, or the amended IASs 27 or 28.
- IAS 27 (Amendment) "Separate Financial Statements": This Standard is issued concurrently with IFRS 10 and together, the two IFRSs supersede IAS 27 "Consolidated and Separate Financial Statements". The amended IAS 27 prescribes the accounting and disclosure requirements for investment in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. At the same time, the IASB relocated to IAS 27 requirements from IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures" regarding separate financial statements.
- IAS 28 (Amendment) "Investments in Associates and Joint Ventures": The amended Standard replaces IAS 28 "Investments in Associates". The objective of this Standard is to prescribe the accounting for investments in associates and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures, following the issue of IFRS 11.
- IFRS 10, IFRS 11 and IFRS 12 (Amendment) "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition guidance": The amendment to the transition requirements in IFRSs 10, 11 and 12 clarifies the transition guidance in IFRS 10 and limits the requirements to provide comparative information for IFRS 12 disclosures only to the period that immediately precedes the first annual period of IFRS 12 application. Comparative disclosures are not required for interests in unconsolidated structured entities.
- IFRS 10, IFRS 12 and IAS 27 (Amendment) "Investment Entities": The amendment to IFRS 10 defines an investment entity and introduces an exception from consolidation. Many funds and similar entities that qualify as investment entities will be exempt from consolidating most of their subsidiaries, which will be accounted for at fair value through profit or loss, although controlled. The amendments to IFRS 12 introduce disclosures that an investment entity needs to make.
- IAS 36 (Amendment) "Recoverable Amount Disclosures for Non-financial Assets": This amendment requires: a) disclosure of the recoverable amount of an asset or cash generating unit (CGU) when an impairment loss has been recognised or reversed and b) detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. Also, it removes the requirement to disclose recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment.
- IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement": This amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulations, if specific conditions are met.

### ►Standards and Interpretations effective for subsequent periods

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2014, and have not been applied in preparing these consolidated financial statements. The Group is currently investigating the impact of the new standards and amendments on its financial statements.

- IFRS 9 “Financial Instruments” and subsequent amendments to IFRS 9 and IFRS 7: (effective for annual periods beginning on or after January 1, 2018) IFRS 9 replaces the guidance in IAS 39 which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model used today. It also establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The standard has not yet been endorsed by the EU.
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after January 1, 2017): The objective of the Standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognised. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard has not yet been endorsed by the EU.
- IFRIC 21 “Levies”: (effective for annual periods beginning on or after June 17, 2014). This interpretation sets out the accounting for an obligation to pay a levy imposed by government that is not income tax. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy (one of the criteria for the recognition of a liability according to IAS 37) is the activity described in the relevant legislation that triggers the payment of the levy. The interpretation could result in recognition of a liability later than today, particularly in connection with levies that are triggered by circumstances on a specific date.
- IAS 19 (Amendment) “Employee Benefits”: (effective for annual periods beginning on or after July 1, 2014). This narrow scope amendment applies to contributions from employees or third parties to defined benefit plans and simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- IFRS 11 (Amendment) “Joint Arrangements” (effective for annual periods beginning on or after January 1, 2016): This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a “business”. This amendment has not yet been endorsed by the EU.
- IAS 16 and IAS 38 (Amendments) “Clarification of Acceptable Methods of Depreciation and Amortization” (effective for annual periods beginning on or after January 1, 2016): These amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and they also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. These amendments have not yet been endorsed by the EU.
- IAS 27 (Amendment) “Separate Financial Statements” (effective for annual periods beginning on or after January 1, 2016): This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements. This amendment has not yet been endorsed by the EU.
- IFRS 10 and IAS 28 (Amendments) “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (effective for annual periods beginning on or after January 1, 2016): These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments have not yet been endorsed by the EU.
- IAS 1 (Amendment) “Disclosure initiative” (effective for annual periods beginning on or after January 1, 2016): This amendment clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment has not yet been endorsed by the EU.
- IFRS 10, IFRS 12 and IAS 28 (Amendments) “Investment Entities: Applying the Consolidation Exception” (effective for annual periods beginning on or after January 1, 2016): These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The amendments have not yet been endorsed by the EU.

#### ►Annual Improvements to IFRSs 2012 (effective for annual periods beginning on or after February 1, 2015)

The amendments set out below describe the key changes to six IFRSs, following the publication of the results of the IASB’s 2010-2012 cycle of the annual improvements project.

- IFRS 2 “Share-based Payment”: The amendment clarifies the definition of a “vesting condition” and separately defines “performance condition” and “service condition”.
- IFRS 3 “Business Combinations”: The amendment clarifies that an obligation to pay contingent consideration which meets the definition



of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 “Financial instruments: Presentation”. It also clarifies that all non-equity contingent consideration, both financial and non-financial, is measured at fair value through profit or loss.

- IFRS 8 “Operating Segments”: The amendment requires disclosure of the judgments made by management in aggregating operating segments.
- IFRS 13 “Fair Value Measurement”: The amendment clarifies that the standard does not remove the ability to measure short-term receivables and payables at invoice amounts in cases where the impact of not discounting is immaterial.
- IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets”: Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24 “Related Party Disclosures”: The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

### ➤Annual Improvements to IFRSs 2013 (effective for annual periods beginning on or after January 1, 2015)

The amendments set out below describe the key changes to three IFRSs, following the publication of the results of the IASB’s 2011-2013 cycle of the annual improvements project.

- IFRS 3 “Business Combinations”: This amendment clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11 in the financial statements of the joint arrangement itself.
- IFRS 13 “Fair Value Measurement”: The amendment clarifies that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39/IFRS 9.
- IAS 40 “Investment Property”: The standard is amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive.

### ➤Annual Improvements to IFRSs 2014 (effective for annual periods beginning on or after January 1, 2016)

The amendments set out below describe the key changes to four IFRSs, following the publication of the results of the IASB’s 2012-2014 cycle of the annual improvements project. The improvements have not yet been endorsed by the EU.

- IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”: The amendment clarifies that, when an asset (or disposal group) is reclassified from “held for sale” to “held for distribution”, or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.
- IFRS 7 “Financial Instruments: Disclosures”: The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and clarifies that the additional disclosure required by the amendments to IFRS 7, “Disclosure – Offsetting financial assets and financial liabilities” is not specifically required for all interim periods, unless required by IAS 34.
- IAS 19 “Employee Benefits”: The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.
- IAS 34 “Interim Financial Reporting”: The amendment clarifies what is meant by the reference in the standard to “information disclosed elsewhere in the interim financial report”.

## 3.SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied for the preparation of the financial statements are as follows:

### 1. Basis of Consolidation and Investments

#### **Subsidiaries**

The consolidated financial statements are comprised of the financial statements of the Company and all subsidiaries controlled by the Company directly or indirectly. Control exists when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their

fair values at the acquisition date. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The financial statements of the subsidiaries are prepared as of the same reporting period as the parent company, using consistent accounting policies. All intercompany balances, transactions and any intercompany profit or loss are eliminated in the consolidated financial statements. An intercompany loan to a foreign subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future, is considered to be part of the net investment in that foreign operation, and any foreign exchange gains and losses arising are recorded in other comprehensive income.

#### ***Changes in ownership interests in subsidiaries without change of control***

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

#### ***Disposal of subsidiaries***

When the group disposes of or ceases to have control or any retained interest in the subsidiary it is remeasured to its fair value at the date of disposal or when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that subsidiary are reclassified to profit or loss.

#### ***Associates***

Associates are those entities in which the Group has significant influence upon, but not control over their financial and operating strategy, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in which the Group has significant influence are accounted for using the equity method of accounting. Under this method the investment is initially recognized at cost, and is adjusted to recognize the investor's share of the profit or loss after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

The Group's share of post-acquisition profit or loss is recognized in the income statement and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income.

Gains or losses from transactions with associates are eliminated to the extent of the interest in the associate. Dividends received from associates are eliminated against the carrying value of the investment. The associate's value is adjusted for any accumulated impairment loss. When the Group's share of losses exceeds the carrying amount of the investment, the carrying value of the investment is reduced to nil and recognition of further losses is discontinued, except to the extent the Group has created obligations or has made payments on behalf of the associate.

#### ***Transactions between companies under common control***

Transactions between companies under common control are excluded from the scope of IFRS 3. Therefore the Group (implementing the guidance of IAS 8 "Accounting policies, changes in accounting estimates and errors" for similar cases) accounts for such transactions using a method like "pooling of interests". Based on this principle, the Group consolidates the book values of the combined entities (without revaluation to fair values). The financial statements of the Group or the new entity after the transaction are prepared on the basis as if the new structure was in effect since the beginning of the first period which is presented in the financial statements and consequently the comparative figures are adjusted. The difference between the purchase price and the book value of the percentage of the net assets acquired is recognized directly in equity.

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost adjusted for any impairment

where necessary.

### 2. Foreign Currency Translation

OTE's functional and presentation currency is the Euro. Transactions involving other currencies are translated into Euro at the exchange rates, ruling on the date of the transactions. At the reporting date, monetary assets and liabilities, which are denominated in foreign currencies, are retranslated at the exchange rates at that date. Gains or losses resulting from foreign currency translation are recognized in the income statement.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the exchange rate at the date of the initial transaction. Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the exchange rates at the date that the fair value was determined. The foreign currency differences arising from the change in the fair value of these items are recognized in the income statement or directly in other comprehensive income depending on the underlying item.

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). Assets and liabilities of entities that have a functional currency different from the presentation currency, including goodwill and the fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition, are translated into Euro using exchange rates ruling at the reporting date. Revenues and expenses are translated at rates prevailing at the date of the transaction. All resulting foreign exchange differences are recognized in other comprehensive income and are recognized in the income statement on the disposal of the foreign operation.

An intercompany loan to a foreign subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future, is considered to be part of the net investment in that foreign operation, and any foreign exchange gains and losses arising are recorded in other comprehensive income.

### 3. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and the acquisition date fair value of any previous equity interest held over the fair value of the identifiable net assets acquired. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognized immediately as an expense and is not subsequently reversed.

### 4. Telecommunication licenses

Telecommunication licenses are recognized at historical cost. These licenses have a finite useful life and are carried at cost less accumulated amortization. Amortisation is calculated using the straight-line method over their useful lives, being between 1 and 25 years.

### 5. Other intangible assets

Intangible assets acquired separately are recognised at historical cost, while those acquired from a business combination are recognised at fair value on the date of acquisition. Subsequently, they are carried at cost less accumulated amortization and accumulated impairment losses. All intangible assets have a finite useful life and are amortized on a straight-line basis over their useful life. The useful lives of intangible assets are reviewed on an annual basis, and adjustments, where applicable, are made prospectively.

The main categories of intangible assets are as follows:

Brand name: Recognized on acquisition of Germanos during 2006. The brand name was initially determined to have an indefinite useful

life. During 2008, the useful life was reassessed and it was determined to be 15 years from the end of October.

Customer relationship: Recognised on acquisition of Zapp. The useful economic life is 7 years.

Franchise agreements: Recognised on acquisition of Germanos. These agreements have a useful economic life of 20 years.

Software: The useful economic lives are 1 to 10 years.

TV broadcasting rights: The useful economic lives are 1 to 4 years.

## 6. Property, Plant and Equipment

Items of property, plant and equipment are measured at historical cost, net of subsidies received, plus interest costs incurred during periods of construction, less accumulated depreciation and any impairment in value.

Subsidies are presented as a reduction of the cost of property, plant and equipment and are recognized in the income statement over the estimated life of the assets through reduced depreciation expense.

Construction in progress is recorded as part of property, plant and equipment and depreciation on the self constructed assets commences when the asset is available for use. The cost of self-constructed assets includes the cost of materials, direct labor costs, borrowing costs capitalized and relevant general overhead costs. Investment supplies comprise of assets to be utilized in the construction of assets.

The present value of the expected retirement costs, for a relevant asset, is included in the cost of the respective asset if the recognition criteria for a provision are met and are depreciated accordingly.

Repairs and maintenance costs are expensed as incurred. The cost and related accumulated depreciation of assets retired or sold are removed from the corresponding accounts at the time of sale or retirement, and any gain or loss is recognised in the income statement.

When significant parts of the property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation.

Investment property consists of all property held to earn rentals or for capital appreciation and not used in the production or for administrative purposes. Investment property is measured using the cost model.

Depreciation is recognized on a straight-line basis over the estimated useful lives of property, plant and equipment, which are periodically reviewed. The estimated useful lives and the respective rates are as follows:

	Estimated Useful Life	Depreciation Rates
Buildings - building installations	1 - 45 έτη	2,2% - 100%
Telecommunication equipment and installations:		
Telecommunications line network	3 - 27 years	3.7% - 33%
Switching equipment	3 - 10 years	10% - 33%
Transmission equipment	4 - 12 years	8.3% - 25%
Broadband distribution network	3 - 9 years	11.1% - 33%
Radio equipment	5 - 12 years	8.3% - 20%
Other telecommunications equipment	2 - 10 years	10% - 50%
Miscellaneous other technical equipment and machinery	1 - 16 years	6.3% - 100%
Network buildings	9 - 18 years	5.6% - 11.1%
Transportation means	3 - 11 years	9% - 33%
Furniture and fixtures	1 - 20 years	5% - 100%

With effect from January 1, 2014 the Company reassessed the estimated useful life of specific transmission equipment resulting in an average increase in their estimated useful life of 6 years. The impact of this change in the depreciation expense for the current financial period is a decrease of approximately Euro 37.3 compared to the prior year.

### **7. Non- current Assets Held for Sale**

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. Immediately before the initial classification of a non-current asset (or a disposal group) as held for sale, the asset (or the assets and liabilities included in the disposal group) is measured in accordance with the applicable IFRS. Non-current assets (or disposal group) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and any possible resulting impairment losses are recognized in the income statement. Any subsequent increase in fair value is recognized, but not in excess of the cumulative impairment loss which was previously recognized. While a non-current asset (or non-current assets that are included in a disposal group) is classified as held for sale it is not depreciated or amortized.

### **8. Impairment of Non - Financial Assets (excluding goodwill)**

The carrying values of the Group's or the Company's non-financial assets are tested for impairment, when there are indications that their carrying amount is not recoverable. In such cases, the recoverable amount is estimated and if the carrying amount of the asset exceeds its estimated recoverable amount, an impairment loss is recognized in the income statement. The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. In measuring value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to that asset. If an asset does not generate cash flows individually, the recoverable amount is determined for the cash generating unit to which the asset belongs. At each reporting date the Group and the Company assess whether there is an indication that an impairment loss recognized in prior periods may no longer exist. If any such indication exists, the Group and the Company estimate the recoverable amount of that asset and the impairment loss is reversed, increasing the carrying amount of the asset to its recoverable amount, to the extent that the recoverable amount does not exceed the carrying value of the asset that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset in prior years.

### **9. Financial Instruments**

#### ***Financial assets***

Financial assets are initially measured at their fair value, which is normally the acquisition cost, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. Financial assets are classified as being at fair value through profit or loss, held to maturity, loans and receivables or available-for-sale as appropriate. The Group and the Company determine classification of their financial assets at initial recognition.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the financial assets carried at fair value through profit or loss are recognized in the income statement within "Gains/ losses from investments and financial assets". Changes in the fair value of assets classified as available for sale are recognized in other comprehensive income.

The fair values of quoted investments are based on quoted market bid prices. For investments where there is no quoted market price, fair value is determined using valuation techniques, unless the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, where the entity is precluded from measuring these investments at fair value. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on the settlement date (i.e. the date that the asset is transferred or delivered to the Group or the Company).

#### ***Offsetting of financial assets and liabilities***

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position only when the Group or the Company has a legally enforceable right to set off the recognized amounts and intends either to settle such asset and liability on a net basis

or to realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### **Impairment of financial assets**

The Group and the Company assess at each reporting date, whether a financial asset or group of financial assets is impaired as follows:

##### **(i) Assets carried at amortised cost:**

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognized in the income statement.

##### **(ii) Available-for-sale financial assets:**

If there is objective evidence that an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement is transferred from other comprehensive income to the income statement. Reversals of impairment in respect of equity instruments classified as available-for-sale are not recognized in the income statement. Reversals of impairment losses on debt instruments are reversed through the income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment losses were recognized in the income statement.

#### **Derecognition of financial assets**

A financial asset (or, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group or the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group or the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group or the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's or the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset or the maximum amount of consideration that the Company or the Group could be required to repay. Where continuing involvement takes the form of a written and/or purchase option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's or the Company's continuing involvement is the amount of the transferred asset that the Group or the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's or the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

## **10. Derivative Financial Instruments and Hedging Instruments**

Derivative financial instruments include interest rate swaps, currency swaps and other derivative instruments.

#### **Derivatives for trading purposes**

Derivatives that do not qualify for hedging are considered as derivatives for trading purposes. Initially, these derivatives are recognized

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at their fair value (which is essentially the transaction cost) at the commencement date. Subsequent to the initial recognition, they are measured at fair value based on quoted market prices, if available, or based on valuation techniques such as discounted cash flows. These derivatives are classified as assets or liabilities depending on their fair value, with any changes recognized in the income statement.

### **Hedging**

For hedge accounting purposes, hedges are classified either as fair value hedges, where the exposure to changes in the fair value of a recognized asset or liability is being hedged, or as a cash flow hedge, where the exposure to variability in cash flows associated with a specifically identified risk which may be directly related to the recognized asset or liability. When hedge accounting is applied, at the inception of the hedge there is formal documentation which includes identification of the hedging instrument, the hedged item, the hedging relationship, the nature of the risk being hedged and the risk strategy.

In a fair value hedge, the gain or loss from re-measuring the hedging instrument at fair value is recognized in the income statement and the carrying amount of the hedged item is adjusted to fair value with respect to the risk being hedged and the fair value adjustment is recognized in the income statement within "Interest expense".

In a cash flow hedge, the portion of the gain or loss arising from the fair value movement on the hedging instrument that is determined to be effective is recognized directly in other comprehensive income and the ineffective portion is recognized in the income statement.

### **11. Financial Guarantee Contracts**

Financial guarantee contracts issued by the Group or the Company are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

### **12. Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost is based on the weighted average cost method, where the average is calculated as each additional delivery is received. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. When there is any subsequent increase of the net realizable value of inventories that have been previously written-down, the amount of the write-down is reversed.

### **13. Trade Receivables and Allowance for Doubtful Accounts**

Trade receivables are initially recognized at their fair value which is equal to the transaction amount. Subsequently they are measured at amortised cost, less an allowance for any probable uncollectible amounts. At each reporting date, trade receivables are either assessed individually for debtors such as other providers or collectively based on historical trends and statistical information and a provision for the probable and reasonably estimated loss for these accounts is recorded. The balance of such allowance for doubtful accounts is adjusted by recording a charge to the income statement at each reporting period. Any customer account balances written-off are charged against the existing allowance for doubtful accounts.

### **14. Cash and Cash Equivalents**

For purposes of the cash flow statement, time deposits are considered to be cash and cash equivalents.

Restricted cash is cash not available for immediate use. Such cash cannot be used by a company until a certain point or event in the future. In cases when restricted cash is expected to be used within one year after the reporting date, it is classified as a current asset. However, if restricted cash is not expected to be used within one year after the reporting date, it is classified as a non-current asset. Restricted cash is not included in "Cash and cash equivalents".

### **15. Current and Deferred Income Tax**

Income tax for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax is measured on the taxable income for the year using enacted or substantively enacted tax rates at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- where the deferred tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investment in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investment in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realized or liability is settled based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

## 16. Share Capital

Ordinary shares are classified as equity. Share capital issuance costs, net of related tax, are reflected as a deduction from Share Premium.

## 17. Treasury Shares

Treasury shares consist of OTE's own equity shares, which are reacquired and not cancelled. Treasury shares do not reduce the number of shares issued but reduce the number of shares in circulation. Treasury shares are recognized at cost as a deduction from equity. Upon derecognition, the cost of the treasury share reduces the Share Capital and Share Premium and any difference is charged to Retained Earnings.

## 18. Leases

A lease that transfers substantially all of the rewards and risks incidental to ownership of the leased item is accounted for by the lessee as the acquisition of an asset and the incurrence of a liability, and by the lessor as a sale and/or provision of financing.

### **Accounting by lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. The asset capitalized at the commencement of a finance lease is recognized at fair value of the leased property, or if lower, the present value of the minimum lease payments. Its carrying value is subsequently reduced by the accumulated depreciation and any impairment losses. Lease payments are apportioned between finance charges (interest) and a reduction of the lease liability. Finance charges are recognized directly as an expense. If the lease does not transfer substantially all of the rewards and risks incidental to ownership of property, it is classified as an operating lease by the lessee and the rental payments are recognized as an expense on a straight-line basis over the period of the lease.



### ***Accounting by lessor***

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Lease income on operating leases is recognized over the term of the lease on a straight-line basis.

### **19. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they incur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **20. Borrowings**

All loans and borrowings are initially recognized at fair value, net of direct costs associated with the borrowing. After initial recognition, borrowings are measured at amortized cost. Gains and losses are recognized in the income statement over the period of the borrowings using the effective interest method.

### **21. Provisions**

Provisions are recognized when the Group or the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase of the provision due to the passage of time is recognized as a borrowing cost. Provisions are reviewed at each reporting date, and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, they are reversed. Provisions are used only for expenditures for which they were originally recognized. No provisions are recognized for future operating losses. Contingent assets and contingent liabilities are not recognized.

### **22. Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **23. Employee Benefits**

The Group operates various post-employment schemes including both defined contribution and defined benefit plans and other long-term benefit plans. For a description of the various plans refer to Note 19.

#### ***Defined Contribution Plans***

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay any further amounts if the fund does not hold sufficient assets to pay benefits relating to service in the current and prior periods. Obligations for contributions to defined contribution plans are recognized as an expense as incurred.

#### ***Defined Benefit Plans***

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. These obligations are calculated annually by independent actuaries using the Projected Unit Credit Method. The discount rate used is the yield of high quality European corporate bonds with maturity that approximates the term of the related obligation.

The current service cost of the defined benefit plan, recognized in the income statement in personnel costs, reflects the increase in the

defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognized immediately in the income statement. Actuarial gains or losses are recognized directly in other comprehensive income in the period in which they occur and are not reclassified to income statement in a subsequent period.

#### ***Other long-term benefit obligations***

The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans with the exception of the actuarial gains and losses being recognized in the income statement. These obligations are valued annually by independent qualified actuaries.

#### ***Termination benefits***

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

### **24. Advertising Costs**

All advertising costs are expensed as incurred.

### **25. Research and Development Costs**

Research costs are expensed as incurred. Development costs which do not fulfill the criteria for recognition as an asset are expensed as incurred.

### **26. Recognition of Revenues and Expenses**

Fixed revenues primarily consist of connection charges, monthly network services fees, exchange network and facilities usage charges, other value added communication services fees, and sales of handsets and accessories. Revenues are recognized as follows:

#### ***Connection charges***

Connection charges for the fixed network are deferred and amortized to income over the average customer retention period. Connection costs, up to the amount of deferred connection fees are recognized over the average customer retention period. No connection fees are charged for mobile services.

#### ***Monthly network service fees***

Revenues related to the monthly network service fees are recognized in the month that the telecommunication service is provided.

#### ***Usage Charges and Value Added Services Fees***

Call fees consist of fees based on airtime and traffic generated by the caller, the destination of the call and the service utilized. Fees are based on traffic, usage of airtime or volume of data transmitted for value added communication services. Revenues for usage charges and value added communication services are recognized in the period when the services are provided.

Revenues from outgoing calls made by OTE's subscribers to subscribers of mobile telephony operators are presented at their gross amount in the income statement as the credit and collection risk remains solely with OTE. Interconnection fees for mobile-to-mobile calls are recognized based on incoming traffic generated from other mobile operators' networks. Unbilled revenues from the billing cycle date to the end of each period are estimated based on traffic.

Revenues from the sale of prepaid airtime cards and the prepaid airtime, net of discounts allowed, included in the Group's prepaid services packages, are recognized based on usage. Such discounts represent the difference between the wholesale price of prepaid cards and boxes (consisting of handsets and prepaid airtime) to the Group's Master Dealers and the retail sale price to the ultimate customers. Unused airtime is included in "Deferred revenue" in the statement of financial position. Upon the expiration of prepaid airtime cards, any unused airtime is recognized in the income statement.

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Commissions paid for each contract subscriber acquired by the master dealers as well as bonuses paid to master dealers in respect of contract subscribers who renew their annual contracts, are expensed as incurred. Airtime commissions due to the Group's master dealers for each subscriber acquired through their network are expensed as incurred.

### ***Sales of telecommunication equipment***

Revenues from the sale of handsets and accessories, net of discounts allowed, are recognized at the point-of-sale, when the significant risks and rewards of ownership have passed to the buyer.

### ***Revenues from construction projects***

Revenues from construction projects are recognized in accordance with the percentage of completion method.

### ***Dividend income***

Dividend income is recognized when the right to receive payment is established with the approval for distribution by the General Assembly of shareholders.

### ***Interest income***

Interest income is recognized as the interest accrues (using the effective interest method).

## **27. Earnings per Share**

Basic earnings per share are computed by dividing the profit for the year attributable to the Company's owners by the weighted average number of shares outstanding during each year. Diluted earnings per share are computed by dividing the profit for the year attributable to the Company's owners by the weighted average number of shares outstanding during the year adjusted for the impact of share based payments.

## **28. Operating Segments**

Operating segments are determined based on the Group's legal structure, as the Group's chief operating decision makers review financial information separately reported by the Company and each of the consolidated subsidiaries or the sub-groups included in the consolidation. The reportable segments are determined using the quantitative thresholds required by IFRS 8. Information for operating segments that do not constitute reportable segments is combined and disclosed in the "Other" category. The accounting policies of the segments are the same with those followed for the preparation of the financial statements. Management evaluates segment performance based on (a) operating profit before depreciation, amortization, impairment, costs related to early retirement programs and other restructuring costs, (b) operating profit/(loss) and (c) profit/(loss) for the year.

## **29. Dividend distribution**

Dividends declared to the shareholders are recognized as a liability in the period they are approved by the General Assembly of shareholders.

## **30. Share-Based Payment Transactions**

Certain employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity settled transactions"). The cost of equity settled transactions is measured by reference to the fair value at the date on which they are granted. The fair value is determined at the grant date, using an appropriate pricing model, and is allocated over the period in which the conditions are fulfilled. The cost of equity settled transactions is recognized, together with a corresponding increase to equity over the vesting period.

Where the terms of an equity settled transaction awards are modified, the minimum expense recognized is the expense as if terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

## **31. Reclassifications**

Certain reclassifications have been made to prior year balances to conform to current year classifications. In addition certain reclassifications have been made within the Notes for comparability purposes. These reclassifications did not have any impact on the Group's or the Company's equity or income statement. Further details of the nature of these reclassifications are disclosed in Note 30.

#### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is analyzed as follows:

GROUP	LAND	BUILDINGS	TELECOM EQUIPMENT	TRANSPORTATION MEANS	FURNITURE & FITURES	CONSTRUCTION IN PROGRESS	INVESTMENT SUPPLIES	TOTAL
31/12/2012 Cost	49.2	1,005.5	13,115.7	39.6	471.2	380.3	47.4	15,108.9
Accumulated depreciation	-	(547.4)	(10,255.0)	(33.0)	(359.4)	-	-	(11,194.8)
<b>Net book value 31/12/2012</b>	<b>49.2</b>	<b>458.1</b>	<b>2,860.7</b>	<b>6.6</b>	<b>111.8</b>	<b>380.3</b>	<b>47.4</b>	<b>3,914.1</b>
Additions and transfers	-	41.3	471.0	2.1	20.0	343.1	55.1	932.6
Disposals and transfers - cost	(0.2)	(9.5)	(201.8)	(7.7)	(37.6)	(481.4)	(31.0)	(769.2)
Disposals and transfers - accumulated depreciation	-	7.4	194.0	6.6	22.7	-	-	230.7
Exchange differences - cost	-	(3.1)	(29.0)	(0.1)	(0.8)	(0.4)	(0.1)	(33.5)
Exchange differences - accumulated depreciation	-	2.6	24.6	0.1	0.7	-	-	28.0
Depreciation charge for the year - impairment	-	(40.0)	(617.1)	(2.2)	(21.0)	-	(7.1)	(687.4)
Discontinued operations - cost	(2.1)	(49.3)	(1,034.6)	(5.0)	(17.7)	(6.6)	-	(1,115.3)
Discontinued operations - accumulated depreciation	-	16.0	750.0	2.9	10.0	-	-	778.9
<b>Net book value 31/12/2013</b>	<b>46.9</b>	<b>423.5</b>	<b>2,417.8</b>	<b>3.3</b>	<b>88.1</b>	<b>235.0</b>	<b>64.3</b>	<b>3,278.9</b>
31/12/2013 Cost	46.9	984.9	12,321.3	28.9	435.1	235.0	64.3	14,116.4
Accumulated depreciation	-	(561.4)	(9,903.5)	(25.6)	(347.0)	-	-	(10,837.5)
<b>Net book value 31/12/2013</b>	<b>46.9</b>	<b>423.5</b>	<b>2,417.8</b>	<b>3.3</b>	<b>88.1</b>	<b>235.0</b>	<b>64.3</b>	<b>3,278.9</b>
Additions and transfers	-	16.1	357.5	0.1	24.8	343.0	55.3	796.8
Disposals and transfers - cost	(0.1)	(6.9)	(216.9)	(5.4)	(14.1)	(307.5)	(63.7)	(614.6)
Disposals and transfers - accumulated depreciation	-	6.0	214.4	5.2	13.7	-	-	239.3
Exchange differences - cost	-	(1.6)	(14.0)	(0.1)	(0.4)	(0.4)	-	(16.5)
Exchange differences - accumulated depreciation	-	1.4	12.2	-	0.3	-	-	13.9
Depreciation charge for the year - impairment	-	(37.8)	(534.3)	(1.5)	(20.6)	-	(0.3)	(594.5)
<b>Net book value 31/12/2014</b>	<b>46.8</b>	<b>400.7</b>	<b>2,236.7</b>	<b>1.6</b>	<b>91.8</b>	<b>270.1</b>	<b>55.6</b>	<b>3,103.3</b>
31/12/2014 Cost	46.8	992.5	12,447.9	23.5	445.4	270.1	55.6	14,281.8
Accumulated depreciation	-	(591.8)	(10,211.2)	(21.9)	(353.6)	-	-	(11,178.5)
<b>Net book value 31/12/2014</b>	<b>46.8</b>	<b>400.7</b>	<b>2,236.7</b>	<b>1.6</b>	<b>91.8</b>	<b>270.1</b>	<b>55.6</b>	<b>3,103.3</b>

There are no restrictions on title on property, plant and equipment.

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Property, plant and equipment includes investment property of Euro 68.8 as of December 31, 2014 (December 31, 2013: Euro 71.4), the fair value of which exceeds the above mentioned carrying amount.

Borrowing costs capitalized during the year ended December 31, 2014 and 2013 by the Group as part of the cost of qualifying assets amount to Euro 9.9 and Euro 10.9, respectively. The amounts were calculated based on an average rate of capitalization which was 5.7% and 7.6% for the year ended December 31, 2014 and 2013, respectively.

For the acquisition of the assets above, the Group has received government grants in the past, the unamortized amount of which at December 31, 2014 is Euro 5.1 (December 31, 2013: Euro 5.3).

COMPANY	BUILDINGS	TELECOM- MUNICATION EQUIPMENT	TRANS- PORTATION MEANS	FURNITURE & FIXTURES	CONSTRU- TION IN PROGRESS	INVESTMENT SUPPLIES	TOTAL
31/12/2012 Cost	69.5	7,579.8	37.6	128.1	228.9	46.5	8,090.4
Accumulated depreciation	(26.7)	(6,396.4)	(35.2)	(123.2)	-	-	(6,581.5)
<b>Net book value 31/12/2012</b>	<b>42.8</b>	<b>1,183.4</b>	<b>2.4</b>	<b>4.9</b>	<b>228.9</b>	<b>46.5</b>	<b>1,508.9</b>
Additions and transfers	23.2	178.5	-	1.9	81.4	36.5	321.5
Disposals and transfers - cost	-	(120.4)	(5.6)	(25.2)	(193.0)	(21.1)	(365.3)
Disposals and transfers - accumulated depreciation	-	120.4	5.6	25.2	-	-	151.2
Depreciation charge for the year - impairment	(7.0)	(243.4)	(0.7)	(1.7)	-	(7.1)	(259.9)
<b>Net book value 31/12/2013</b>	<b>59.0</b>	<b>1,118.5</b>	<b>1.7</b>	<b>5.1</b>	<b>117.3</b>	<b>54.8</b>	<b>1,356.4</b>
31/12/2013 Cost	92.7	7,637.9	32.0	104.8	117.3	54.8	8,039.5
Accumulated depreciation	(33.7)	(6,519.4)	(30.3)	(99.7)	-	-	(6,683.1)
<b>Net book value 31/12/2013</b>	<b>59.0</b>	<b>1,118.5</b>	<b>1.7</b>	<b>5.1</b>	<b>117.3</b>	<b>54.8</b>	<b>1,356.4</b>
Additions and transfers	4.6	121.5	-	2.6	75.6	52.3	256.6
Disposals and transfers - cost	-	(40.5)	(1.0)	(0.9)	(67.8)	(62.8)	(173.0)
Disposals and transfers - accumulated depreciation	-	40.5	1.0	0.9	-	-	42.4
Absorption of subsidiary - cost	0.3	4.7	-	0.5	-	-	5.5
Absorption of subsidiary - accumulated depreciation	(0.1)	(4.4)	-	(0.5)	-	-	(5.0)
Depreciation charge for the year - impairment	(8.0)	(194.6)	(0.6)	(1.9)	-	(0.3)	(205.4)
<b>Net book value 31/12/2014</b>	<b>55.8</b>	<b>1,045.7</b>	<b>1.1</b>	<b>5.8</b>	<b>125.1</b>	<b>44.0</b>	<b>1,277.5</b>
31/12/2014 Cost	97.6	7,723.6	31.0	107.0	125.1	44.0	8,128.3
Accumulated depreciation	(41.8)	(6,677.9)	(29.9)	(101.2)	-	-	(6,850.8)
<b>Net book value 31/12/2014</b>	<b>55.8</b>	<b>1,045.7</b>	<b>1.1</b>	<b>5.8</b>	<b>125.1</b>	<b>44.0</b>	<b>1,277.5</b>

There are no restrictions on title on property, plant and equipment.

Borrowing costs capitalized during the year ended December 31, 2014 and 2013 by OTE as part of the cost of qualifying assets amount to Euro 6.6 and Euro 9.9, respectively. The amounts were calculated based on an average rate of capitalization which was 5.7% and 7.9% for the year ended December 31, 2014 and 2013 respectively.

For the acquisition of the assets above, OTE has received government grants in the past, the unamortized amount of which at December 31, 2014 is Euro 0.5 (December 31, 2013: Euro 0.6). There are no unfulfilled conditions or contingencies attached to these grants.

## 5. GOODWILL

Goodwill is analyzed as follows:

GROUP	2014	2013
Carrying value January 1	506.0	567.1
Foreign exchange differences	(0.1)	(0.8)
Disposal of GLOBUL and GERMANOS TELECOM BULGARIA A.D.	-	(60.3)
Carrying value December 31	505.9	506.0

Goodwill relates to the mobile telecommunication business of the Group and comprises the operations in the countries set out below that have been defined as the cash generating units for which impairment testing is performed.

The movement of the goodwill and its allocation to each cash generating unit is analyzed as follows:

COUNTRY	2013	Foreign exchange differences	2014
Greece	376.6	-	376.6
Albania	54.4	0.1	54.5
Romania	75.0	(0.2)	74.8
TOTAL	506.0	(0.1)	505.9

The recoverable amount of the above cash generating units was determined using the value in use method. The value in use was determined based on the projected cash flows derived from four year plans approved by management, with these cash flows initially projected over ten years and then to infinity.

The basic assumptions used in determining the value in use of the cash generating units are as follows:

Assumptions 2014	Greece	Romania	Albania
Discount rate	9.50%	9.60%	9.80%
Rate of increase of revenue	0.14%	2.45%	0.07%
EBITDA margin (2015-2024)	34.3%-37.8%	22.0%-26.9%	37.2%-44.6%

Assumptions 2013	Greece	Romania	Albania
Discount rate	10.48%	9.70%	10.20%
Rate of increase /(decrease) of revenue	(0.30)%	3.30%	0.60%
EBITDA margin (2014-2023)	36.0%-40.3%	31.1%-33.4%	38.6%-43.6%

For the projection of cash flows beyond a ten years period, a growth rate of 2% was assumed for all cash generating units. The main assumptions used by management in projecting cash flows as part of the annual impairment test of goodwill are the following:

- Risk-free rate: The risk free rate was determined on the basis of external figures derived from the relevant active market of each country.
- Budgeted profit margin: Budgeted operating profit and EBITDA were based on actual historical experience from the last few years adjusted to take into consideration expected variances in operating profitability.

The basic assumptions used are consistent with independent external sources of information. Based on the results of the impairment test as of December 31, 2014, no impairment losses were identified in the recorded amounts of goodwill.

Any significant changes in the assumptions used resulting from future developments in the macroeconomic situation and continued intense

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competition may have a negative impact in these countries. Notwithstanding this, as of December 31, 2014, the recoverable amount for each cash generating unit when compared to the respective carrying value indicates that adequate headroom exists and any material change in the assumptions used would not result in the reduction of the carrying value of goodwill.

### 6. TELECOMMUNICATION LICENSES

Telecommunication licenses comprise of licenses acquired primarily from the Group's mobile and TV operations.

The movement of telecommunication licenses is as follows:

GROUP	2014	2013
Net book value January 1	474.8	448.0
Additions	144.7	136.1
Transfers, cost	-	20.8
Transfers, accumulated amortization	-	(6.1)
Exchange differences, cost	(0.9)	(3.6)
Exchange differences, accumulated amortization	0.6	0.8
Amortization charge for the year	(43.7)	(37.6)
Write-offs, cost	(1.1)	(2.7)
Write-offs, accumulated amortization	1.0	1.3
Discontinued operations, cost	-	(185.6)
Discontinued operations, accumulated amortization	-	103.4
<b>Net book value December 31</b>	<b>575.4</b>	<b>474.8</b>
<b>December 31</b>		
<b>Cost</b>	<b>905.3</b>	<b>762.6</b>
<b>Accumulated amortization</b>	<b>(329.9)</b>	<b>(287.8)</b>
<b>Net book value</b>	<b>575.4</b>	<b>474.8</b>

### SPECTRUM ACQUISITION

On October 13, 2014, following the auction process conducted by the Hellenic Telecommunications and Post Committee (HTPC), COSMOTE has secured rights to use radio frequencies in the 800MHz and 2.6GHz spectrum bands. In particular, COSMOTE has been granted:

- 2 spectrum blocks of 2x5MHz in the 791-821MHz and 832-862MHz bands, for a total price of Euro 103.0.
- 6 spectrum blocks of 2x5MHz in the 2500-2570MHz and 2620-2690MHz bands, for a total price of Euro 28.2.
- 2 unpaired spectrum blocks of 10MHz in the 2575-2615MHz, for a total price of Euro 3.6.

The aforementioned rights have been granted to COSMOTE until February 28, 2030.

COMPANY	2014	2013
Net book value January 1	2.7	3.6
Additions	2.5	-
Amortization charge for the year	(0.6)	(0.9)
<b>Net book value December 31</b>	<b>4.6</b>	<b>2.7</b>
<b>December 31</b>		
<b>Cost</b>	<b>11.3</b>	<b>8.8</b>
<b>Amortization charge for the year</b>	<b>(6.7)</b>	<b>(6.1)</b>
<b>Net book value December 31</b>	<b>4.6</b>	<b>2.7</b>

## 7. OTHER INTANGIBLE ASSETS

The movement of other intangible assets is as follows:

GROUP	2014	2013
Net book value January 1	506.6	505.0
Additions	219.9	210.2
Disposals, cost	(3.2)	-
Disposals, accumulated amortization	3.2	-
Transfers, cost	0.3	(37.7)
Transfers, accumulated amortization	(0.3)	30.4
Exchange differences, cost	(0.7)	(1.1)
Exchange differences, accumulated amortization	0.6	0.8
Amortization charge for the year	(158.2)	(146.6)
Discontinued operations, cost (see Note 8)	-	(130.4)
Discontinued operations, accumulated amortization (see Note 8)	-	76.0
<b>Net book value December 31</b>	<b>568.2</b>	<b>506.6</b>
December 31 Cost	1,549.3	1,333.0
Accumulated amortization	(981.1)	(826.4)
<b>Net book value</b>	<b>568.2</b>	<b>506.6</b>

COMPANY	2014	2013
Net book value January 1	139.3	46.4
Additions	159.2	154.6
Absorption of subsidiary, cost	3.6	-
Absorption of subsidiary, accumulated amortization	(2.9)	-
Amortization charge for the year	(73.4)	(61.7)
<b>Net book value December 31</b>	<b>225.8</b>	<b>139.3</b>
December 31 Cost	547.9	385.1
Accumulated amortization	(322.1)	(245.8)
<b>Net book value</b>	<b>225.8</b>	<b>139.3</b>

Other intangible assets mainly relate to the identifiable assets recognized as a result of the acquisition of GERMANOS during 2006 and certain capitalized TV broadcasting rights.

The identifiable assets recognized as a result of the acquisition of GERMANOS mainly relate to the GERMANOS brand name, but also include franchise agreements. The brand name was initially determined to have an indefinite useful life. During the fourth quarter of 2008, the Group revised its estimate of the GERMANOS brand name's useful life which it determined to be 15 years from the end of October 2008, the date of the reassessment. The related amortization charged to the 2014 consolidated income statement amounted to Euro 23.4 (2013: Euro 23.6). The net book value of the GERMANOS brand name as of December 31, 2014, amounted to Euro 206.7 (December 31, 2013: Euro 230.1).

The identifiable assets also include customer relationships recognized as a result of the acquisition of ZAPP. The related amortization



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charged to the 2014 consolidated income statement amounted to Euro 3.3 (2013: Euro 3.3). The net book value of the ZAPP customer relationship as of December 31, 2014, amounted to Euro 6.7 (December 31, 2013: Euro 10.0).

Furthermore, during 2014, the Group and the Company recognized intangible assets amounting to Euro 143.4 and Euro 119.3, respectively, related to TV broadcasting rights eligible for capitalization, the majority of which concerns the acquisition of broadcasting rights of sport events (2013: Euro 151.4 and Euro 126.3 respectively). The respective amortization for the year 2014 amounted to Euro 67.0 and Euro 50.5 for the Group and the Company (2013: Euro 53.0 and Euro 40.4, respectively).

The remaining additions for the year mainly concern software acquired by the Group and the Company.

There are no intangible assets with indefinite useful life as of December 31, 2014 and 2013.

### 8. INVESTMENTS - BUSINESS COMBINATIONS

Investments are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
(a) Investments in subsidiaries	-	-	3,539.4	3,538.4
(b) Other investments	0.2	0.1	0.1	0.1
<b>TOTAL</b>	<b>0.2</b>	<b>0.1</b>	<b>3,539.5</b>	<b>3,538.5</b>

›(a) Investments in subsidiaries are analyzed as follows:

	OTE's direct ownership interest	Country of incorporation	2014	2013
COSMOTE	100.00%	Greece	2,762.9	2,762.9
OTE INTERNATIONAL INVESTMENTS LTD	100.00%	Cyprus	401.9	401.9
COSMO-ONE	30.87%	Greece	0.5	0.5
VOICENET (see below)	absorbed	Greece	-	3.1
OTE SAT- MARITEL	94.08%	Greece	4.6	4.6
OTE PLC (see below)	100.00%	U.K.	0.1	-
OTE PLUS	100.00%	Greece	8.2	8.2
OTE ESTATE	100.00%	Greece	193.2	193.2
OTE GLOBE	100.00%	Greece	163.7	163.7
OTE INSURANCE	100.00%	Greece	0.1	0.1
OTE ACADEMY	100.00%	Greece	0.2	0.2
OTE RURAL NORTH (see below)	100.00%	Greece	1.8	-
OTE RURAL SOUTH (see below)	100.00%	Greece	2.2	-
<b>TOTAL</b>			<b>3,539.4</b>	<b>3,538.4</b>

The movement of investments in subsidiaries is as follows:

	COMPANY	
	2014	2013
Balance at January 1	3,538.4	3,730.6
Share options granted to management of subsidiaries	-	2.5
Sale of subsidiary	-	(194.7)
Absorption of subsidiary	(3.1)	-
Establishment of new subsidiaries	4.0	-
Payment of unpaid share capital	0.1	-
<b>Balance at December 31</b>	<b>3,539.4</b>	<b>3,538.4</b>

The movement of investments during the year depicted in the table above can be summarized as follows:

#### **Absorption of VOICENET**

On September 4, 2014, OTE's and VOICENET's Board of Directors decided the merger by absorption of VOICENET by OTE. The process was completed in February 2015.

#### **New entities**

On October 7, 2014, OTE RURAL NORTH and OTE RURAL SOUTH were established with a share capital of Euro 1.8 and Euro 2.2, respectively. Both entities are wholly owned by OTE.

#### **Payment of unpaid share capital to OTE PLC**

In December 2014, OTE proceeded to the payment of the unpaid share capital of OTE PLC amounting to Euro 0.1.

#### **Changes in non-controlling interests**

The total difference arising from the acquisition of non-controlling interests in companies which the Group already controls and which have been recorded directly in equity are analyzed as follows:

	2014	2013
COSMOTE	3,132.2	3,132.2
GERMANOS	171.7	171.7
OTENET	12.3	12.3
OTE PLUS	(3.3)	(3.3)
VOICENET	-	1.1
AMC	1.2	1.2
<b>TOTAL</b>	<b>3,314.1</b>	<b>3,315.2</b>

The Group's non-controlling interests amounting to Euro 376.4 as of December 31, 2014 (December 31, 2013: 375.4), mainly relate to the 45.99% on Telecom Romania's equity, which is owned by the Romanian State.

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➤(b) Movement in other investments is analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Balance at January 1	0.1	1.2	0.1	1.2
Share capital reduction of EDEKT	-	(1.0)	-	(1.0)
Disposal of EDEKT	-	(0.1)	-	(0.1)
Transfer from non-current assets	0.1	-	-	-
Balance at December 31	0.2	0.1	0.1	0.1

### Dividend income

The dividend income is analyzed as follows:

GROUP	2014	2013
EDEKT	-	0.4
TOTAL	-	0.4

COMPANY	2014	2013
COSMOTE	-	0.6
HELLAS - SAT	-	7.0
OTE SAT - MARITEL	1.0	-
OTE INSURANCE	0.1	-
EDEKT	-	0.4
TOTAL	1.1	8.0

## 9. OTHER NON-CURRENT ASSETS

Other non-current assets are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Loans and advances to employees	60.2	46.9	60.1	46.8
Guarantees	6.8	6.7	0.2	0.2
Other advanced payments / prepayments	16.6	11.6	-	-
Other financial assets	3.8	5.0	-	-
Other	5.6	7.8	3.1	1.2
TOTAL	93.0	78.0	63.4	48.2

Loans and advances to employees are comprised mainly of loans granted to employees with service period exceeding 25 years against the accrued indemnity payable to them upon retirement. The effective interest rate on these loans is 1.28% and 2.34% for 2014 and 2013, respectively. The discount factor used in the calculation of the present value of the loans is the rate used for the actuarial valuation of staff

retirement indemnities (see Note 19).

During 2014, the Group received an amount of Euro 0.4 following the partial liquidation of other financial assets. The fair value adjustment of the other financial assets through other comprehensive income amounts to Euro (0.8).

## 10. INVENTORIES

Inventories are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Merchandise	68.6	72.0	8.5	13.6
Other materials	19.3	25.0	3.3	3.1
<b>TOTAL</b>	<b>87.9</b>	<b>97.0</b>	<b>11.8</b>	<b>16.7</b>

The write down of inventories for the Group and the Company for 2014 amounts to Euro 11.7 and nil respectively (2013: Euro 5.2 and nil) and is recorded in the consolidated and separate income statement in the line "Device costs".

## 11. TRADE RECEIVABLES

Trade receivables are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Subscribers / Customers	1,380.4	1,327.3	729.3	693.9
Due from subsidiaries and related parties	16.5	14.5	84.8	63.7
Unbilled revenue	90.4	104.7	31.2	48.3
	<b>1,487.3</b>	<b>1,446.5</b>	<b>845.3</b>	<b>805.9</b>
Less: Allowance for doubtful accounts	(802.4)	(743.2)	(496.2)	(473.9)
<b>TOTAL</b>	<b>684.9</b>	<b>703.3</b>	<b>349.1</b>	<b>332.0</b>

The movement in the allowance for doubtful accounts is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Balance at January 1	(743.2)	(827.2)	(473.9)	(513.7)
Charge for the year	(92.0)	(84.9)	(21.9)	(20.4)
Write-offs	34.4	150.1	-	60.2
Sale of doubtful accounts to third parties	(1.6)	-	-	-
Disposal group	-	18.3	-	-
Absorption of subsidiary	-	-	(0.4)	-
Foreign exchange differences	-	0.5	-	-
<b>Balance at December 31</b>	<b>(802.4)</b>	<b>(743.2)</b>	<b>(496.2)</b>	<b>(473.9)</b>

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The aging analysis of trade receivables is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Not impaired and not past due	444.3	456.3	260.5	254.4
Not impaired and past due:				
Up to 30 days	75.4	72.6	23.9	20.9
Between 31 and 180 days	98.5	88.6	45.5	38.7
More than 180 days	66.7	85.8	19.2	18.0
<b>TOTAL</b>	<b>684.9</b>	<b>703.3</b>	<b>349.1</b>	<b>332.0</b>

### 12. OTHER FINANCIAL ASSETS

Other financial assets are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Marketable securities:				
Held for trading - Bonds	-	3.4	-	-
Available for sale - Mutual funds	3.7	4.1	2.2	2.4
	<b>3.7</b>	<b>7.5</b>	<b>2.2</b>	<b>2.4</b>
Non - marketable securities:				
Interest rate swaps	-	9.0	-	9.0
<b>TOTAL</b>	<b>3.7</b>	<b>16.5</b>	<b>2.2</b>	<b>11.4</b>

The movement of the marketable securities can be analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Balance at January 1	7.5	6.7	2.4	1.9
Additions of available for sale financial assets	-	226.4	-	75.0
Sales - maturities of available for sale financial assets	(3.4)	(226.4)	-	(75.0)
Gain / (loss) through income statement	-	0.1	-	0.1
Fair value adjustments through other comprehensive income	(0.4)	0.7	(0.2)	0.4
<b>Balance at December 31</b>	<b>3.7</b>	<b>7.5</b>	<b>2.2</b>	<b>2.4</b>

The interest rate swap of OTE amounting to Euro 9.0 as of December 2013, matured within 2014.

### 13. OTHER CURRENT ASSETS

Other current assets are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Loans to Auxiliary fund, short-term portion (see Note 19)	11.7	11.7	11.7	11.7
Due from OTE Leasing customers (see Note 28)	25.5	25.5	25.5	25.5
Loans and advances to employees	10.5	6.4	10.0	5.9
Income tax receivable	34.4	43.9	11.6	12.6
Other prepayments	38.4	66.6	15.3	30.8
Share option receivables	-	-	18.2	-
Dividends receivable	-	-	1.0	0.7
Other	82.5	74.4	17.4	17.1
<b>TOTAL</b>	<b>203.0</b>	<b>228.5</b>	<b>110.7</b>	<b>104.3</b>

Share option receivables relate to receivables from COSMOTE from the participation of its executives in the Company's Share Option Plan (see note 15).

### 14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Cash in hand	2.1	2.0	0.9	0.8
Short-term bank deposits	1,507.8	1,442.3	612.2	425.8
<b>TOTAL</b>	<b>1,509.9</b>	<b>1,444.3</b>	<b>613.1</b>	<b>426.6</b>

### 15. SHARE CAPITAL - SHARE PREMIUM - SHARE OPTION PLAN

OTE's share capital as of December 31, 2014, amounted to Euro 1,387.1 (December 31, 2013: Euro 1,387.1), divided into 490,150,389 registered shares, with a nominal value of Euro 2.83 (absolute amount) per share.

The share premium as of December 31, 2014 and 2013 amounted to Euro 496.7 and Euro 511.9, respectively, the decrease (Euro 15.2) being the net change under the Group's Share Option Plan (see below).

The following is an analysis of the ownership of OTE's shares as of December 31, 2014:

SHAREHOLDER	NUMBER OF SHARES	PERCENTAGE %
Hellenic State	29,409,027	6.00%
IKA-ETAM (refers only to the transfer of 4% from the Hellenic State)	19,606,015	4.00%
DEUTSCHE TELEKOM AG	196,060,156	40.00%
Institutional investors	209,569,201	42.76%
Private investors	34,136,039	6.96%
Treasury shares	1,369,951	0.28%
<b>TOTAL</b>	<b>490,150,389</b>	<b>100.00%</b>

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Since October 2013 and based on the respective approval by the General Meeting of the Company's Shareholders, OTE has been acquiring own shares, solely in the context of the existing share option plan. Within 2014, OTE acquired 5,526,651 own shares and the total amount paid to acquire these shares was Euro 63.2. In addition within 2014, OTE paid an amount of Euro 6.1 with respect to own shares acquired in 2013. In April and October 2014, 5,354,659 options were exercised and an equal number of own shares was transferred to the beneficiaries. The acquisition cost of the own shares transferred was Euro 59.6, while the exercise proceeds amounted to Euro 26.2. The difference of Euro 33.4 has been recognized in equity as follows: an amount of Euro 18.2 which relates to the executives of COSMOTE group participated in the Company's share option plan was recognized against the consolidated retained earnings and the remaining difference of Euro 15.2 was recognized against the share premium. Taking into account all the above, as of December 31, 2014 the outstanding number of own shares held by OTE was 1,369,951 shares with a book value of Euro 14.8.

The movement of the own shares is presented in the table below:

	NUMBER OF SHARES	AMOUNT
Own shares as at January 1, 2014	1,197,959	11.2
Own shares acquired during the year	5,526,651	63.2
Own shares transferred during the year	(5,354,659)	(59.6)
Own shares as at December 31, 2014	1,369,951	14.8

The total number of share options outstanding is analysed as follows:

	01/01- 31/12/2014		01/01- 31/12/2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	11,951,653	9.73	16,220,885	11.92
Exercised	(5,354,659)	4.89	(277,755)	5.64
Forfeited / Canceled	(2,547,908)	19.30	(3,991,477)	17.13
Outstanding at the end of the year	4,049,086	10.69	11,951,653	9.73
Exercisable at the end of the year	4,049,086	10.69	11,951,653	9.73

All these options have been granted until 2011 based on the Company's Share Option Plan and their fair value has been reflected in the income statement during the vesting period (until 2013).

### 16. STATUTORY RESERVE - FOREIGN EXCHANGE AND OTHER RESERVES - RETAINED EARNINGS

Under Greek Corporate Law, entities are required to transfer on an annual basis a minimum of five percent of their annual profit (after income taxes) to a statutory reserve, until such reserve equals one-third of the issued share capital. As of December 31, 2014 and 2013, this reserve amounted to Euro 352.7 and 347.2 respectively. This statutory reserve cannot be distributed to shareholders.

The analysis of foreign exchange and other reserves is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Reserve for available for sale financial assets	(2.1)	(0.9)	0.2	0.4
Deferred taxes on available for sale financial assets	0.6	0.4	-	-
Foreign currency translation	(152.5)	(150.4)	-	-
Cumulative amount of actuarial losses recognized in equity	(49.2)	(14.8)	(48.1)	(21.1)
Deferred taxes on cumulative amount of actuarial losses recognized in equity	16.6	7.8	16.8	9.4
<b>TOTAL</b>	<b>(186.6)</b>	<b>(157.9)</b>	<b>(31.1)</b>	<b>(11.3)</b>

Retained earnings include undistributed taxed profits as well as untaxed and specially taxed reserves which, upon distribution, will be subject to income tax. The respective amounts for the Group and the Company as of December 31, 2014 are Euro 3,401.0 and Euro 496.9 respectively (December 31, 2013: Euro 3,158.4 and Euro 393.1 respectively).

## 17. DIVIDENDS

Under Greek Corporate Law, each year companies are required to distribute to their owners dividends of at least 35% of net profits which result from their accounting books and records (published financial statements), after allowing for the statutory reserve. However, companies can waive such dividend payment requirement a) by a General Assembly decision with a majority of 65% of share capital, where the undistributed amount up to 35% of net profits is transferred to a special reserve or b) by a General Assembly decision with a majority of 70% of share capital without a requirement for establishing a special reserve.

The amount of dividends payable as of December 31, 2014 was Euro 0.5 (December 31, 2013: Euro 1.0).

The Board of Directors of OTE will propose to the Company's Annual General Assembly of the Shareholders the distribution of a dividend from the 2014 profits of Euro 0.08 (in absolute amount) per share outstanding.

## 18. LONG-TERM BORROWINGS

Long-term borrowings are analyzed as follows:

GROUP	2014	2013
(a) Syndicated loans	165.9	209.8
(b) Global Medium-Term Note Programme	2,472.6	2,735.6
<b>Total long-term debt</b>	<b>2,638.5</b>	<b>2,945.4</b>
Short-term portion	(465.4)	(388.9)
<b>Long-term portion</b>	<b>2,173.1</b>	<b>2,556.5</b>

### >(a) Syndicated Loans

#### **Euro 225.0 European Bank for Reconstruction and Development Loan ("EBRD")**

On July 24, 2013, TELEKOM ROMANIA MOBILE signed a Euro 225.0 loan arranged by the EBRD in order to finance the strategic growth of its broadband infrastructure through the renewal of spectrum licenses and the expansion of its 4th generation network. TELEKOM ROMANIA



MOBILE received Euro 75.0 directly from the EBRD and Euro 150.0 through a syndicated loan from commercial banks. The loan bears an interest rate of Euribor plus margin of 5.25% p.a. and it will be repaid gradually via an amortizing schedule with final maturity in April 2018. In April and October 2014, TELEKOM ROMANIA MOBILE repaid in total Euro 45.1 under the syndicated facility along with the accrued interest. As of December 31, 2014, the outstanding balance is Euro 165.9 (2013: Euro 209.8).

The loan also includes three financial covenants tested on the Romanian mobile business consisting of the entities TELEKOM ROMANIA MOBILE, GERMANOS TELECOM ROMANIA S.A., ZAPP and SUNLIGHT ROMANIA S.R.L. FILIALA, namely: (i) The ratio of cash available for debt service over senior debt should exceed 1.25:1 for 2014, 1.20:1 for 2015 and 2016 and 1.15:1 for 2017 (2013: Non-applicable), (ii) The ratio of EBITDA to net interest expense of senior debt should exceed 5:1 at all times, and (iii) The ratio of senior debt to EBITDA should not exceed 2.5:1 for 2013, 2.3:1 for 2014 and 2.0:1 for each subsequent year.

### **(b) Global Medium Term-Note Programme**

OTE PLC has a Global Medium-Term Note Programme guaranteed by OTE.

As of December 31, 2014, the amount of the outstanding notes under the Global Medium-Term Note Programme is Euro 2,472.6 and is analyzed as follows:

- Euro 787.7 notes (initial nominal value Euro 600.0 after new notes issued in January 2013 amount to Euro 787.7) at a fixed rate of 7.25%, issued in February 2008, maturing on February 12, 2015. As of December 31, 2014, the outstanding balance is Euro 432.2 (2013: Euro 785.0).
- Euro 900.0 notes (initial nominal value) at a fixed rate of 4.625%, issued in November 2006, maturing on May 20, 2016. As of December 31, 2014, the outstanding balance is Euro 655.3 (2013: Euro 892.0).
- Euro 700.0 notes (initial nominal value) at a fixed rate of 7.875%, issued in February 2013, maturing on February 7, 2018. As of December 31, 2014, the outstanding balance is Euro 693.5 (2013: Euro 691.8).
- New Euro 700.0 notes (initial nominal value) at a fixed rate of 3.5%, issued in July 2014, maturing on July 9, 2020. As of December 31, 2014, the outstanding balance is Euro 691.6.

These notes are listed on the Luxembourg Stock Exchange.

### ***New Euro 700.0 Notes under the Global Medium-Term Note Programme***

On July 10, 2014, OTE PLC issued Euro 700.0 Fixed Rate Notes under its Global Medium-Term Note Programme, maturing on July 9, 2020 with an annual coupon of 3.5%. The Notes are guaranteed by OTE.

The new Euro 700.0 Notes contain a change of control clause which is triggered if an entity (other than (i) DEUTSCHE TELEKOM AG, (ii) DEUTSCHE TELEKOM AG together with the Hellenic Republic, any of its agencies or instrumentalities or any entity directly or indirectly controlled by the Hellenic Republic or any of its agencies or instrumentalities, or (iii) any telecommunications operator (other than DEUTSCHE TELEKOM AG) with at least one credit rating equivalent or better than the credit rating of DEUTSCHE TELEKOM AG, gains the power to direct the management and policies of OTE, whether through the ownership of voting capital, by contract or otherwise.

In accordance with the final terms of the Notes, in the event that the change of control clause is triggered, OTE PLC shall promptly give written notice to the bond holders who in turn shall have the option within 45 days to require OTE PLC to redeem the bonds (put option), at their principal amounts together with accrued interest up to the date of redemption.

### ***Tender Offer by OTE PLC under the Global Medium-Term Note Programme***

On July 11, 2014, OTE PLC concluded a tender for cash of its Notes maturing February 2015 and its Notes maturing May 2016. OTE PLC accepted tenders amounting to Euro 305.0 and Euro 195.0 of the February 2015 and the May 2016 Notes respectively. The tender was financed via the proceeds of the Euro 700.0 new bond issue of OTE PLC. The tendered notes were surrendered for cancellation.

### ***Bond buybacks***

In October, November and December, 2014, OTE PLC repurchased a nominal amount of Euro 50.4, under the Euro 787.7 Notes maturing February 2015.

In November and December, 2014, OTE PLC repurchased a nominal amount of Euro 43.5, under the Euro 900.0 Notes maturing May 2016.

### Repayment

On April 8, 2014, OTE PLC fully repaid the remaining outstanding amount of Euro 364.7 under the Euro 500.0 Notes maturing on that date along with the accrued interest (outstanding balance as of December 31, 2013: Euro 366.8 including hedge adjustment of Euro 2.3).

### Reclassification

On February 12, 2014, the Euro 787.7 notes maturing on February 12, 2015, were reclassified from "Long-term borrowings" to "Short-term portion of long-term borrowings".

### Change of control clause

The Euro 900.0 and Euro 787.7 notes include a change of control clause applicable to OTE which is triggered if both of the following events occur:

**a)** any person or persons acting in concert (other than the Hellenic Republic) at any time directly or indirectly come(s) to own or acquire(s) more than 50% of the issued ordinary share capital or of the voting rights of OTE, and

**b)** as a consequence of (a), the rating previously assigned to the notes by any international rating agency is withdrawn or downgraded to BB+/Ba1 or their respective equivalents (non-investment grade), within a specific period and under specific terms and conditions.

The Euro 700.0 notes include a change of control clause applicable to OTE which is triggered if an entity (other than (i) DEUTSCHE TELEKOM AG, (ii) DEUTSCHE TELEKOM AG together with the Hellenic Republic, any of its agencies or instrumentalities or any entity directly or indirectly controlled by the Hellenic Republic or any of its agencies or instrumentalities, or (iii) any telecommunications operator (other than DEUTSCHE TELEKOM AG) with credit rating equivalent or better than the credit rating of DEUTSCHE TELEKOM AG), gains the power to direct the management and policies of OTE, whether through the ownership of voting capital, by contract or otherwise.

In accordance with the final terms of the Notes, in the event that the change of control clause is triggered, OTE PLC shall promptly give written notice to the bond holders who in turn shall have the option within 45 days to require OTE PLC to redeem the bonds (put option), at their principal amounts together with accrued interest up to the date of redemption.

### Cost of debt

The weighted average cost of debt of the Group's long-term borrowings for the years ended December 31, 2014 and 2013 was approximately 6.4% and 7.0%, respectively.

### Derivatives

The interest rate swap agreements entered into in April 2011 matured on April 8, 2014. Subsequently, on April 11, 2014, and April 16, 2014, OTE returned a total amount of Euro 9.3 which was held as collateral in respect of these swap agreements under Credit Support Annex agreements.

COMPANY	2014	2013
Intercompany loans from OTE PLC	2,008.7	1,967.4
<b>Total long-term debt</b>	<b>2,008.7</b>	<b>1,967.4</b>
Short-term portion	(692.0)	(366.8)
<b>Long-term portion</b>	<b>1,316.7</b>	<b>1,600.6</b>

### >Intercompany loans from OTE PLC

The intercompany loans from OTE PLC as of December 31, 2014 are analyzed as follows:

- Euro 600.0 loan (initial nominal value) with a fixed rate, granted in February 2008, maturing on February 11, 2015. The outstanding balance as of December 31, 2014 is Euro 432.3 (2013: Euro 599.2).
- Euro 250.0 loan (initial nominal value) with a fixed rate, granted in February 2013, maturing on February 7, 2018. The outstanding balance as of December 31, 2014 is Euro 247.7 (2013: Euro 247.1).
- Euro 575.0 bond loan (initial nominal value) with a fixed rate, granted in October 2013, maturing on May 19, 2016. The outstanding balance as of December 31, 2014 is Euro 377.4 (2013: Euro 568.5).
- Euro 99.7 new bond loan (initial nominal value) with a fixed rate, granted in March 2014, maturing on September 15, 2015. The IKA-

outstanding balance as of December 31, 2014 is Euro 99.7.

- Euro 65.0 new bond loan (initial nominal value) with a fixed rate, granted in March 2014, maturing on October 15, 2015. The outstanding balance as of December 31, 2014 is Euro 65.0.
- Euro 95.0 new bond loan (initial nominal value) with a fixed rate, granted in March 2014, maturing on November 16, 2015. The outstanding balance as of December 31, 2014 is Euro 95.0.
- Euro 700.0 new bond loan (initial nominal value) with a fixed rate, granted in July 2014, maturing on July 9, 2020. The outstanding balance as of December 31, 2014 is Euro 691.6.

### **Reclassifications**

On February 11, 2014, the Euro 600.0 loan from OTE PLC maturing on February 11, 2015, was reclassified from "Long-term borrowings" to "Short-term portion of long-term borrowings".

On September 15, 2014, the Euro 99.7 bond loan from OTE PLC maturing on September 15, 2015, was reclassified from "Long-term borrowings" to "Short-term portion of long-term borrowings".

On October 15, 2014 the Euro 65.0 bond loan from OTE PLC maturing on October 15, 2015 was reclassified from "Long-term borrowing" to "Short-term portion of long-term borrowing".

On November 16, 2014 the Euro 95.0 bond loan from OTE PLC maturing on November 16, 2015 was reclassified from "Long-term borrowing" to "Short-term portion of long-term borrowing".

### **Repayment of loans granted from OTE PLC**

On April 8, 2014, OTE fully repaid the remaining outstanding amount of Euro 364.7 under the Euro 500.0 loan from OTE PLC maturing on that date.

On July 14, 2014, OTE proceeded with the full prepayment of the Euro 187.7 loan from OTE PLC maturing on February 11, 2015.

On July 14, 2014, OTE proceeded with a partial prepayment of a nominal amount of Euro 195.0 under the Euro 575.0 bond loan from OTE PLC maturing on May 19, 2016.

In July, October, November and December 2014, OTE proceeded with a partial prepayment of a nominal amount of Euro 167.7 under the Euro 600.0 loan from OTE PLC maturing on February 11, 2015.

### **Derivatives**

The interest rate swap agreements entered into in April 2011 matured on April 8, 2014. Subsequently, on April 11, 2014, and April 16, 2014, OTE returned a total amount of Euro 9.3 which was held as collateral in respect of these swap agreements under Credit Support Annex agreements.

## **19. PROVISIONS FOR PENSIONS, STAFF RETIREMENT INDEMNITIES AND OTHER EMPLOYEE BENEFITS**

OTE employees are covered by various pension, medical and other benefit plans as summarized below:

### **›Defined Contribution Plans:**

#### **(a) Main Pension Fund (TAP-OTE) / IKA-ETAM**

The TAP-OTE Fund, a multi-employer fund to which OTE contributes, was the main fund providing pension and medical benefits to OTE employees. The employees of the National Railway Company and the Hellenic Post Office were also members of this Fund. Pursuant to Law 2843/2000, any deficits incurred by TAP-OTE are covered by the Greek State.

As a result of Law 3655/2008, the pension segment of TAP-OTE was incorporated into IKA-ETAM (the main social security of Greece) from August 1, 2008, with a gradual reduction of contributions from TAP-OTE to those of IKA, which commenced in 2013 and expected to conclude in 2023 in three equal installments. At the same time, the medical segment of TAP-OTE was incorporated from October 1, 2008 into TAYTEKO.

Furthermore, according to Law 3655/2008 (article 2, paragraph 8) the deficits of the pension segments which were incorporated into ETAM are covered by the Greek State.

**(b) Auxiliary Pension Fund / TAYTEKO**

The Auxiliary Fund-Lump Sum segment provides members with a lump sum benefit upon retirement or death. Law 2084/1992 has fixed minimum contributions and maximum benefits, after 35 years of service, for new entrants from 1993. As a result of Law 3655/2008, the two segments of the Auxiliary fund (the Lump - Sum Payment segment and the Additional Pension segment) were incorporated from October 1, 2008 into TAYTEKO.

Based on actuarial studies performed in prior years and on current estimations, the pension funds show (or will show in the future) increasing deficits. OTE does not have a legal obligation to cover any future deficiencies of these funds and, according to management, neither does it voluntarily intend to cover such possible deficiencies. However, there can be no assurance that OTE will not be required (through regulatory arrangements) to make additional contributions in the future to cover operating deficits of these funds.

Loans and advances to pension funds are analyzed as follows:

GROUP and COMPANY	2014	2013
<b>Loans and advances to:</b>		
Auxiliary Fund	0.9	1.3
Interest bearing loan to Auxiliary Fund (L. 3371/2005)	100.5	106.3
Interest-free loan to Auxiliary Fund (L. 3762/2009)	14.7	15.0
<b>TOTAL</b>	<b>116.1</b>	<b>122.6</b>
<b>Loans and advances to:</b>		
Auxiliary Fund	0.5	0.5
Interest bearing loan to Auxiliary Fund (L. 3371/2005)	9.7	9.7
Interest-free loan to Auxiliary Fund (L. 3762/2009)	1.5	1.5
<b>Short-term portion (See Note 13)</b>	<b>11.7</b>	<b>11.7</b>
<b>Long-term portion</b>	<b>104.4</b>	<b>110.9</b>

Loans to pension funds are reflected in the financial statements at amortized cost, having been discounted, using appropriate Greek market rates, on initial recognition to their present values. Based on article 74 of Law 3371/2005 and the provisions of the related Ministerial Decision, OTE should grant an interest bearing loan to the Auxiliary Fund in order to cover the Lump Sum benefits due to participants of the Voluntary Leave Scheme. On October 23, 2006, the loan agreement was signed and its main terms are as follows: the total amount of the loan was up to Euro 180.0, which would be granted partially in accordance with the Fund's needs, as determined by the above mentioned Law and the related Ministerial Decision. If the Lump Sum benefits exceeded the amount of Euro 180.0, OTE would grant the additional amount, which could not exceed the amount of Euro 10.0. In this case, the above mentioned agreement would be amended in order to include the final amount of the loan and to update the repayment schedule. Following the above mentioned terms, on October 30, 2007 and on May 21, 2008 two amendments to the loan agreement were signed based on which additional amounts of Euro 8.0 and Euro 1.3, respectively were granted and the repayment schedule was updated so that the total loan granted amounted to Euro 189.3. The loan is repayable in 21 years including a two year grace period, meaning that the repayment started on October 1, 2008 through monthly installments. The loan bears interest at 0.29%. At the date of the contractual commitment, the loan was discounted to its present value. During 2014, Euro 4.1 was unwinded (2013: Euro 4.3).

Based on L. 3762/2009 (Voluntary Leave Scheme program for 600 employees) OTE was required to grant an interest-free long-term loan to TAYTEKO for the Lump Sum benefits that TAYTEKO will be required to pay to these employees. The respective loan agreement was signed in June 2010 for a nominal amount of Euro 30.0, being an interest free loan with a duration of 22 years. At the date of the contractual commitment, the loan was discounted to its present value. During 2014, Euro 1.2 was unwinded (2013: Euro 1.2).

# ANNUAL FINANCIAL REPORT

## IV. ANNUAL FINANCIAL STATEMENTS

### ►DEFINED BENEFIT PLANS:

#### (a) Provision for Staff Retirement Indemnities

Under Greek labor law, employees are entitled to termination payments in the event of dismissal or retirement with the amount of payment varying in relation to the employee's compensation, length of service and manner of termination (dismissal or retirement). Employees who resign (except those with over fifteen years of service) or are dismissed with cause are not entitled to termination payments. The indemnity payable in case of retirement is equal to 40% of the amount which would be payable upon dismissal. In the case of OTE employees, the maximum amount is limited to a fixed amount (Euro 0.02 adjusted annually according to the inflation rate), plus 9 months' salary. In practice, OTE employees receive the lesser amount between 100% of the maximum liability and Euro 0.02 plus 9 months' salary. Employees with service exceeding 25 years are entitled to draw loans against the indemnity payable to them upon retirement. The provision for staff retirement indemnity is reflected in the financial statements in accordance with IAS 19 "Employee Benefits" and is based on an independent actuarial study.

The components of the staff retirement indemnity expense are as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Current service cost	11.2	11.9	7.2	8.9
Loss / (gain) on settlement / curtailment / termination	(1.8)	(1.7)	-	-
P&L effect recorded in "Personnel costs"	9.4	10.2	7.2	8.9
P&L effect recorded in "Interest expense"	6.6	8.5	5.5	6.7
Total P&L effect	16.0	18.7	12.7	15.6

Changes in the present value of the staff retirement indemnities are as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Defined benefit obligation - beginning of the year	199.3	288.7	171.4	254.9
Current service cost	11.2	11.9	7.2	8.9
Interest cost	6.6	8.5	5.5	6.7
Actuarial (gains) / losses	41.4	(15.7)	31.2	(9.6)
Foreign exchange differences	(0.2)	-	-	-
Loss / (gain) on settlement / curtailment / termination	(1.8)	(1.7)	-	-
Disposal group	-	(1.7)	-	-
Benefits paid	(11.9)	(90.7)	(8.8)	(89.5)
Defined benefit obligation - end of the year	244.6	199.3	206.5	171.4

The assumptions underlying the actuarial valuation of the staff retirement indemnities for the Group and the Company are as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Discount rate	1.83% - 3.71%	2.0% - 5.4%	1.83%	3.25%
Assumed rate of future salary changes	-1% - 11.0%	0% - 9.7%	-1% - 11.0%	0% - 9.7%
Inflation rate	0.8% - 3.0%	0.8% - 3.0%	0.8% - 1.8%	0.8% - 1.8%

If the discount rate used in the valuation was 1% higher, then the defined benefit obligation for staff retirement indemnities for the Company would decrease by about 12.2%. If the discount rate used in the valuation was 1% lower, then the defined benefit obligation for staff retirement indemnities for the Company would increase by about 14.6%. If the allowance for pay increases was 0.5% higher, then the defined benefit obligation for staff retirement indemnities for the Company would increase by about 7.3%. If the allowance for pay increases was 0.5% lower, then the defined benefit obligation for staff retirement indemnities for the Company would decrease by about 6.1%. The duration of the liabilities in respect of the staff retirement indemnities for the Company as at the valuation date is equal to 14.0 years. The benefits payments expected to take place in 2015 for the Company amount to Euro 4.7.

#### (b) Youth Account

The Youth Account provides OTE's employees' children a lump sum payment generally when they reach the age of 25. The lump sum payment is made up of employees' contributions, interest thereon and OTE's contribution which for the period up to November 6, 2011 can reach up to an amount of 10 times the maximum between the average salary of OTE employees or the result of 86 times the daily wage salary of the unskilled worker, depending on the number of years of contributions. For the period after November 7, 2011, following an amendment of the program, OTE's contribution can reach up to an amount of 3 times the maximum between the average salary of OTE employees or the result of 86 times the daily wage salary of the unskilled worker depending on the number of years of the employee's contributions and the amount of these contributions.

The provision for benefits under the Youth Account is based on an independent actuarial study. The total actuarial liability is split into two parts; one is treated as "post employment employee benefit" and the other as "other long-term employee benefit". The part of the total Youth Account liability that is being classified as "other long-term employee benefit" relates to employees who will still be active employees at the time when their children will be eligible for the lump sum benefit. The remaining part of the liability is being classified as "post employment benefit".

GROUP and COMPANY	2014			2013		
	Post employment benefit	Other longterm benefit	TOTAL	Post employment benefit	Other long term benefit	TOTAL
Current service cost	1.7	1.0	2.7	1.9	1.0	2.9
Actuarial (gains)/ losses	-	(1.7)	(1.7)	-	0.8	0.8
P&L effect recorded in "Personnel costs "	1.7	(0.7)	1.0	1.9	1.8	3.7
P&L effect recorded in "Interest expense"	2.0	1.0	3.0	1.9	0.9	2.8
Total P&L effect	3.7	0.3	4.0	3.8	2.7	6.5

The amount of the Youth Account provision recognized in the income statement is as follows:

GROUP and COMPANY	2014			2013		
	Post employment benefit	Other long term benefit	TOTAL	Post employment benefit	Other long term benefit	TOTAL
Defined benefit obligation - beginning of the year	80.8	40.2	121.0	89.2	41.1	130.3
Service cost-benefits earned during the year	1.7	1.0	2.7	1.9	1.0	2.9
Interest cost on defined benefit obligation	2.0	1.0	3.0	1.9	0.9	2.8
Actuarial losses / (gains)	(2.6)	(1.7)	(4.3)	0.2	0.8	1.0
Benefits paid	(0.1)	-	(0.1)	(12.4)	(3.6)	(16.0)
Defined benefit obligation - end of the year	81.8	40.5	122.3	80.8	40.2	121.0
Employee's accumulated contributions			66.5			61.3
Liability in the statement of financial position			188.8			182.3

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## IV. ANNUAL FINANCIAL STATEMENTS

The assumptions underlying the actuarial valuation of the Youth Account are as follows:

GROUP and COMPANY	2014	2013
Discount rate	1.09%	2.5%
Assumed rate of future salary changes	-1% - 11.0%	0% - 9.7%
Inflation rate	0.8% - 1.8%	0% - 1.8%

If the discount rate used in the valuation was 1% higher, then the defined benefit obligation for Youth Account would decrease by about 5.7%. If the discount rate used in the valuation was 1% lower, then the defined benefit obligation for Youth Account would increase by about 6.3%. If the allowance for pay increases was 0.5% higher, then the defined benefit obligation for Youth Account would increase by about 3.7%. If the allowance for pay increases was 0.5% lower, then the defined benefit obligation for Youth Account would decrease by about 3.6%. The duration of the liabilities in respect of the Youth Account as at the valuation date is equal to 6.5 years. The benefits payments expected to take place in 2015 amount to Euro 17.4.

### Risks

Regarding the risks associated with the above mentioned plans, these plans are unfunded and therefore no plan assets exist and hence asset volatility or similar risks (e.g. low returns, asset concentration etc.) do not exist. The risks associated with the existing plans relate to the actuarial assumptions that are used in determining the liability, that must be reflected in the financial statements, and comprise potential changes in bond yields, which determine the discount rate, and assumptions relating to the inflation rate and the rate of future salary increase that may affect the future cash flows of the plans.

### Voluntary Leave Scheme

The movement of the provision for Voluntary Leave Scheme is as follows:

GROUP and COMPANY	2014	2013
Balance at January 1	237.9	134.4
Payments during the year	(95.0)	(0.9)
Outstanding amount from OTE's 2013 Voluntary Leave Scheme	-	104.4
Balance at December 31	142.9	237.9

### Other early retirement programs

In 2014, except for OTE, other entities of the Group applied early retirement programs, the total cost of which was Euro 8.4 and is recorded in the consolidated income statement of 2014, in the line "Costs related to early retirement programs".

Beyond the payments for Voluntary Leave Scheme, amounts paid during 2014, in relation to early retirement programs were Euro 19.5 for the Group and Euro 10.7 for the Company.

### IKA-ETAM

Based on article 3 of the F/10051/27177/2174 Ministerial Decision issued at the end of March 2010, the additional financial burden of the Pension Sector of IKA-ETAM, the Auxiliary Insurance Sector for OTE personnel of TAYTEKO and the Medical Segment of TAYTEKO as derives from articles 2 and 4 of the Collective Labor Agreement signed between OTE and OME-OTE on July 20, 2005, should be paid for by OTE. The amount of this additional financial burden would be determined by an actuarial study that would be performed by the Directorate of Actuarial Studies of the General Secretariat for Social Security in conjunction with the Directorate of Actuarial Studies and Statistics of IKA-ETAM.

On May 11, 2010, OTE filed an appeal against this Ministerial Decision before the Administrative Court of First Instance of Athens, requesting the annulment of article 3 as based on the Legal Department's assessment, it is in contravention of article 34 of L. 3762/2009 and consequently, there are valid grounds for the annulment of this article. The hearing of this appeal has not been scheduled yet.

By its letters dated January 21, 2011 and October 21, 2011, the Ministry notified OTE of the completion of the actuarial studies and handed

over to OTE a copy of such actuarial studies. The additional financial burden that the above mentioned actuarial studies state that incurred based on L. 3371/2005 and L. 3762/2009 amounts to Euro 129.8 and Euro 3.7, respectively. OTE has provided for these amounts in its financial statements of 2010 and 2011, respectively.

## 20. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Asset retirement obligation	9.9	8.6	-	-
Provision for obligation of phone credits	3.9	7.2	3.9	7.2
Deferred revenue	31.3	35.6	27.9	33.6
Unpaid portion for spectrum licenses	64.2	39.5	-	-
Long term liabilities to group companies	-	-	87.2	80.5
Liability for TV broadcasting rights	93.5	38.5	86.0	38.5
Other	1.4	4.4	-	2.1
<b>TOTAL</b>	<b>204.2</b>	<b>133.8</b>	<b>205.0</b>	<b>161.9</b>

The actuarial gain recognized in the line "Actuarial gains" in the statement of comprehensive income for 2014 regarding the provision for phone credits amounts to Euro 1.6 (2013: Euro 0.6).

## 21. SHORT-TERM BORROWINGS

### GROUP

The outstanding balance of short-term borrowings as of December 31, 2014 for the Group is nil (December 31, 2013: Euro 11.0). During 2014, OTE PLUS paid an amount of Euro 0.9 under its overdraft facility and TELEKOM ROMANIA MOBILE settled its financial liability amounting to Euro 10.1.

### COMPANY

The outstanding balance of short-term borrowings as of December 31, 2014 for the Company is Euro 270.6 (December 31, 2013: Euro 167.0).

#### >New loans granted from OTE PLC

On June 18, 2014, OTE signed a Euro 53.0 bond loan agreement with OTE PLC maturing on June 10, 2015 and a Euro 51.0 bond loan agreement with OTE PLC maturing on May 29, 2015. Both bond loans bear a fixed interest rate.

On December 22, 2014, OTE signed a zero coupon bond loan agreement with OTE PLC of a nominal amount of Euro 170.7 maturing on December 10, 2015. The amount received was Euro 166.6.

#### >Repayment of loans granted from OTE PLC

On November 28, 2014, OTE proceeded with the full repayment of the Euro 167.0 loan from OTE PLC maturing on that date along with the accrued interest.

## 22. INCOME TAXES - DEFERRED TAXES

According to tax law 4110/2013 which was set into force on January 23, 2013, the corporate income tax rate of legal entities in Greece is set at 26% for 2013 and onwards.

Based on the income tax law 4172/2013 as amended by law 4223/2013, intragroup dividends distributed from January 1, 2014 onwards are exempt from both income tax, as well as withholding tax provided that, amongst other conditions, the parent entity holds a minimum par-



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ticipation of 10% for two consecutive years.

Greek tax regulations and related clauses are subject to interpretation by the tax authorities and administrative courts of law. Tax returns are filed annually. With respect to the financial years up to and including 2010, the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the tax payer and a final assessment is issued. From the financial year 2011 and onwards, the tax returns are subject to the audit tax certificate process (described below). Net operating losses which are tax deductible, can be carried forward against taxable profits for a period of five years from the year they are generated.

Under Greek tax regulations, an income tax advance calculation on each year's current income tax liability is paid to the tax authorities. Such advance is then netted off with the following year's income tax liability. Any excess advance amounts are refunded to the companies following a tax examination.

### **Audit tax certificate**

From the financial year 2011 and onwards, all Greek Societe Anonyme and Limited Liability Companies that are required to prepare audited statutory financial statements must in addition obtain an "Annual Tax Certificate" as provided for by paragraph 5 of Article 82 of L.2238/1994 and article 65A of L.4174/2013. This "Annual Tax Certificate" must be issued by the same statutory auditor or audit firm that issues the audit opinion on the statutory financial statements. Upon completion of the tax audit, the statutory auditor or audit firm must issue to the entity a "Tax Compliance Report" which will subsequently be submitted electronically to the Ministry of Finance, by the statutory auditor or audit firm. This "Tax Compliance Report" must be submitted to the Ministry of Finance, within ten days from the date of approval of the financial statements by the General Meeting of Shareholders. The Ministry of Finance will subsequently select a sample of at least 9% of all companies for which a "Tax Compliance Report" has been submitted for the performance of a tax audit by the relevant auditors from the Ministry of Finance. The audit by the Ministry of Finance must be completed within a period of eighteen months from the date when the "Tax Compliance Report" was submitted to the Ministry of Finance.

For the Greek companies of the Group, the "Tax Compliance Report" for the financial years 2011, 2012 and 2013 has been issued and submitted with no substantial adjustments with respect to the tax expense and corresponding tax provision as reflected in the respective annual financial statements. According to the relevant legislation, the financial years for which an audit tax certificate has been issued will be considered final for tax audit purposes after eighteen months from the submission of the "Tax Compliance Report" to the Ministry of Finance. Based on decision 1236/2013 issued by the Ministry of Finance, financial year 2011 is considered final on April 30, 2014. The tax audit for the financial year 2014 is being performed by PricewaterhouseCoopers S.A. Upon completion of the tax audit, management does not expect that significant additional tax liabilities will arise, in excess of those provided for and disclosed in the financial statements.

### **Unaudited tax years**

Taking into account the audit tax certificate process described above (where applicable), the table below presents the years for which the tax audit has not been performed/completed and, therefore, the Company's and its subsidiaries' tax liabilities for these open years have not been finalized:

COMPANY	Open Tax Years
OTE	2014
COSMOTE	2010, 2014
OTE INTERNATIONAL INVESTMENTS LTD	2010 - 2014
COSMO-ONE	2010, 2014
OTE PLC	2013 - 2014
OTE SAT-MARITEL	2007 - 2010 and 2014
OTE PLUS	2010, 2014
OTE ESTATE	2008 - 2010 and 2014
OTE-GLOBE	2010, 2014
OTE INSURANCE	2010, 2014
OTE ACADEMY	2010, 2014
HATWAVE	1996 - 2014

COMPANY	Open Tax Years
OTE INVESTMENTS SERVICES S.A.	2010, 2014
TELEKOM ROMANIA	2006 - 2014
NEXTGEN	2008 - 2014
AMC	2013 - 2014
TELEKOM ROMANIA MOBILE	2007 - 2014
GERMANOS	2010, 2014
E-VALUE S.A.	2010, 2014
GERMANOS TELECOM ROMANIA S.A.	2008 - 2014
SUNLIGHT ROMANIA S.R.L. - FILIALA	2008 - 2014
MOBILBEEEP LTD	2010 - 2014
CHA	2007 - 2011, 2014
COSMOHOLDING ROMANIA LTD	2009 - 2014
ZAPP	2009 - 2014
E-VALUE LTD	2010, 2014
COSMOHOLDING INTERNATIONAL B.V.	2014
E-VALUE INTERNATIONAL S.A.	2014
OTE RURAL NORTH	2014
OTE RURAL SOUTH	2014

The Group provides, when considered appropriate, on a company by company basis for possible additional taxes that may be imposed by the tax authorities.

- The tax audit for VOICENET (absorbed by OTE see note 8) for the fiscal years 2004 - 2011 was completed without any significant impact to the Group.
- CHA is under tax audit for the years 2007-2011.
- The tax audit for AMC for the fiscal years 2011 - 2012 was completed without any significant impact to the Group.
- The tax audit of the Company for the fiscal years 2009 and 2010 was completed in August 2014 and the tax authorities imposed additional taxes amounting to Euro 17.5, out of which the Company has accepted an amount of Euro 6.9. The remaining amount of taxes imposed (Euro 10.6) relates to costs associated with OTE's Voluntary Leave Scheme and the early retirement programs. Based on the respective law, the Company was required to pay in advance the amount of Euro 10.6 in order to appeal, which will be reimbursed to the Company in the event of a favourable outcome. Based on the management's assessment, OTE considers there are good grounds to believe that OTE will win this case. Due to the already established provision for unaudited years in the statement of financial position, the tax audit did not have any impact in the Company's income statement.

The major components of income tax expense for the years ended December 31, 2014 and 2013 are as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Current income tax	88.5	100.9	-	5.0
Tax related to capitalization of reserves	-	49.7	-	38.1
Deferred income tax - Effect due to change in the income tax rate	-	(50.0)	-	(41.4)
Deferred income tax	35.4	(79.7)	52.0	(33.4)
<b>Total income tax</b>	<b>123.9</b>	<b>20.9</b>	<b>52.0</b>	<b>(31.7)</b>

Income tax payable for the Group and the Company as of December 31, 2014 amounted to Euro 46.4 and nill, respectively (December 31, 2013: Euro 82.8 and 38.1, respectively).

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A reconciliation between the income tax expense and the accounting profit before tax multiplied by tax rates in force in Greece (2014: 26%, 2013: 26%) is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Profit / (loss) before tax	395.4	314.8	162.1	(169.7)
Statutory tax rate	26%	26%	26%	26%
Tax at statutory rate	102.8	81.8	42.1	(44.1)
Non-taxable and specially taxed income	(2.6)	(99.4)	(0.3)	(3.0)
Effect of different rates in foreign countries	1.3	(4.6)	-	-
Effect of changes to tax rates	-	(50.0)	-	(41.4)
Expenses non-deductible for tax purposes	36.3	35.1	14.9	14.9
Tax losses for which no deferred tax asset was recognized	-	5.4	-	-
Tax related to capitalization of reserves	-	49.7	-	38.1
Effect of share option plan	(8.7)	-	(3.9)	-
Utilisation of previously unrecognized tax losses	(1.6)	-	-	-
Other	(3.6)	2.9	(0.8)	3.8
<b>Income tax</b>	<b>123.9</b>	<b>20.9</b>	<b>52.0</b>	<b>(31.7)</b>

Deferred taxes are recognized on the temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts recognized for taxation purposes and are analyzed as follows:

GROUP	Statement of financial position		Income statement	
	2014	2013	2014	2013
Voluntary leave scheme	38.7	41.6	(2.9)	9.3
Staff retirement indemnities	60.1	49.7	0.5	0.3
Youth account	31.8	31.5	1.0	4.9
Employee benefits	14.7	17.0	(2.3)	3.3
Property, plant and equipment	104.7	98.3	6.5	13.1
Provisions	121.5	117.8	3.7	53.2
Tax losses	33.5	79.2	(45.7)	43.2
Deferred income	10.0	11.6	(1.6)	8.4
Other	24.3	23.2	0.9	2.7
<b>Deferred tax asset (before offset)</b>	<b>439.3</b>	<b>469.9</b>		
<b>Offset of deferred tax liabilities</b>	<b>(79.3)</b>	<b>(76.0)</b>		
<b>Deferred tax asset (after offset)</b>	<b>360.0</b>	<b>393.9</b>		

GROUP	Statement of financial position		Income statement	
	2014	2013	2014	2013
Deferred tax liabilities (before offset)				
Property, plant and equipment	(44.2)	(35.0)	(9.2)	8.7
Capitalized interest	(18.7)	(20.2)	1.5	(3.7)
Loan fees	(1.7)	(3.9)	2.2	(1.2)
Fair value adjustment on acquisition of subsidiaries	(66.9)	(74.7)	7.8	(9.2)
Interest rate swaps	-	(1.7)	1.7	0.2
Other	(8.1)	(8.6)	0.5	(3.5)
	(139.6)	(144.1)		
To be offset against deferred tax asset	79.3	76.0		
Deferred tax liabilities (after offset)	(60.3)	(68.1)		
Deferred tax income / (expense)			(35.4)	129.7
Deferred tax assets, net	299.7	325.8		

COMPANY	Statement of financial position		Income statement	
	2014	2013	2014	2013
Voluntary leave scheme	38.7	41.5	(2.8)	9.2
Staff retirement indemnities	53.5	44.4	1.0	(3.3)
Youth account	31.8	31.5	1.0	4.9
Employee benefits	13.7	16.2	(2.5)	2.6
Provisions	91.6	87.0	4.6	24.3
Tax losses	6.8	54.0	(47.2)	42.6
Deferred income	3.3	4.1	(0.8)	0.3
Other	-	-	-	(0.4)
Deferred tax assets (before offset)	239.4	278.7		
Offset of deferred tax liabilities	(60.8)	(55.5)		
Deferred tax assets (after offset)	178.6	223.2		
Property, plant and equipment	(37.0)	(26.1)	(10.9)	0.4
Capitalized interest	(18.7)	(20.2)	1.5	(4.0)
Loan fees	(1.3)	(3.3)	2.0	(0.6)
Interest rate swaps	-	(1.7)	1.7	0.2
Other	(3.8)	(4.2)	0.4	(1.4)
Deferred tax liabilities	(60.8)	(55.5)		
To be offset against deferred tax assets	60.8	55.5		
Deferred tax income / (expense)			(52.0)	74.8
Deferred tax assets, net	178.6	223.2		

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The movement in deferred tax of the Group and the Company is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Deferred tax (net) - beginning of the year	325.8	179.3	223.2	147.9
Deferred tax charged to the income statement	(35.4)	129.7	(52.0)	74.8
Deferred tax through other comprehensive income	9.4	(1.0)	7.4	0.5
Deferred tax of disposal group / discontinued operations	-	17.3	-	-
Foreign exchange differences	(0.1)	0.5	-	-
<b>Deferred tax (net) - end of the year</b>	<b>299.7</b>	<b>325.8</b>	<b>178.6</b>	<b>223.2</b>

The Group does not recognize deferred tax asset on the following accumulated tax losses due to the uncertainty of the timing of available taxable profits against which these losses could be offset. The accumulated tax losses expire as follows:

Year	Amount
2016	28.7
2017	22.7
2018	22.3
2019	22.8
2020 and onwards	12.8
<b>TOTAL</b>	<b>109.3</b>

### 23. OTHER CURRENT LIABILITIES

Other current liabilities are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Employer contributions	39.1	54.9	25.6	40.6
Payroll	60.3	46.4	30.2	23.6
Other taxes - duties	104.7	89.2	32.1	18.0
Interest payable	82.0	120.3	65.2	85.0
Provisions for litigation and other liabilities	128.7	126.9	110.0	106.1
Customer advances	14.3	13.2	3.5	-
Cash collateral on interest rate swaps	-	9.3	-	9.3
Unpaid treasury shares	-	6.1	-	6.1
Unpaid portion for spectrum licenses	71.5	-	-	-
Expenses and provisions from disposal of assets	109.7	110.3	25.5	25.5
Other	28.0	38.3	11.9	9.3
<b>TOTAL</b>	<b>638.3</b>	<b>614.9</b>	<b>304.0</b>	<b>323.5</b>

The movement in the provision for litigation and other liabilities is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Balance at January 1	126.9	88.9	106.1	83.8
Addition during the year	8.9	46.9	6.4	27.6
Utilized	(5.3)	(4.9)	(2.7)	(3.2)
Unused amounts reversed	(1.8)	(3.4)	-	(2.1)
Disposal group	-	(0.6)	-	-
Absorption of subsidiary	-	-	0.2	-
Balance at December 31	128.7	126.9	110.0	106.1

## 24. OTHER OPERATING INCOME

Other operating income is analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Income from disposal of property, plant and equipment	30.0	18.0	3.0	8.4
Income from contract penalties	12.9	5.8	0.2	-
Income from investment property	7.6	7.9	0.1	-
Other	15.9	10.6	0.8	2.2
TOTAL	66.4	42.3	4.1	10.6

## 25. EARNINGS PER SHARE

Earnings per share (after income taxes) are calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares outstanding during the year including, for the diluted earnings per share, the number of share options outstanding at the end of the year that have a dilutive effect on earnings per share.

Earnings per share are analyzed as follows:

GROUP	2014	2013
Profit attributable to owners of the parent	267.4	316.7
Profit for the year from continuing operations (attributable to owners of the parent)	267.4	287.8
Profit for the year from discontinued operations (attributable to owners of the parent)	-	28.9
Weighted average number of shares for basic earnings per share	487,943,387	490,076,055
Share options	4,049,086	11,951,653
Weighted average number of shares adjusted for the effect of dilutions	488,140,660	492,178,735
Basic earnings per share	0.5480	0.6462
From continuing operations	0.5480	0.5873
From discontinued operations	-	0.0589
Diluted earnings per share	0.5478	0.6435
From continuing operations	0.5478	0.5847
From discontinued operations	-	0.0588

(Earnings per share are in absolute amounts)

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### 26. OPERATING SEGMENT INFORMATION

The following information is provided for the reportable segments, which are separately disclosed in the financial statements and which are regularly reviewed by the Group's chief operating decision makers. Segments were determined based on the Group's legal structure, as the Group's chief operating decision makers review financial information separately reported by the parent company and each of the Group's consolidated subsidiaries, or the sub groups included in the consolidation.

Using the quantitative thresholds OTE, COSMOTE group and TELEKOM ROMANIA have been determined to be reportable segments. Information about operating segments that do not constitute reportable segments has been combined and disclosed in an "Other" category. The types of services provided by the reportable segments are as follows:

- OTE is a provider of local, long-distance and international fixed-line voice telephony, internet access services and TV services in Greece.
- COSMOTE group is a provider of mobile telecommunications services in Greece, Albania and Romania.
- TELEKOM ROMANIA is a provider of local, long-distance and international fixed-line voice telephony, internet access services and TV services in Romania.

Accounting policies of the operating segments are the same as those followed for the preparation of the financial statements. Intersegment revenues are generally reported at values that approximate third-party selling prices. Management evaluates segment performance based on operating profit before depreciation, amortization, impairment, costs related to early retirement programs and other restructuring costs; operating profit /(loss) and profit /(loss) for the year.

Segment information and reconciliation to the Group's consolidated figures are as follows:

2014	OTE	COSMOTE GROUP	TELEKOM ROMANIA	OTHER	TOTAL	ELIMINATIONS	GROUP
Revenue from external customers	1,427.3	1,645.0	586.9	259.2	3,918.4	-	3,918.4
Intersegment revenue	84.4	110.1	22.2	197.0	413.7	(413.7)	-
Interest income	2.4	13.3	2.0	205.3	223.0	(217.6)	5.4
Interest expense	(149.5)	(69.6)	(2.0)	(199.2)	(420.3)	217.6	(202.7)
Depreciation, amortization and impairment	(279.4)	(347.7)	(142.6)	(26.6)	(796.3)	(0.1)	(796.4)
Dividend income	1.1	-	-	-	1.1	(1.1)	-
Income tax	(52.0)	(56.9)	(0.3)	(14.7)	(123.9)	-	(123.9)
Operating profit	307.0	234.7	6.6	40.9	589.2	(0.1)	589.1
Profit for the year	110.1	120.8	8.5	33.3	272.7	(1.2)	271.5
Operating profit before depreciation, amortization, impairment, costs related to early retirement programs and other restructuring costs	599.2	594.6	159.9	67.9	1,421.6	-	1,421.6
Segment assets	6,480.7	3,922.8	1,095.9	4,416.1	15,915.5	(8,111.2)	7,804.3
Segment liabilities	3,793.2	2,070.4	283.8	3,250.8	9,398.2	(4,092.3)	5,305.9
Expenditures for segment assets	222.3	262.8	106.0	12.8	603.9	-	603.9

2013	OTE	COSMOTE GROUP	TELEKOM ROMANIA	OTHER	TOTAL	ELIMINATIONS	GROUP
Revenue from external customers	1,464.9	1,748.2	586.8	254.2	4,054.1	-	4,054.1
Intersegment revenue	92.3	111.6	22.7	193.8	420.4	(420.4)	-
Interest income	4.3	16.2	2.1	236.0	258.6	(249.8)	8.8
Interest expense	(159.4)	(106.4)	(3.5)	(229.5)	(498.8)	249.8	(249.0)
Depreciation, amortization and impairment	(322.5)	(349.0)	(139.3)	(31.8)	(842.6)	0.1	(842.5)
Dividend income	8.0	-	-	-	8.0	(7.6)	0.4
Income tax	31.7	(61.1)	4.2	4.3	(20.9)	-	(20.9)
Operating profit / (loss)	(5.1)	284.7	8.4	47.3	335.3	0.1	335.4
Profit / (loss) for the year	(138.0)	286.6	13.7	58.9	221.2	72.7	293.9
Operating profit before depreciation, amortization, impairment, costs related to early retirement programs and other restructuring costs	568.3	647.6	159.3	81.1	1,456.3	-	1,456.3
Segment assets	6,310.2	3,802.3	1,034.1	4,464.6	15,611.2	(7,767.9)	7,843.3
Segment liabilities	3,693.4	2,050.6	223.9	3,333.2	9,301.1	(3,753.5)	5,547.6
Expenditures for segment assets	179.8	336.2	75.5	13.2	604.7	-	604.7

Transactions between the segments are eliminated in the context of consolidation and the eliminated amounts are included in the column eliminations. The segment assets shown in "Other" include loans and interest receivable by OTE PLC of an amount of Euro 3,221.7 (2013: Euro 3,155.0) which is eliminated at Group level.

### Geographic information

Geographic information for the Group's revenues from external customers and non-current assets is as follows:

	Revenues from external customers		Non-current assets	
	2014	2013	2014	2013
Greece	2,849.9	2,959.4	3,372.9	3,319.3
Albania	68.5	72.6	139.8	149.1
Romania	1,000.0	1,016.6	1,240.1	1,297.9
Other	-	5.5	-	-
<b>TOTAL</b>	<b>3,918.4</b>	<b>4,054.1</b>	<b>4,752.8</b>	<b>4,766.3</b>

The revenue information presented above is based on the location of the entity. Non-current assets for this purpose consist of property, plant and equipment, goodwill, telecommunication licenses and other intangible assets.

## 27. RELATED PARTY DISCLOSURES

OTE's related parties have been identified based on the requirements of IAS 24 "Related Party Disclosures".



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The OTE Group includes all entities which OTE controls, either directly or indirectly (see Note 1). Transactions and balances between companies in the OTE Group are eliminated on consolidation.

DEUTSCHE TELEKOM AG is a 40.00% shareholder of OTE and consolidates OTE using the full consolidation method. Therefore, all companies included in the DEUTSCHE TELEKOM group are also considered related parties.

The Company purchases goods and services from these related parties, and provides services to them. Furthermore, OTE grants / receives loans to / from these related parties, receives dividends and pays dividends.

OTE's purchases and sales with related parties are analyzed as follows:

	2014		2013	
	Sales OTE	Purchases OTE	Sales OTE	Purchases OTE
COSMOTE group of companies	70.3	69.8	74.8	66.4
OTE INTERNATIONAL INVESTMENTS LTD	0.7	4.1	0.9	3.9
HELLAS-SAT	n/a	n/a	0.1	0.2
COSMO-ONE	-	0.6	-	0.7
VOICENET	0.9	1.8	1.6	2.5
OTE SAT - MARITEL	0.5	0.4	0.6	0.7
OTE PLUS	0.4	64.8	0.5	52.0
OTE ESTATE	0.3	45.3	0.7	46.8
OTE-GLOBE	11.2	55.3	13.0	59.3

Purchases and sales of the Group with related parties which are not eliminated in the consolidation are analyzed as follows:

	2014		2013	
	Sales OTE	Purchases OTE	Sales OTE	Purchases OTE
OTE ACADEMY	0.1	5.7	0.1	4.7
TELEKOM ROMANIA	-	0.3	-	0.4
DEUTSCHE TELEKOM group of companies (except for OTE Group)	1.3	1.8	0.2	0.5
<b>TOTAL</b>	<b>85.7</b>	<b>249.9</b>	<b>92.5</b>	<b>238.1</b>

OTE's financial activities with its related parties comprise interest on loans received and are analyzed as follows:

	2014		2013	
	Group's sales	Group's purchases	Group's sales	Group's purchases
DEUTSCHE TELEKOM group of companies (except for OTE Group)	28.0	21.4	21.0	24.7
<b>TOTAL</b>	<b>28.0</b>	<b>21.4</b>	<b>21.0</b>	<b>24.7</b>

OTE's dividend income from its related parties is analyzed as follows:

	Finance expense OTE			
	2014		2013	
OTE PLC	147.4	125.8	21,0	24,7
<b>TOTAL</b>	<b>147.4</b>	<b>125.8</b>	<b>21,0</b>	<b>24,7</b>

OTE's dividend income from its related parties is analyzed as follows:

	2014	2013
COSMOTE	-	0.6
HELLAS - SAT	-	7.0
OTE SAT - MARITEL	1.0	-
OTE INSURANCE	0.1	-
EDEKT	-	0.4
<b>TOTAL</b>	<b>1.1</b>	<b>8.0</b>

Amounts owed to and by the related parties as a result of OTE's transactions with them are analyzed as follows:

	2014		2013	
	Amounts owed to OTE	Amounts owed by OTE	Amounts owed to OTE	Amounts owed by OTE
COSMOTE group of companies	85.7	117.2	44.0	87.3
OTE INTERNATIONAL INVESTMENTS LTD	0.2	1.0	0.4	1.1
COSMO-ONE	-	0.1	0.1	0.2
VOICENET	n/a	n/a	0.6	1.1
OTE SAT - MARITEL	3.3	4.5	1.7	4.0
OTE PLUS	0.5	23.6	0.5	18.9
OTE ESTATE	0.5	4.6	0.6	11.0
OTE-GLOBE	14.8	53.5	14.8	54.9
OTE ACADEMY	0.5	1.1	0.4	1.6
TELEKOM ROMANIA	0.5	0.2	0.4	0.5
DEUTSCHE TELEKOM group of companies (except for OTE Group)	1.3	1.6	0.2	0.9
<b>TOTAL</b>	<b>107.3</b>	<b>207.4</b>	<b>63.7</b>	<b>181.5</b>

Amounts owed to and by the related parties as a result of the Group's transactions with them, which are not eliminated in the consolidation, are analyzed as follows:

	2014		2013	
	Amounts owed to Group	Amounts owed by Group	Amounts owed to Group	Amounts owed by Group
DEUTSCHE TELEKOM group of companies (except for OTE Group)	17.3	72.6	14.5	57.2
<b>TOTAL</b>	<b>17.3</b>	<b>72.6</b>	<b>14.5</b>	<b>57.2</b>

# ANNUAL FINANCIAL REPORT

## IV. ANNUAL FINANCIAL STATEMENTS

Amounts owed by OTE relating to loans received, are analyzed as follows:

	Amounts owed by OTE	
	2014	2013
OTE PLC	2,344.5	2,217.0
<b>TOTAL</b>	<b>2,344.5</b>	<b>2,217.0</b>

Key Management Personnel and those closely related to them are defined in accordance with IAS 24 "Related Party Disclosures". Compensation includes all employee benefits (as defined in IAS 19 "Employee Benefits") including employee benefits to which IFRS 2 "Share-based Payment" applies.

Fees to the members of the Board of Directors and OTE's key management personnel amounted to Euro 6.1 and Euro 6.2 for the years 2014 and 2013, respectively.

As of December 31, 2014, 680,314 options under OTE's share based payment plan have been granted to the Company's key management personnel.

The main transactions between the Group companies are described below:

### ›OTE-GLOBE

OTE-GLOBE provides international telephony services on behalf of OTE to international providers and invoices OTE with its fees. OTE-GLOBE invoices OTE, and OTE invoices OTE-GLOBE for the telecommunication traffic which passes through international networks of OTE-GLOBE or international telephone networks of OTE as the case may be. In addition, the two entities have commercial transactions in relation to leased lines.

### ›OTE ESTATE

OTE ESTATE earns rental income from OTE and its subsidiaries.

OTE invoices OTE ESTATE for additions or improvements made to the land and buildings that belong to OTE ESTATE. The related costs of these additions, representing labor and materials costs, are included in OTE's income statement.

### ›OTE INTERNATIONAL INVESTMENTS LTD

OTE INTERNATIONAL INVESTMENTS LTD invoices OTE and its subsidiaries for the administration services provided to foreign subsidiaries.

### ›COSMO-ONE

COSMO-ONE invoices OTE and its subsidiaries for e-commerce services.

### ›OTE SAT - MARITEL

OTE invoices OTE SAT- MARITEL for the usage of OTE's facilities for INMARSAT services.

OTE SAT - MARITEL invoices OTE for fixed to mobile connection, which is invoiced by INMARSAT to OTE SAT - MARITEL.

### ›OTE PLUS

OTE PLUS provides consulting services to OTE, consulting services of technical nature to OTE and construction studies to its subsidiaries.

### ›COSMOTE

OTE invoices COSMOTE with commissions for mobile connections made through OTE.

OTE invoices COSMOTE for leased lines.

OTE and COSMOTE have income and expenses for interconnection depending to which of the two entities network the calls terminate, including international telephony traffic which passes through the two networks.

COSMOTE provides OTE with mobile equipment.

#### ›OTE ACADEMY

OTE ACADEMY subleases to OTE its training center facilities in Athens and Thessaloniki.

OTE ACADEMY leases the premises from OTE ESTATE.

OTE ACADEMY provides training services to the employees of OTE and its subsidiaries.

#### ›OTE PLC

OTE PLC has granted interest bearing loans to OTE and subsidiaries.

#### ›OTE RURAL NORTH SPSA

OTE invoices OTE RURAL NORTH SPSA for broadband infrastructure development.

#### ›OTE RURAL SOUTH SPSA

OTE invoices OTE RURAL SOUTH SPSA for broadband infrastructure development.

#### ›DEUTSCHE TELEKOM AG GROUP OF COMPANIES

The Group has income and expenses which mainly arise from transactions with incoming, outgoing and transit traffic to and from the network of the companies that belong to DEUTSCHE TELEKOM group.

## 28. LITIGATION AND CLAIMS - COMMITMENTS

### A. OUTSTANDING LEGAL CASES

The Group and the Company have made appropriate provisions in relation to litigations and claims, when it is probable that an outflow of resources will be required to settle the obligations and the respective amount can be reasonably estimated.

The most significant outstanding legal cases as at December 31, 2014, are as follows:

#### CIVIL PROCEEDINGS

Lease agreements (OTE Leasing): On December 11, 2001, OTE disposed of its wholly owned subsidiary, OTE Leasing, to Piraeus Financial Leasing S.A. As prescribed in the agreements signed for the sale of OTE Leasing, OTE is committed to indemnify Piraeus Financial Leasing S.A. up to an amount of approximately Euro 28.0, for possible losses to be incurred from the non-performance of lessees for contracts signed through to the date of sale of OTE Leasing. On September 28, 2007, Piraeus Financial Leasing S.A. filed a law suit against OTE, claiming Euro 3.4 from OTE for the reason described above. The hearing which had been scheduled for February 26, 2009 in the Athens Multimember Court was postponed. The hearing after several postponements is rescheduled for March 10, 2016.

Forthnet S.A.: In 2002, Forthnet S.A. filed a civil claim, claiming an amount of Euro 26.7 plus interest for damages incurred by it due to loss of customers as a result of OTE's allegedly discriminatory policy in favor of OTENET. The hearing after several postponements is rescheduled for January 26, 2017.

Teledome S.A.: Teledome S.A. filed various lawsuits against OTE before the Athens Multimember Court of First Instance.

1. The first lawsuit claiming an amount of Euro 1.6 for alleged damages incurred by it as a result of the application of non-cost oriented interconnection charges by OTE is scheduled to be heard on September 28, 2016.
2. The second lawsuit claiming Euro 3.6 for alleged damages incurred by it as a result of OTE's delay in delivering to it leased lines was heard on February 28, 2007 and the Court ordered factual investigation and reduced the claim to Euro 1.4. The investigator has completed the factual investigation resulting to an amount of Euro 0.9. The case is scheduled to be heard before the Athens Multimember Court of First Instance on February 25, 2015.
3. Teledome filed a lawsuit of Euro 4.4 claiming alleged breach of contractual obligations arising out of disconnection of telecommunication

services. The lawsuit was heard on March 6, 2008 and was rejected by the court. Teledome appealed against this decision and the hearing is pending.

4. A lawsuit of Euro 2.3 for alleged suspension of its subscriber's number portability was rejected by the Court on January 25, 2007. Teledome appealed against it and its appeal was heard on November 26, 2009 when it was rejected. A lawsuit of Euro 2.4 for alleged suspension of its subscriber's number portability was rejected by the Court on 2006. Teledome appealed against it and its appeal was heard in 2007 when it was rejected.
5. Finally, Teledome filed a lawsuit against OTE before the Athens Multimember Court claiming Euro 54.1 plus interest for damages for so called unlawful termination of its leased lines by OTE which resulted in Teledome S.A.'s bankruptcy. This claim was heard on March 18, 2009 and March 26, 2009. According to Court's decision the hearing was postponed and Teledome S.A. was required to deposit a guarantee amounting Euro 1.1 for court expenses. Teledome S.A. has appealed against this decision and the appeal was heard before the Athens Multimember of First Instance Court on September 29, 2010. Because of Teledome S.A.'s denial to deposit the guarantee, OTE applied for withdrawal of Teledome S.A.'s order. Finally, Bank of Cyprus has appealed additional intervention in favor of Teledome S.A. before the Athens Multimember Court of First Instance. All appeals were heard on September 29, 2010. For these cases a decision was issued in 2011, by which the appeals of Teledome S.A. and the additional intervention of Bank of Cyprus were rejected, while the appeal of OTE was accepted. Against this decision all OTE's defendants appealed and the appeals were heard by the Court of Appeals on April 26, 2012. The Court issued a decision by which all the respective appeals were rejected. Teledome appealed against this decision before the Supreme Court and the hearing has held on May 12, 2014. The Court issued a decision by which the appeal was rejected.

**TELLAS S.A.:** TELLAS filed two claims against OTE totaling Euro 6.2 for the triggering of penalty clauses for the loss suffered for the delayed delivery of leased lines and for claims relating to non-compliance of OTE with costing obligations. The cases have been scheduled to be heard by the Athens Multimember Court on January 29, 2015, when the hearing was cancelled and a new hearing is pending.

**LAN-NET S.A.:** In May 2009, LAN-NET filed a claim against OTE before the Court of First Instance for an aggregate amount of Euro 175.7, claiming restitution for alleged illegal termination of services on June 30, 2008. The hearing of this case was held on May 30, 2013 and according to Court's decision the hearing was postponed and LAN-NET S.A. was required to deposit a guarantee amounting Euro 3.5 for court expenses within three months from the date of the notification in case LAN-NET loses the case. This decision was notified to LAN-NET S.A. on November 6, 2014. The above three-month period ended without the deposition of the guarantee, as a result, OTE requested before the Athens Multimember Court of First Instance the rejection of the initial claim. The case is scheduled to be heard on June 4, 2015.

**FASMA ADVERTISING TECHNICAL AND COMMERCIAL S.A.:** FASMA ADVERTISING TECHNICAL AND COMMERCIAL S.A. filed a lawsuit against OTE before the Athens Multimember Court of First Instance, claiming an aggregate amount of Euro 8.7 plus interest for breach of contract. The hearing by the Court, was scheduled to October 23, 2008, when the case was heard and a decision was issued rejecting the lawsuit. FASMA ADVERTISING TECHNICAL AND COMMERCIAL S.A. appealed against this decision and the hearing scheduled for May 17, 2012, and the decision of the Athens Court of Appeals was issued by which the above lawsuit was definitely rejected.

### **Franchisees lawsuits:**

1. K. Prinianakis S.A. filed a lawsuit against OTE claiming Euro 10.9 in damages. The case was heard on November 15, 2007 and the Court partially accepted the claim for the amount of Euro 0.1. Against this decision OTE has filed an appeal which was scheduled for September 29, 2011, when it was rescheduled for September 27, 2012. OTE filed a counterclaim against K. Prinianakis for an amount of Euro 0.3 in damages. This claim was heard on November 13, 2008 and the Court partially accepted it. Against this decision K. Prinianakis S.A. has filed an appeal which was scheduled for September 29, 2011, when it was rescheduled for September 27, 2012. Both OTE's appeal and K. Prinianakis S.A.'s appeals which were scheduled for September 27, 2012 were heard on May 23, 2013 and the Court accepted OTE's claim and rejected the other party's claim.
2. DEP INFO Limited filed a lawsuit against OTE claiming Euro 7.0 for damages. OTE has filed its own lawsuit against this company claiming Euro 1.7 in damages. Both hearings were held on March 9, 2006 and the Court rejected DEP INFO Limited lawsuit, while it accepted OTE's lawsuit. DEP INFO Limited filed an appeal against this decision which was heard on January 24, 2008 and the court rejected the company's appeal and ordered a factual investigation for the accurate determination of OTE's claim. The case is at the stage of the factual investigation. DEP INFO appealed against the previous decision and the hearing which was scheduled on February 3, 2014 was heard on October 6, 2014 and the decision is pending. On September 13, 2012, DEP INFO LTD filed a new lawsuit against OTE before the Multimember Court of First Instance for the amount of Euro 5.0. The hearing which was scheduled for December 10, 2014 was rescheduled

for November 2, 2016.

3. S.P. COM S.A. filed a lawsuit against OTE before the Athens Multimember Court of First Instance requesting the annulment of the termination from OTE of their franchise contract, claiming an amount of Euro 7.3 in damages plus interest. The hearing of this case was scheduled for March 14, 2012 and the Court issued a decision rejecting the claim. S.P. COM S.A. appealed against this decision, the case was heard on September 25, 2014 and the decision is pending.
4. Evros Telecommunications S.A. filed a lawsuit against OTE before the Athens Multimember Court of First Instance claiming Euro 2.0 for alleged damages and customer base compensation. The case is scheduled to be heard on November 11, 2015.

**Employees' Claims:** OTE's current employees and pensioners have filed a number of lawsuits against OTE with a wide variety of claims.

**Payphones Duties:** In the prior years, the Municipality of Thessaloniki has charged OTE with duties and penalties of a total amount of Euro 18.2 for the installation and operation of payphones within the area of its responsibility. OTE disputed the above assessments and filed appeals before the competent administrative courts and prepaid 40% of the above duties and penalties in order to appeal, amount that will be refunded to OTE if the outcome will be favorable to the Company. These duties and penalties refer to the period 2001-2007 and 2010-2013. No duties and penalties have been charged for 2008-2009. In a few decisions that have been issued, most of them are accepting the position of the Municipality of Thessaloniki, as their judgment is founded in the previous telecommunications legal framework before 2006. Overall, the case is still pending.

**KONSTANTZA S.A.:** KONSTANTZA S.A. has filed three claims against OTE before the Athens Court of First Instance alleging Euro 2.7 plus interest in total. The hearing for all these claims was scheduled for September 20, 2012 when it was postponed and rescheduled for May 21, 2015.

Athanasios Fekas: Athanasios Fekas filed a claim against OTE before the Court of First Instance of Lamia alleging Euro 1.2 plus interest. The hearing was scheduled for February 20, 2009 but was adjourned for November 20, 2009 when the case was heard and rejected. On January 18, 2011, Athanasios Fekas appealed against this decision. The case was heard on May 13, 2014 and the Court rejected the appeal.

**FLT HELLAS METAFORIKH S.A.:** FLT HELLAS METAFORIKH S.A. filed a lawsuit against OTE before the Multimember Court of First Instance claiming an amount of Euro 12.4 plus interest for alleged damages caused by OTE from breach of contract and reputational damage. The case was heard on February 8, 2012 and the Court rejected the claim.

**PAN DACOM HELLAS S.A.:** PAN DACOM HELLAS S.A. filed a lawsuit against OTE before the Athens Multimember Court of First Instance claiming an amount of Euro 1.9 for alleged illegal termination of the contract from OTE and for moral damages. The hearing of this case was scheduled for December 6, 2012 when it was postponed for October 22, 2015.

D.N.K. Sports Marketing and Promotion LTD: On April 24, 2011, D.N.K. Sports Marketing and Promotion LTD filed a lawsuit against OTE before the Athens Multimember Court of First Instance, claiming an amount of Euro 5.1 for economic and moral damages. The case was scheduled to be heard on May 13, 2013 but was cancelled by initiative of the defendant.

**Siemens Enterprise Communications S.A.:** Siemens Enterprise Communications S.A. filed a lawsuit against OTE requesting from OTE to recognize specific contracts that have been transferred to Siemens Enterprise Communications S.A. from SIEMENS S.A. and to contract for debt underwriting for the debt of SIEMENS S.A. to Siemens Enterprise Communications S.A. Moreover, Siemens Enterprise Communications S.A. claims an amount of Euro 3.7 plus interest from the day that each invoice of the contracts became overdue. The case was scheduled to be heard before the Athens Multimember Court of First Instance on January 15, 2014 but was rescheduled for February 3, 2016.

**Siemens S.A. Electrotechnical Projects and Products:** Siemens S.A. Electrotechnical Projects and Products filed a lawsuit against OTE before the Athens Multimember Court of First Instance claiming the payment of an aggregate amount of Euro 5.5 plus interest from outstanding invoices. The case was scheduled to be heard on March 5, 2014 but the claimant withdrew this claim and filed a new lawsuit against OTE before the Athens Multimember Court of First Instance, claiming the payment of an aggregate amount of Euro 4.5 plus interest from outstanding invoices. The case is scheduled to be heard on January 27, 2016.

**3K Techniki S.A.:** 3K Techniki S.A. filed a lawsuit against OTE before the Athens Multimember Court claiming an amount of Euro 1.0 for differences from contract terms regarding requests for adjustment of the contractual price. The case was heard on October 2, 2014 and the decision is pending.

NOKIA Siemens Networks S.A. and Siemens S.A. Electrotechnical Projects and Products: On December 13, 2012 NOKIA Siemens Networks filed a lawsuit against OTE before the Athens Multimember Court of First Instance claiming the payment of an aggregate amount of Euro 22.2 plus interest from outstanding invoices as a result of OTE's denial to recognise the transfer to NOKIA Siemens Networks S.A. of the contracts between OTE and SIEMENS S.A. and Siemens S.A. Electrotechnical Projects and Products. The hearing of this case was scheduled for October 7, 2015. On December 20, 2012 Siemens S.A. Electrotechnical Projects and Products intervened the claim arguing that Siemens S.A. Electrotechnical Projects and Products is the beneficiary of this claim and not NOKIA Siemens Networks S.A. This claim is scheduled to be heard on the same hearing on October 7, 2015.

**ALTEC TELECOMS TELECOMMUNICATION SYSTEMS S.A.:** On December 31, 2013, ALTEC TELECOMS TELECOMMUNICATION SYSTEMS S.A. filed a lawsuit against OTE claiming Euro 42.8 plus interest for alleged illegal termination of provision of telecommunication services from OTE which resulted in its bankruptcy. The case is scheduled to be heard on June 2, 2016.

**HELLAS ON LINE S.A.:** On February 11, 2014, HELLAS ON LINE S.A. filed a lawsuit against OTE before the Athens Multimember Court of First Instance, requesting an amount of Euro 13.7 plus the lawful interest for reimbursement for alleged illegal rejection of local loop supply. This lawsuit is scheduled to be heard before the Multimember Court of First Instance on September 29, 2016.

**HELLAS ON LINE S.A.:** On April 11, 2014, OTE was served with a lawsuit before the Athens Multimember Court of First Instance filed by HELLAS ON LINE S.A.. HELLAS ON LINE S.A. claims approximately Euro 5.8 plus the lawful interest, as indemnification for alleged illegal charges by OTE regarding unnecessary visits of OTE personnel competent for breakdown removal, during the period 2009-2013. The trial date has been set for October 20, 2016.

The most significant lawsuits and administrative disputes regarding COSMOTE and its subsidiaries, as of December 31, 2014 are the following:

### ›COSMOTE

COSMOTE is a party to various lawsuits and administrative disputes the majority of which are related to the operation of base stations. The most significant disputes of the rest are the following:

Hellenic Telecommunications and Post Commission ("HTPC") has summoned COSMOTE as well as WIND (former TIM) and VODAFONE to a hearing on May 18, 2005, to investigate whether the announced increases on tariffs for the SMS service are contrary to the provisions of telecommunication law and law for the protection of free competition. The hearing was held on May 23, 2005 and a new hearing took place on November 3, 2005 due to the change of the members of HTPC. HTPC issued the decision which imposed a fine of Euro 1.0 on each company (COSMOTE, WIND (former TIM) and VODAFONE) for concerted practice contrary to competition law. COSMOTE appealed against this decision before the Administrative Court of Appeals. The hearing initially scheduled for September 27, 2006, after postponements, was held on October 17, 2007 and a decision was issued which accepted COSMOTE's appeal and annulled HTPC's decision, saying that COSMOTE has not proceeded to concerted practice contrary to competition law. HTPC has appealed against this decision before the Council of State which was discussed after postponements on November 29, 2011. Council of State's decision was issued, rejecting HTPC's appeal. The decision has been approved and COSMOTE has filed a claim to the HTPC demanding the return of the respective sum.

On September 28, 2010, HTPC imposed a fine against COSMOTE of Euro 2.0 for violation of the law in relation to the information of subscribers of the increase of the minimum airtime. COSMOTE has appealed against this decision before the Athens Administrative Court of Appeals, which was heard on March 8, 2012 and the appeal was partially accepted reducing the fine to Euro 1.5. COSMOTE has appealed against this decision before the Council of State and the hearing, which was initially scheduled for April 29, 2014, was rescheduled for January 13, 2015.

On January 25, 2012, HTPC imposed a fine of Euro 1.0 on COSMOTE for alleged failure to provide the requested information (collocation agreements between OTE and COSMOTE). COSMOTE has appealed against the fine before the Athens Administrative Court of Appeals and the hearing was scheduled for January 16, 2014. The hearing took place on that date and the decision is pending.

On November 8, 2012, HTPC imposed a fine against COSMOTE of Euro 3.5 for violation of the law in relation to the information of subscribers and the dispute of charges for mobile internet services. COSMOTE appealed against this decision before the Athens Administrative

Court of Appeals, which was heard on December 10, 2013 and the appeal was partially accepted reducing the fine to Euro 1.1. COSMOTE has appealed against this decision before the Council of State.

On May 24, 2012, HTPC notified to COSMOTE the n. HTPC 12073/26-3-2012 complaint of VODAFONE-PANAFON S.A. against COSMOTE in relation with the violation of rules of free competition in the Greek market for prepaid mobile telephony, calling COSMOTE to submit its views within one month. In the above complaint the complainant requests from HTPC to examine the possible abuse by COSMOTE of its alleged dominating position in the relevant market of prepaid mobile telephony as defined by the complainant in the form of margin squeeze during the period 2007-2011. At COSMOTE's request, the deadline was extended for two further months. On August 24, 2012 COSMOTE submitted its views on that complaint to HTPC. HTPC invited COSMOTE, VODAFONE and WIND to a hearing in order to examine ex officio the complaint. The hearing, after a postponement, took place on January 29, 2013. On April 1, 2014 HTPC invited COSMOTE, VODAFONE and WIND to a new hearing, which, after a postponement, took place on June 4, 2014. The decision is pending.

**VIVA ELECTRONIC COMMUNICATIONS SINGLE-MEMBER LTD:** VIVA electronic Communications single-member Ltd filed a lawsuit against COSMOTE before the Athens Multimember civil Court of First Instance, claiming an amount of Euro 10.6 as damages for the allegedly illegal refusal by COSMOTE to allow to the claimant the provision of 2-step-dialing services through its network. The trial date has been set for April 29, 2015.

**TELENOR:** TELENOR notified COSMOTE that after thorough examination it has identified violations of the warranties provided by COSMOTE at the sale of GLOBUL and claims an amount of Euro 15.4 based on the alleged incurred loss so far. The Group is evaluating the validity of TELENOR's claim.

#### ►AMC

On December 12, 2005 the Albanian Competition Commission imposed a fine on AMC of approximately Euro 1.4 (1% of the company's turnover for 2004) on the grounds of allegedly delaying a response to a request for information and provision of documents. On January 4, 2006 AMC filed two lawsuits before the Tirana District Court against the Competition Authority, demanding the annulment of the decision requesting information and opening of investigation procedure as well as of the decision imposing the fine, since the requested information had timely been dispatched to the Competition Authority. On July 7, 2006, the Tirana District Court rejected the requests of AMC and AMC presented an appeal regarding the decision imposing the fine. The Appeal Court has annulled the decision of the Tirana District Court and ordered that the case should be examined again. AMC has also submitted recourse to the Supreme Court. In December 2013 the Supreme Court ordered that the case is examined again by the Appeal Court. AMC has won the litigation case and will not be entitled to pay the penalty. The decision of Administrative Appeal Court might be challenged in front of Supreme Courts.

On November 9, 2007 the Albanian Competition Authority imposed to AMC a fine amounting to approximately Euro 1.7 for an alleged breach of the competition legislation during the period 2004-2005. AMC considers the Albanian Competition Authority's decision unfounded and has appealed before the Courts in order to protect its legal rights. Tirana District Court has ruled to reject AMC's claim. AMC has appealed against this decision before the Tirana Appeal Court, which validated the decision of the district court, which is final. AMC has appealed before the Supreme Court for the suspension of this decision. The Supreme Court has postponed the execution of the fine until the hearing of the case in Court. Supreme Court examined AMC's claim and decided to return the case to be heard again in Administrative Appeal Court. The date of the hearing is still pending.

#### ►TELEKOM ROMANIA MOBILE

On November 3, 2011, SC Trimen SRL, which has been submitted to an insolvency procedure, filed a request asking the Court to oblige TELEKOM ROMANIA MOBILE for the payment of approximately Euro 2.9 representing the estimated damage incurred by it from the anti competitive actions carried on by TELEKOM ROMANIA MOBILE. The court petition was dismissed as ungrounded. SC Trimen SRL has filed an appeal. On December 17, 2014, the Bucharest Court of Appeal rejected this appeal as ungrounded. The decision delivered by the Bucharest Court of Appeal can be challenged by recourse.

#### ►GERMANOS

GERMANOS is a party to certain lawsuits before the Court of First Instance regarding franchise agreements between GERMANOS and the franchisees of the chain GERMANOS. The applicants claim an amount of approximately Euro 15.5. The hearings of these cases are scheduled in various dates until 2016.



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In April 2009, the claim of a former agent of GERMANOS of Euro 1.1 plus interest, regarding breach of conditions of payment of airtime commissions following the termination of the contract between GERMANOS and VODAFONE, was rejected by the Court. The applicant appealed against this decision and the appeal was heard in January 2011. The Athens Court of Appeals rejected the appeal and the claims of the aforementioned commercial partner as vague. The same plaintiff filed again a new claim alleging the same amount and the case was heard on November 20, 2013, when it took place and the Court decided the further factual(accounting) investigation.

HELLENIC COMPETITION COMMISSION (HCC): Following allegations from former franchisees of GERMANOS's commercial network alleging infringements of Competition Law, the HCC initiated an investigation in GERMANOS's franchise agreements. HTPC was also involved in these cases from the HCC, as jointly competent for the application of competition law in the telecommunications sector. GERMANOS is cooperating with the abovementioned Authorities throughout this process. On July 12, 2013, GERMANOS was served with a Statement of Objections by the Hellenic Competition Commission, drafted by the Rapporteur, alleging that GERMANOS had violated provisions of Competition Law (Law 3959/2011), during the years 1990-2013. The Statement of Objections also recommended that the HCC impose a fine in accordance with the provisions of Law 3959/2011. The Rapporteur's Statement of Objections is not binding on the HCC, whose final ruling will take into account all the relevant information submitted to it, including that from the parties concerned. GERMANOS filed written pleadings rejecting the allegations contained in the Rapporteur's Statement of Objections and the hearing before the HCC scheduled took place on September 23 and 24, 2013. On October 11, 2013, GERMANOS was served with the minutes of the abovementioned hearing and on October 17, 2013 GERMANOS submitted its written pleadings. On December 30, 2014, HCC's decision was notified to GERMANOS, based on which a fine of Euro 10.3 is imposed. GERMANOS can appeal against this decision before the Athens Court of Appeals.

### ►CRIMINAL PROCEEDINGS

**Siemens AG case.** The District Attorney of Athens has conducted a preliminary investigation in connection with allegations of bribery, money laundering and other criminal offences committed in Germany and Greece by employees of Siemens AG and its Greek affiliated companies and a number of Greek government officials and other individuals, relating to the award of supply contracts to Siemens. In connection with the investigation, the District Attorney has investigated, among other matters, the propriety of, and allegations of criminal conduct in connection with, a Framework Agreement 8002/1997 with Siemens S.A and Siemens Teleindustries S.A. (now Unify A.E.), and various equipment orders pursuant to that framework Agreement. The substance of these allegations, is that certain individuals, including employees of OTE, were given corrupt payments, in exchange for failing to carry out appropriate benchmarking of the price paid by OTE for equipment supplied under this Agreement. Framework Agreement 8002/1997 was signed on December 12, 1997 and related to the supply to OTE by Siemens of equipment and services for the digitalization of the network. In connection with this preliminary investigation, the Company has provided to the investigating authorities certain documents requested. Following the conclusion of the preliminary investigation, criminal charges were filed and a Special Investigating judge was appointed to lead a formal criminal investigation. To the extent so requested, the Group has cooperated and intends to continue to cooperate with the competent authorities in relation to this investigation. OTE has also taken the necessary legal action before the investigating judge in order to assert the Group's civil rights with respect to any damages the Group may have incurred as a result of any criminal offences committed by either third parties, or former and current OTE employees. It is understood that, as part of the same investigation, a number of former OTE executives, have been charged for certain criminal offences, including receipt of bribes. OTE has been asked by the Special Investigating Judge to inform her of the amount of damage that OTE estimates to have suffered as the result of the implementation of the Framework Agreement 8002/1997 and the equipment orders pursuant to that Agreement. OTE following a relevant BoD approval has assigned the investigation of the abovementioned matter to an independent consultant, The consultant's report has been presented before OTE's BoD and it has been sent to the Special Investigating Judge. In the framework of the ongoing criminal proceedings regarding the Siemens case, the trial of a former Minister of Transport and Communications has started on December 12, 2013, before the Athens Court of Criminal Appeals, for the crime of money laundering, committed repeatedly and as a profession, which resulted in (or threatened) a damage against OTE's property. The trial of Codefendants of the former Minister for the same case has also started on the same day, before the same Court. On December 12, 2013, OTE has declared the Company's will to become a civil party in the above criminal proceedings in order to seek compensation for moral damages suffered by the Company due to the aforementioned crimes. The trial is still ongoing. Furthermore, following the conclusion of the investigation conducted by the Special Investigating Judge, the competent Prosecutor submitted his proposal to the competent Judicial Council which will decide if the accused must be brought to trial or not. According to the Prosecutor's proposal, among others, 11 former OTE executives/ employees must be brought to trial for the crime of passive bribery committed repeatedly and the crime of money laundering committed as a profession and 3 former OTE executives/ employees must be brought to trial for the crime of passive bribery committed repeatedly. OTE has also filed a lawsuit for damages before German Courts. The case is still pending.

## **E-VALUE**

RealWay Ltd: On May, 9, 2014, RealWay Ltd filed a lawsuit against E-VALUE S.A. before the Athens Multimember Court of First Instance, claiming an amount of Euro 3.8 regarding foregone revenues for leased equipment due to an (alleged) wrongful act. The hearing of the case before the Athens Multimember Court of First Instance has been set for November 17, 2016.

## **FINES OF HTPC AGAINST OTE:**

On December 13, 2002, HTPC imposed a fine of Euro 1.5 to OTE for alleged violation of the rules for the leased lines pricing. OTE filed an appeal before the Athens Court of Appeals against this fine and a decision was issued in 2009 reducing the fine to Euro 0.1. OTE and HTPC appealed against this decision before the Council of State and the hearing is scheduled for March 10, 2015.

On January 28, 2005, HTPC imposed a fine of Euro 2.0 to OTE for alleged non-compliance with regard to its obligations for the provision of leased lines. OTE filed an appeal before the Athens Court of Appeals against this fine and a decision was issued in 2011 rejecting OTE's appeal. OTE appealed against this decision before the Council of State and a decision was issued in 2013 rejecting OTE's appeal. OTE requested a new hearing before the Council of State, which was performed on June 17, 2014 and the decision is pending.

On May 20, 2005, HTPC imposed a fine amounting Euro 1.5, for alleged non-compliance with regard to OTE's obligations relating to the Local Loop Unbundling (L.L.U). OTE has filed an appeal before the Athens Court of Appeals against this fine and a decision was issued in 2010 rejecting OTE's appeal. OTE appealed against this decision before the Council of State and the hearing is scheduled for March 24, 2015.

On June 22, 2006, HTPC a fine amounting to Euro 2.5, for alleged late provision of necessary costing information. OTE filed an appeal before the Athens Court of Appeals against this fine and a decision was issued in 2007 reducing the fine to Euro 0.9. HTPC appealed against this decision before the Council of State and the case was heard on February 25, 2014 and the decision is pending.

On November 29, 2006, HTPC imposed a fine against OTE of total amount of Euro 3.0 for alleged violation of Number Portability Rules and Competition Rules. OTE has filed an appeal before the Athens Court of Appeals against this fine which partially accepted it reducing the fine to Euro 1.0. Both OTE and HTPC appealed against this decision before the Council of State which was scheduled to be heard on May 29, 2012 when it was postponed to be heard on January 8, 2013. The Council of State's decision rejected HTPC's appeal and partially rejected the Athens Court of Appeals' decision and referred the case to the Athens Court of Appeals for new hearing which was performed on February 13, 2014 and the decision is pending.

On July 26, 2007 HTPC imposed a fine amounting Euro 20.1, for alleged abuse of its dominant position in broadband market in the form of margin squeeze. OTE has filed an appeal before the Athens Court of Appeals against this fine which was partially accepted reducing the fine to Euro 10.1. Against this decision both OTE and HTPC have appealed before the Council of State which were heard on September 30, 2014 and the decision is pending.

On July 26, 2007, HTPC imposed a fine amounting Euro 1.2, for alleged non-compliance with regard to OTE's obligations relating to the Local Loop Unbundling (L.L.U). OTE has filed an appeal before the Athens Court of Appeals against this fine which was heard on March 18, 2009, and a decision was issued reducing the fine to Euro 0.5. Both OTE and HTPC appealed against this decision before the Council of State and the hearing is scheduled for March 10, 2015.

On October 5, 2007, HTPC imposed a fine for a total amount of Euro 3.0 for alleged non-compliance with regard to OTE's obligations relating to the Local Loop Unbundling (L.L.U). Against this decision OTE has filed an appeal demanding its annulment which was heard before the Athens Administrative Court of Appeals and the Court, with its decision, annulled the aforementioned fine. HTPC appealed against this decision before the Council of State and its appeal is scheduled to be heard on May 5, 2015.

On July 4, 2008, HTPC with its relevant decisions imposed a fine, aggregating to Euro 1.0, for alleged late and improper provision of necessary information related to the combined service "All in 1". OTE appealed against these decisions before the Athens Administrative Court of Appeals requesting their annulment which appeal was accepted and the fine was cancelled. HTPC appealed against this decision before the Council of State, its appeal was heard on October 14, 2014 and the decision is pending.

On July 4, 2008, HTPC imposed a fine of Euro 2.0 to OTE for alleged non-compliance with regard to its obligations for the provision of necessary information for the broadband access. OTE has filed an appeal before the Athens Court of Appeals against this fine and a deci-

# ANNUAL FINANCIAL REPORT

## IV. ANNUAL FINANCIAL STATEMENTS

sion was issued in 2009 reducing the fine to Euro 0.1. HTPC appealed against this decision before the Council of State and the hearing is scheduled for March 17, 2015.

On July 25, 2008, HTPC imposed a fine on OTE for an amount of Euro 9.0 for alleged obstacles to the business promotion of the "Double play" service by TELLAS S.A. (fixed telephony with fast Internet combination). OTE appealed against this decision before the Athens Administrative Court of Appeals which was partially accepted reducing the fine to Euro 5.7. OTE has appealed against this decision before the Council of State and the hearing is scheduled for May 19, 2015.

On February 3, 2009, HTPC imposed a fine of Euro 2.0 to OTE, for the alleged refusal to provide the information requested for the purpose of price squeezing control over the price margins for voice telephony. OTE has appealed against this decision before the Athens Administrative Court of Appeals and the appeal was partially accepted reducing the fine to Euro 0.8. OTE has appealed against this decision before the Council of State. The appeal was heard on December 17, 2013 and the decision was issued in 2014, rejecting the appeal.

On March 17, 2009, HTPC imposed a fine of Euro 7.0 to OTE for allegedly delayed delivery of lease lines to Hellas On Line S.A. OTE has appealed against this decision, before the Athens Administrative Court of Appeals and the hearing was rescheduled for April 14, 2011, when the case was heard and the decision issued cancelled the fine.

On May 5, 2009, HTPC imposed a fine of Euro 2.0 to OTE for alleged violation of telecommunications law and specifically on the Company's obligation, as a company with significant market power (SMP) in the relevant market, to maintain maximum price level at the retention fee for calls from subscribers of its network to subscribers of mobile network providers. OTE has appealed against this decision, before the Athens Administrative Court of Appeals. The appeal has been postponed and was heard on May 13, 2010. Similarly, the above mentioned decision was announced to OTE again and OTE has appealed against it, before the Athens Administrative Court of Appeals and the Court rejected OTE's appeal. OTE appealed against this decision before the Council of State and the hearing is scheduled for May 5, 2015.

On October 20, 2011, HTPC imposed a fine of Euro 2.0 to OTE for alleged non-compliance with regard to its obligations for the provision of necessary information. OTE has filed an appeal before the Athens Court of Appeals against this fine which was heard on January 15, 2014, and a decision was issued rejecting OTE's appeal. OTE appealed against this decision before the Council of State and the hearing has not been scheduled yet.

On August 29, 2013, HTPC imposed a fine against OTE of total amount of Euro 1.0 following the complaints of HOL, Cyta, On Telecoms, Forthnet and Wind for delays in implementation requests and troubleshooting under the unbundled local loop access. OTE has appealed against this decision before the Council of State and the hearing is scheduled for February 11, 2015.

### B. COMMITMENTS

Capital commitments for the acquisition of property, plant and equipment and intangible assets and operating commitments for rentals, repair and maintenance services and other services are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Capital commitments	81.6	72.1	26.7	49.7
Operating commitments	1,072.4	1,084.8	188.2	215.8
<b>TOTAL</b>	<b>1,154.0</b>	<b>1,156.9</b>	<b>214.9</b>	<b>265.5</b>

The Company has operating commitments for rental with its wholly owned subsidiary OTE ESTATE maturing in 2026 with an annual rental rate of Euro 45.2, adjustable according to the contractual provisions.

The maturity of these commitments per year are analyzed as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Up to 1 year	465.0	393.9	129.7	163.3
1 to 5 years	343.0	362.9	63.8	66.2
Over 5 years	346.0	400.1	21.4	36.0
<b>TOTAL</b>	<b>1,154.0</b>	<b>1,156.9</b>	<b>214.9</b>	<b>265.5</b>

## 29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

IFRS 7 "Financial Instruments: Disclosures" requires additional disclosures in order to improve the quality of information provided in order to assess the importance of the financial instruments on the financial position of the Group and the Company. The Group and the Company are exposed to the following risks from the use of their financial instruments:

- a) *Credit risk*
- b) *Liquidity risk*
- c) *Market risk*

### >Fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuing technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period there were no transfers between level 1 and level 2 fair value measurement, and no transfers into and out of level 3 fair value measurement.

The following tables compare the carrying amount of the Group's and the Company's financial instruments that are carried at amortized cost to their fair value:

GROUP	Carrying Amount		Fair value	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Trade receivables	684.9	703.3	684.9	703.3
Loans to Auxiliary Fund	116.1	122.6	148.5	144.1
Loans and advances to employees	70.7	53.3	70.7	53.3
Restricted cash	4.5	4.5	4.5	4.5
Cash and cash equivalents	1,509.9	1,444.3	1,509.9	1,444.3
<b>Financial Liabilities</b>				
Long-term borrowings	2,173.1	2,556.5	2,232.1	2,738.8
Short-term borrowings and short-term portion of long-term borrowings	465.4	399.9	468.4	405.3
Trade accounts payable	998.4	923.7	998.4	923.7
Cash collateral on interest rate swaps	-	9.3	-	9.3

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COMPANY	Carrying Amount		Fair value	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Trade receivables	349.1	332.0	349.1	332.0
Loans to Auxiliary Fund	116.1	122.6	148.5	144.1
Loans and advances to employees	70.1	52.7	70.1	52.7
Cash and cash equivalents	613.1	426.6	613.1	426.6
<b>Financial Liabilities</b>				
Long-term borrowings	1,316.7	1,600.6	1,320.9	1,709.1
Short-term borrowings and short-term portion of long-term borrowings	962.6	533.8	961.8	539.7
Trade accounts payable	387.6	362.6	387.6	362.6
Cash collateral on interest rate swaps	-	9.3	-	9.3

The fair value of cash and cash equivalents, restricted cash, trade receivables, other loans and trade accounts payable approximate their carrying amounts. The fair values of the remaining financial assets and financial liabilities are based on cash flows discounted using either direct or indirect observable inputs and are within the Level 2 of the fair value hierarchy.

As at December 31, 2014, the Group and the Company held the following financial instruments measured at fair value:

GROUP	Fair value		Fair value hierarchy
	2014	2013	
Financial Assets			
Available-for-sale mutual funds	3.7	4.1	Level 1
Held for trading bonds	-	3.4	Level 1
Derivative financial instruments	-	9.0	Level 2
Other non-current financial assets	3.8	5.0	Level 3

COMPANY	Fair value		Fair value hierarchy
	2014	2013	
Financial Assets			
Available-for-sale mutual funds	2.2	2.4	Level 1
Derivative financial instruments	-	9.0	Level 2

### a) Credit risk

Credit risk is the risk of financial loss to the Group and the Company if a counterparty fails to meet its contractual obligations.

The carrying value of financial assets at each reporting date is the maximum credit risk to which the Group and the Company are exposed in respect of the relevant assets.

Financial instruments classified as available-for-sale and held-for-trading include mutual funds and other securities. These financial assets

are not considered to expose the Group and the Company to a significant credit risk.

Defaulted payments of trade receivables could potentially adversely affect the liquidity of the Group and the Company. However, due to the large number of customers and the diversification of the customer base, there is no concentration of credit risk with respect to these receivables. Concentration of risk is however considered to exist for amounts receivable from other telecommunication service providers, due to their relatively small number and the high level of transactions they have with the Group and the Company. For this category the Group and the Company assess the credit risk following the established policies and procedures and make the appropriate provision for impairment (see Note 11).

The Group and the Company have established specific credit policies under which customers are analyzed for creditworthiness and there is an effective management of receivables in place both before and after they become overdue and doubtful. In monitoring credit risk, customers are grouped according to their credit risk characteristics, aging profile and existence of previous financial difficulties. Customers that are characterized as doubtful are reassessed at each reporting date for the estimated loss that is expected and an appropriate impairment allowance is established.

Cash and cash equivalents are also considered to be exposed to a high level of credit risk, in light of the macroeconomic conditions in Greece which are placing significant pressure on the domestic banks. Most of the Group's cash is invested in highly rated counterparties and with a very short term tenor.

Loans include loans to employees which are collected either through the payroll or are netted-off with their retirement indemnities (see Notes 9, 13 and 19) and loans and advances to Auxiliary Pension Fund mainly due to the Voluntary Leave Scheme (see Note 19). The latter loans (Auxiliary Pension Fund) are exposed to credit risk related to the debt servicing capacity of the Fund.

#### **b) Liquidity risk**

Liquidity risk is the risk that the Group or the Company will not be able to meet their financial obligations as they fall due. Liquidity risk is kept at low levels by ensuring that there is sufficient cash on demand and / or credit facilities to meet the financial obligations falling due in the next 12 months. The Group's and the Company's cash and cash equivalents and current financial assets as at December 31, 2014 amount to Euro 1,513.6 and Euro 615.3 respectively and their debt amounts to Euro 2,638.5 and Euro 2,279.3, respectively.

For the monitoring of the liquidity risk, the Group prepares cash flows forecasts on a frequent basis.

The analysis of the undiscounted contractual payments (including debt principal and interest payments) of the financial liabilities of the Group and the Company is as follows:

<b>GROUP</b>					
<b>December 31, 2014</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 Years</b>	<b>Total</b>
Medium term notes OTE PLC	573.1	765.4	856.2	724.5	2,919.2
Syndicated loan TELEKOM ROMANIA MOBILE	42.5	51.8	95.3	-	189.6
Trade accounts payable	998.4	-	-	-	998.4
<b>TOTAL</b>	<b>1,614.0</b>	<b>817.2</b>	<b>951.5</b>	<b>724.5</b>	<b>4,107.2</b>
<b>December 31, 2013</b>	<b>Less than 1 year</b>	<b>1 to 2 years</b>	<b>2 to 5 years</b>	<b>Over 5 Years</b>	<b>Total</b>
Medium term notes OTE PLC	544.8	941.4	1,774.2	-	3,260.4
Syndicated loan TELEKOM ROMANIA MOBILE	44.4	44.1	173.1	-	261.6
Other borrowings	0.9	-	-	-	0.9
Trade accounts payable	923.7	-	-	-	923.7
<b>TOTAL</b>	<b>1,513.8</b>	<b>985.5</b>	<b>1,947.3</b>	<b>-</b>	<b>4,446.6</b>

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The Group has excluded derivative financial instruments from the above analysis.

### Guarantees

OTE has guaranteed the borrowings of its subsidiary, OTE PLC as follows:

- As at December 31, 2014: Euro 3,172.2
- As at December 31, 2013: Euro 3,071.8

COMPANY					
December 31, 2014	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 Years	Total
Intercompany loans (OTE PLC)	1,073.2	442.0	353.4	724.6	2,593.2
Trade accounts payable	387.6	-	-	-	387.6
<b>TOTAL</b>	<b>1,460.8</b>	<b>442.0</b>	<b>353.4</b>	<b>724.6</b>	<b>2,980.8</b>
December 31, 2013	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 Years	Total
Intercompany loans (OTE PLC)	655.8	891.5	901.3	-	2,448.6
Trade accounts payable	362.6	-	-	-	362.6
<b>TOTAL</b>	<b>1,018.4</b>	<b>891.5</b>	<b>901.3</b>	<b>-</b>	<b>2,811.2</b>

### c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will result in fluctuations of the value of the Group's and the Company's financial instruments. The objective of market risk management is to manage and control exposure within acceptable levels.

The individual risks that comprise market risk are described in further detail and the Group's and the Company's policies for managing them are as follows:

#### i. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in the interest rates. The Group's exposure to the risk of changes in interest rates relates primarily to the Group's long-term borrowings.

The Group manages the interest rate risk through a combination of fixed and floating rate borrowings.

As of December 31, 2014, the ratio of fixed-rate borrowings to floating-rate borrowings for the Group was 94%/6% (2013: 93%/7%). The analysis of borrowings by type of the interest rate is as follows:

	GROUP		COMPANY	
	2014	2013	2014	2013
Floating interest rate	165.9	210.7	-	-
Fixed interest rate	2,472.6	2,745.7	2,279.3	2,134.4
<b>TOTAL</b>	<b>2,638.5</b>	<b>2,956.4</b>	<b>2,279.3</b>	<b>2,134.4</b>

The following table demonstrates the sensitivity to a change in interest rates on loans, deposits and derivatives to the income statement.

Sensitivity to an 1% interest rates increase (gain / (loss)):

	GROUP		COMPANY	
	2014	2013	2014	2013
Profit before tax	13.4	12.3	6.1	4.3

If interest rates were to decrease by 1%, the impact would be similar and opposite to the analysis above.

## ii. Foreign currency risk

Currency risk is the risk that the fair values of the cash flows of a financial instrument fluctuate due to foreign currency changes.

The Group operates in Southeastern Europe and as a result is exposed to currency risk due to changes between the functional currencies and other currencies. The main currencies within the Group are the Euro, the Ron (Romania) and the Lek (Albania). The following table demonstrates the sensitivity to a reasonably possible change in the functional currency exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities):

Change in functional currency exchange rate	Effect on profit before tax	
	2014	2013
+10%	50.4	30.9
-10%	(50.4)	(30.9)

As of December 31, 2014, subsidiaries of COSMOTE had a Euro 685.3 loan payable to COSMOTE (December 31, 2013: Euro 685.3) which are treated as part of the net investment of the foreign operation as settlement is neither planned nor probable in the foreseeable future. The currency translation differences are recorded in other comprehensive income. If the exchange rate Ron/Euro changes by 1%, the effect in total equity of the Group would be Euro 6.8 (2013: Euro 6.8).

## Capital Management

The primary objective of the Group's and the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business plans and maximize shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

An important means of managing capital is the use of the gearing ratio (ratio of net debt to equity) which is monitored at a Group level. Net debt includes interest bearing loans and notes, less cash and cash equivalents and other current financial assets.

The table below shows a significant decrease in the gearing ratio in 2014 compared to 2013, coming from a decrease in net debt (due to a decrease in borrowings and an increase in cash and cash equivalents) and an increase in equity (through the profit of the year):

GROUP	December 31	
	2014	2013
Borrowings	2,638.5	2,956.4
Cash and cash equivalents	(1,509.9)	(1,444.3)
Other current financial assets	(3.7)	(16.5)
<b>Net debt</b>	<b>1,124.9</b>	<b>1,495.6</b>
Equity	2,498.4	2,295.7
<b>Gearing ratio</b>	<b>0.45x</b>	<b>0.65x</b>

## 30. RECLASSIFICATIONS

In the consolidated and separate statements of financial position of 2013, an amount of Euro 17.1 has been reclassified from "Other current liabilities" to "Trade receivables" for better presentation.



### 31. EVENTS AFTER THE FINANCIAL POSITION DATE

The most significant events after December 31, 2014 are as follows:

#### ➤GROUP

##### ***Bond buybacks***

In January and February 2015, OTE PLC repurchased a nominal amount of Euro 49.8, under the Euro 787.7 Notes maturing February 2015, along with the payment of accrued interest. The Notes were surrendered for cancellation. As a result, the outstanding nominal amount of the Euro 787.7 Notes amounted to Euro 382.6.

In January 2015, OTE PLC repurchased a nominal amount of Euro 24.3, under the Euro 900.0 Notes maturing May 2016, along with the payment of accrued interest. The Notes were surrendered for cancellation. As a result, the outstanding nominal amount of the Euro 900.0 Notes is Euro 632.3.

##### ***Repayment of Euro 787.7 Notes due February 12, 2015***

In February 2015, OTE PLC proceeded with the full redemption of the remaining outstanding amount of Euro 382.6 under the Euro 787.7 Notes maturing on February 12, 2015, along with the payment of the accrued interest.

#### ➤COMPANY

Prepayments under loans granted from OTE PLC

In January and February 2015, OTE proceeded with partial prepayments of a nominal amount of Euro 49.8 under the Euro 600.0 loan from OTE PLC maturing on February 11, 2015 along with the payment of the accrued interest. As a result, the outstanding nominal amount of the loan amounted to Euro 382.6.

In February 2015, OTE proceeded with partial prepayment of a nominal amount of Euro 102.4 under the Euro 170.7 zero coupon bond loan from OTE PLC maturing on December 10, 2015.

In February 2015, OTE proceeded with the full prepayment of the Euro 51.0 bond loan from OTE PLC maturing on May 29, 2015 along with the payment of accrued interest.

##### ***Repayment of loan granted from OTE PLC***

In February 2015, OTE proceeded with the full repayment of the remaining outstanding amount of Euro 382.6 under the Euro 600.0 loan from OTE PLC maturing on February 11, 2015, along with the payment of accrued interest.



# V. FINANCIAL DATA AND INFORMATION

HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A.												
Greek General Commercial Registry (Τ.Μ.Η.) 1037501000												
REGISTERED OFFICE: 99 KIFISIAS AVE - 15124 MAROUSI, ATHENS												
FINANCIAL DATA AND INFORMATION FOR THE PERIOD FROM JANUARY 1, 2014 TO DECEMBER 31, 2014												
(Published in accordance with law 2190/1920, article 35 for Companies preparing annual consolidated and separate financial statements, in accordance with IFRS.)												
The purpose of the following information and financial data is to provide users with general financial information about the financial position and the results of operations of HELLENIC TELECOMMUNICATIONS ORGANIZATION S.A. ("Company") and the OTE Group ("Group"). Therefore, we recommend the users of the financial data and information, before making any investment decision or proceeding to any transaction with the Group or the Company, to obtain the necessary information from the website, where the consolidated and separate financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, are available, together with the auditors' report, when required.												
Supervising Authority of the Hellenic Republic, Ministry of Economy, Infrastructure, Maritime and Tourism, Corporate and Greek General Commercial Registry Division												
Company Website: <a href="http://www.ote.gr">www.ote.gr</a>												
Date of approval of financial statements from the Board of Directors: February 25, 2015												
The Certified Auditor: Marios Psaltis (RN) CA (GR) 38081												
Auditing Company: PricewaterhouseCoopers S.A. Certified Auditors - Accountants (SOEL REG: No 113)												
Type of Auditor's Opinion: Unqualified												
Composition of the Board of Directors												
1. Michael Tsas, Chairman and Managing Director, Executive Member												
2. Nikolaos Karamitakis, Chairman, Independent Non-Executive Member												
3. Charalambos Masakli, Executive Member												
4. Klaus Müller, Executive Member												
5. Panagiotis Daboulas, Independent Non-Executive Member												
6. Claudia Nemeth, Executive Member												
7. Athanasios Kikilias, Executive Member												
8. Giorgos Petasidis, Executive Member												
9. Christos Katsaris, Independent Non-Executive Member												
10. Theodoros Matsis, Independent Non-Executive Member												
11. Leonidas Filippopoulos, Independent Non-Executive Member												
DATA FROM STATEMENT OF FINANCIAL POSITION (CONSOLIDATED AND SEPARATE) Amounts in millions of Euro												
	GROUP		COMPANY			GROUP		COMPANY			GROUP	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013		01.01.-31.12.2014	01.01.-31.12.2013	01.01.-31.12.2014	01.01.-31.12.2013		01.01.-31.12.2014	01.01.-31.12.2013
ASSETS					Cash flows from operating activities							
Property, plant and equipment	3,103.3	3,278.9	1,277.5	1,356.4	Profit / (loss) before tax	395.4	314.8	1,621	(1,692)			
Intangible assets	1,649.5	1,487.4	230.4	420	Adjustments for:							
Other non-current assets	557.6	582.9	3,859.9	3,920.8	Depreciation, amortization and impairment	796.4	842.5	279.4	322.5			
Inventories	87.9	97.0	11.8	16.7	Share-based payment	-	3.2	-	0.7			
Trade receivables	684.9	703.3	349.1	332.0	Costs related to early settlement programs	8.4	272.4	-	250.9			
Other current assets	211.2	249.5	112.9	115.7	Provision for staff retirement indemnities	9.4	10.2	7.2	8.8			
Cash and cash equivalents	1,509.9	1,443.3	613.1	426.6	Provision for youth account	1.0	3.7	1.0	3.7			
<b>TOTAL ASSETS</b>	<b>7,804.3</b>	<b>7,843.3</b>	<b>6,480.2</b>	<b>6,210.2</b>	Provision for investment	11.7	5.2	-	-			
EQUITY AND LIABILITIES					Provision for doubtful accounts	92.0	84.9	21.9	20.4			
Share capital	1,387.1	1,387.1	1,387.1	1,387.1	Interest expense	3.1	4.2	(0.1)	(2.1)			
Other equity items	734.9	533.2	1,300.4	1,229.7	Foreign exchange differences, net	(0.5)	(2.3)	(1.0)	(0.4)			
Equity attributable to shareholders of the parent(s)	2,122.0	1,920.3	2,687.5	2,616.8	Interest income	(6.4)	(8.8)	(2.4)	(8.3)			
Non-control interests (p)	376.4	375.4	-	-	Dividend income	-	(0.4)	(1.1)	(8.0)			
<b>Total equity (p) = (a) + (b)</b>	<b>2,498.4</b>	<b>2,295.7</b>	<b>2,687.5</b>	<b>2,616.8</b>	(Gains) / losses from investments and financial assets - Impairments	(0.1)	(21.6)	(0.1)	17.9			
Long-term borrowings	2,173.1	2,555.7	1,216.7	1,600.6	Decrease / increase in liabilities except borrowings	20.27	249.0	149.5	159.4			
Provision for other non-current liabilities	697.9	580.3	515.6	515.6	Plus / minus							
Short-term borrowings	465.4	399.9	962.6	533.8	Payments related to settlement programs and voluntary leave when e	(114.5)	(163.1)	(105.7)	(141.6)			
Other current liabilities	1,969.5	2,007.2	913.6	1,043.4	Payment of staff retirement indemnities and youth account, net of employees'	(1.20)	(0.67)	(0.9)	(0.55)			
<b>Total liabilities (l)</b>	<b>5,305.9</b>	<b>5,547.6</b>	<b>3,792.7</b>	<b>3,593.4</b>	Interest and related expenses paid	(23.83)	(24.92)	(7.25)	(6.36)			
<b>TOTAL EQUITY AND LIABILITIES (c) + (d)</b>	<b>7,804.3</b>	<b>7,843.3</b>	<b>6,480.2</b>	<b>6,210.2</b>	Income tax expense	(13.73)	(121.3)	(6.82)	(9.2)			
DATA FROM STATEMENT OF COMPREHENSIVE INCOME (CONSOLIDATED AND SEPARATE) Amounts in millions of Euro												
	GROUP		COMPANY			GROUP		COMPANY			GROUP	
	01.01.-31.12.2014	01.01.-31.12.2013	01.01.-31.12.2014	01.01.-31.12.2013		01.01.-31.12.2014	01.01.-31.12.2013	01.01.-31.12.2014	01.01.-31.12.2013		01.01.-31.12.2014	01.01.-31.12.2013
Total revenue	3,918.4	4,054.1	2,001	4,254.2	15,117	1,557.2	1,557.2	1,557.2	1,557.2			
Profit / (loss) before taxes, investment financial activities	589.1	335.4	38.0	373.4	307.0	(5.1)						
Profit / (loss) before tax	395.4	314.8	32.5	347.3	162.1	(1,692)						
Profit / (loss) after tax (a)	271.5	293.9	28.9	322.8	110.1	(138.0)						
Attributable to:												
-Of the parent	267.4	287.8	28.9	316.7	110.1	(138.0)						
-Non-control interests	4.1	6.1	-	6.1	-	-						
Other comprehensive income / (loss) after tax (b)	(11.7)	3.2	-	3.2	(19.8)	10.9						
<b>Total comprehensive income / (loss) after tax (a) + (b)</b>	<b>259.8</b>	<b>307.1</b>	<b>28.9</b>	<b>326.0</b>	<b>90.3</b>	<b>(127.1)</b>						
Attributable to:												
-Of the parent	238.7	295.2	28.9	324.1	90.3	(127.1)						
-Non-control interests	1.1	1.9	-	1.9	-	-						
Basic earnings per share (p) (€)	0.5480	0.5873	0.0589	0.6462								
Proposed dividend per share (n€)					0.08	0.00						
Profit before taxes, investment financial activities and depreciation, amortization and impairment	1,385.5	1,177.9	67.1	1,245.0	586.4	317.4						
DATA FROM STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED AND SEPARATE) Amounts in millions of Euro												
	GROUP		COMPANY			GROUP		COMPANY			GROUP	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013		01.01.-31.12.2014	01.01.-31.12.2013	01.01.-31.12.2014	01.01.-31.12.2013		01.01.-31.12.2014	01.01.-31.12.2013
Total equity at the beginning of the year (01.01.2014 and 01.01.2013)	2,295.7	1,988.8	2,616.8	2,752.8	Cash flows from financing activities							
Total comprehensive income / (loss) after tax	239.8	326.0	90.3	(127.1)	Acquisition of treasury shares to exercise proceeds	(431)	(6.0)	(431)	(6.0)			
Dividend payment	(0.1)	-	-	-	Proceeds from management and saved	700.0	1,245.7	1,230.3	1,412.2			
Share-based payment	-	2.3	-	2.3	Repayment of loans	(1,139.9)	(2,012.1)	(1,091.6)	(1,678.1)			
Acquisition of treasury shares	(632)	(112)	(632)	(112)	Dividend paid to Company's owners	(0.5)	(0.9)	(0.5)	(0.9)			
Abandonment of shares	-	-	-	-	Net cash flows used in financing activities from discontinued operations	-	(8.2)	-	-			
Transfer of treasury shares upon exercise of share option plan	59.6	-	-	(6.8)	<b>Net income / (loss) from financing activities (p)</b>	<b>(857.5)</b>	<b>(666.2)</b>	<b>95.3</b>	<b>(72.8)</b>			
Exercise of share options under the share option plan	(34)	-	(52)	-	<b>Net income / (loss) and cash equivalents (a) + (b) + (c)</b>	<b>66.2</b>	<b>286.8</b>	<b>185.2</b>	<b>34.3</b>			
Net change of participation interests	-	(102)	-	-	<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,444.3</b>	<b>1,461.4</b>	<b>426.6</b>	<b>392.3</b>			
<b>Total equity at the end of the year (31.12.2014 and 31.12.2013)</b>	<b>2,498.4</b>	<b>2,295.7</b>	<b>2,687.5</b>	<b>2,616.8</b>	Net foreign exchange differences	(0.6)	(0.3)	-	-			
					Abandonment of shares	-	-	1.3	-			
					<b>Cash and cash equivalents at the end of the year</b>	<b>1,509.9</b>	<b>1,444.3</b>	<b>613.1</b>	<b>426.6</b>			
ADDITIONAL DATA AND INFORMATION												
1) The companies which are included in the annual financial statements (consolidated and separate), their country, the Group's participating interest (direct and indirect) and the method of consolidation, are presented in Notes 1 and 8 of the financial statements.												
2) The fiscal years that are unaudited by the tax authorities for the Company and the Group's subsidiaries and the results of the tax audits completed, are presented in Note 22 of the financial statements.												
3) On September 4, 2014, the Hellenic Republic's Board of Directors decided to exercise its authority to appoint Mr. Michael Tsas as Chairman and Managing Director of the Hellenic Republic's Board of Directors, effective from October 7, 2014. Mr. Michael Tsas and Mr. Michael Tsas were established. Further details are presented in Note 8 of the financial statements.												
4) The outcome of pending litigation and claims is not expected to have a material impact on the financial statements. The amount of provisions that have been established as at December 31, 2014 for litigation and claims, as well as for the Group's subsidiaries and the results of the tax audits completed, are presented in Note 22 of the financial statements.												
5) The outcome of pending litigation and claims is not expected to have a material impact on the financial statements. The amount of provisions that have been established as at December 31, 2014 for litigation and claims, as well as for the Group's subsidiaries and the results of the tax audits completed, are presented in Note 22 of the financial statements.												
6) The outcome of pending litigation and claims is not expected to have a material impact on the financial statements. The amount of provisions that have been established as at December 31, 2014 for litigation and claims, as well as for the Group's subsidiaries and the results of the tax audits completed, are presented in Note 22 of the financial statements.												
7) Effective February 6, 2009, the financial statements are included in the consolidated financial statements of DEUTSCHE TELEKOM AG (full consolidation method), which has its registered office in Germany and holds a 40.00% interest in OTE as of December 31, 2014.												
8) The Company's transactions with its related parties as defined in IAS 24, are analyzed as follows: Sales and purchases of goods and services for the year 2014 amounting to € 857.5 million and € 249.8 million, respectively. Interest expense for the year 2014 amounting to € 147.4 million. The outstanding balance of receivables and payables from related parties as of December 31, 2014 derived from current transactions amounting to € 107.3 million and € 207.4 million, respectively. The outstanding balance of payables to related parties from the loans recorded amounting to € 2,244.5 million. Dividend income from related parties amounting to € 1.1 million. Repaid to the members of the Board of Directors of the Company and the Company's key management personnel compensation charged to the income statement for the year 2014 amounting to € 4.1 million. Based on the share option plan, until December 31, 2014 4,803,146 stock options have been granted to key management personnel. 4,803,146 have been purchased and purchased of goods and services by related parties which are not taxable. Based on the year 2014 amounting to € 23.0 million and € 21.6 million, respectively. The outstanding balance of receivables and payables, the related parties which are not taxable. Based on the year 2014 amounting to € 173.1 million and € 72.6 million, respectively.												
9) Basic earnings per share were calculated based on the weighted average number of shares outstanding.												
10) The reclassification has been made for better presentation with no impact on the equity or the results of the Group and the Company. This reclassification is presented in Note 30 of the financial statements.												
11) The most significant events that have occurred after December 31, 2014 are presented in Note 31 of the financial statements.												
Athens, February 25, 2015												
CHAIRMAN AND MANAGING DIRECTOR			BOARD MEMBER AND OTE GROUP CHIEF FINANCIAL OFFICER			EXECUTIVE DIRECTOR FINANCIAL OPERATIONS OTE GROUP			ACCOUNTING DIRECTOR			
NICHAL TSAS ID: Num ber 0156122			CHARALAMBOS MASAKLI ID: Num ber 096808 License Num ber 0021943			GEORGE MAVRAKIS ID: Num ber 004893			KONSTANTINOS VASSILOPOULOS ID: Num ber 01529399 License Num ber 032033			

## VI. INFORMATION PURSUANT TO ARTICLE 10 OF LAW 3401/2005

The table below incorporates by reference the information of Article 10 of Law 3401/2005 regarding the Company, its shares and the securities market, which have been published and made available to the public during the year 2014, as well as during the first months of 2015, in compliance with its obligations under Community and National Legislation.

General Shareholder Assemblies' Resolutions	
23/12/2014	EGM Resolutions-held on 23/12/2014
24/06/2014	AGM Resolutions-held on 24/06/2014
30/04/2014	EGM Resolutions-held on 30/04/2014
Location on the company's website: <a href="http://www.ote.gr/Company/Investor%20Relations/Newsroom">www.ote.gr/ Company/ Investor Relations/ Newsroom</a>	
Invitations to General Shareholder Assemblies	
02/12/2014	Invitation to the Extraordinary General Meeting of Shareholders of 23/12/2014
03/06/2014	Invitation to the 62th Ordinary General Meeting of Shareholders of 24/06/2014
08/04/2014	Invitation to the Extraordinary General Meeting of Shareholders of 30/04/2014
Location on the company's website: <a href="http://www.ote.gr/Company/Investor%20Relations/Newsroom">www.ote.gr/ Company/ Investor Relations/ Newsroom</a>	
Voting Results	
24/12/2014	EGM Voting Results-held on 23/12/2014
27/06/2014	AGM Voting Results-held on 24/06/2014
05/05/2014	EGM Voting Results-held on 30/04/2014
02/01/2014	EGM Voting Results-held on 30/12/2013
Location on the company's website: <a href="http://www.ote.gr/Company/Investor%20Relations/Newsroom">www.ote.gr/ Company/ Investor Relations/ Newsroom</a>	
Dividend	
12/11/2014	Unclaimed Dividends of Financial Year 2008
Location on the company's website: <a href="http://www.ote.gr/Company/Investor%20Relations/Newsroom">www.ote.gr/ Company/ Investor Relations/ Newsroom</a>	
Corporate Actions	
06/02/2015	Announcement of regulated information - Transaction Notification of Mr. Ilias Drakopoulos, General Director
15/01/2015	Announcement of regulated information - Transaction Notification of Ms. Christini Spanoudaki, Head of OTE Group Corporate Real Estate Management
08/01/2015	Announcement of regulated information - Transaction Notification of Ms. Eirini Nikolaidi, General Counsel and General Director for Legal and Regulatory Affairs of OTE Group

19/12/2014	Announcement of regulated information - Notification of Bond Buybacks
08/12/2014	Announcement of regulated information - Transaction Notification of Mr. Ilias Drakopoulos, General Director
02/12/2014	Announcement of regulated information - Transactions' Notification of Mr. Stefanos Theocharopoulos, Chief Technology and Operations Officer of OTE Group and Mr. Giorgos Arvanitidis, HR Assistant General Manager of OTE Group
27/11/2014	Announcement of regulated information - Transaction Notification of Ms. Eirini Nikolaidi, General Counsel and General Director for Legal and Regulatory Affairs of OTE Group
26/11/2014	Announcement of regulated information - Buyback of own shares
24/11/2014	Announcement of regulated information - Transaction Notification of Ms Eirini Nikolaidi, General Counsel and General Director for Legal and Regulatory Affairs of OTE Group
10/11/2014	Announcement of regulated information - Transfer of own shares
15/10/2014	Announcement of regulated information - Buyback of own shares
14/10/2014	Announcement of regulated information - Buyback of own shares
13/10/2014	Announcement of regulated information - Buyback of own shares
09/10/2014	Announcement of regulated information - Buyback of own shares
08/10/2014	Announcement of regulated information - Buyback of own shares
06/10/2014	Announcement of regulated information - Buyback of own shares
26/09/2014	Announcement of regulated information -Transaction Notification of Mr Mr. Panagiotis Kaliabetsos, Head of Treasury Division of OTE Group
25/09/2014	Announcement of regulated information - Buyback of own shares
24/09/2014	Announcement of regulated information - Transactions Notification of Mr. Georgios Athanasopoulos, Chief Information & Operations Officer of OTE Group
24/09/2014	Announcement of regulated information - Buyback of own shares
22/09/2014	Announcement of regulated information - Buyback of own shares
18/09/2014	Announcement of regulated information - Buyback of own shares
15/09/2014	Announcement of regulated information - Buyback of own shares
12/09/2014	Announcement of regulated information - Transactions' Notification of Mr. Panagiotis Sarantopoulos, OTE Chief Commercial Officer - Wholesale
12/09/2014	Announcement of regulated information - Buyback of own shares

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## VI. INFORMATION PURSUANT TO ARTICLE 10 OF LAW 3401/2005

11/09/2014	Announcement of regulated information - Transaction Notification of Mrs. Aimilia Filippou-Klopfer, Controlling General Manager of OTE Group
11/09/2014	Announcement of regulated information - Buyback of own shares
10/09/2014	Announcement of regulated information - Buyback of own shares
09/09/2014	Announcement of regulated information - Buyback of own shares
26/08/2014	Announcement of regulated information - Transaction Notification of Mrs. Aimilia Filippou-Klopfer, Controlling General Manager of OTE Group
21/08/2014	Announcement of regulated information - Transactions' Notification of Mrs. Aimilia Filippou-Klopfer, Controlling General Manager of OTE Group
08/08/2014	Announcement of regulated information - Transaction Notification of Mr. Dimitris Tzelepis OTE Group Investor Relations
07/08/2014	Announcement of Regulated Information- - Change of OTE's IR Director. Mr. Dimitris Tzelepis, OTE Group Investor Relations Director left the company. As of August 8, 2014, Mr. Evrikos Sarsentis, OTE Group Mergers, Acquisitions and Special Projects Director assumed the position of OTE Group Mergers, Acquisitions and Investor Relations Director
14/07/2014	Announcement of regulated information - Transaction Notification of Mrs. Aimilia Filippou-Klopfer, Controlling General Manager of OTE Group
09/07/2014	Announcement of regulated information - OTE announces tender results for OTE PLC 2015 and 2016 notes
09/07/2014	Announcement of regulated information - Transactions' Notification of Mr. Michael Tsamaz, Chairman of the BoD and Chief Executive Officer of the Company
08/07/2014	Announcement of regulated information - Transactions' Notification of Mrs. Aimilia Filippou-Klopfer, Controlling General Manager of OTE Group
07/07/2014	Announcement of regulated information - OTE raises €700 million from international markets
01/07/2014	Announcement of regulated information - OTE plc launches cash tender offer and announces its intention to issue new notes
01/07/2014	Announcement of regulated information - OTE submits non-binding offer for the acquisition of NOVA
25/06/2014	Announcement of regulated information -Response to HCMC's letter
23/06/2014	Announcement of regulated information - Transactions' Notification of Mr. Georgios Athanasopoulos, Chief Information & Operations Officer of OTE Group and Mr. Stefanos Theocharopoulos, Chief Technology and Operations Officer of OTE Group
16/06/2014	Announcement of regulated information - Transactions' Notification of Mr. Aristodimos Dimitriadis, Chief OTE Group Compliance, ERM & Insurance Officer, Ms Eleni Papadopoulou, Chief Human Resources Officer of OTE Group, Mr. Giorgos Arvanitidis, HR Assistant General Manager of OTE Group and Mr. Konstantinos Ploumpis, General Director of Regulatory Affairs

11/06/2014	Announcement of regulated information - Transactions' Notification of Mr. Evangelos Dakoutros, HR Assistant General Manager of OTE Group, HRM Issues of OTE & Subsidiaries Greece, Mr. Aristodimos Dimitriadis, Chief OTE Group Compliance, ERM & Insurance Officer and Mr. Konstantinos Ploumpis, General Director of Regulatory Affairs
10/06/2014	Announcement of regulated information - Transactions' Notification of Mr. Georgios Athanasopoulos, Chief Information & Operations Officer of OTE Group, Ms. Christini Spanoudaki, Head of OTE Group Corporate Real Estate Management, Mr. Konstantinos Ploumpis, General Director of Regulatory Affairs and Mr. Ilias Drakopoulos, General Director
04/06/2014	Announcement of regulated information - Transactions' Notification of Mr. Athanasopoulos Georgios, Chief Information & Operations Officer of OTE Group
29/05/2014	Announcement of regulated information - Transactions' Notification of Mr. Konstantinos Ploumpis, General Director of Regulatory Affairs
27/05/2014	Announcement of regulated information - Transactions' Notification of Ms. Maria Rontogianni, OTE Group Chief Internal Auditor, Mr. Konstantinos Ploumpis, General Director of Regulatory Affairs and Mr. Aristodimos Dimitriadis, Chief OTE Group Compliance, ERM & Insurance Officer
23/05/2014	Announcement of regulated information - Transactions' Notification of Mr. Aristodimos Dimitriadis, Chief OTE Group Compliance, ERM & Insurance Officer
22/05/2014	Announcement of regulated information - Transactions' Notification of Ms. Christini Spanoudaki, Head of OTE Group Corporate Real Estate Management and Mr. Panagiotis Sarantopoulos, OTE Chief Commercial Officer - Wholesale
15/05/2014	Announcement of regulated information - Transactions' Notification of Mr Georgios Athanasopoulos, Chief Information & Operations Officer of OTE Group, Mr. Georgios Mavrakis, Financial Operations General Manager of OTE Group, Ms Kozanoglou Nektaria, Senior Communications and Regulatory Affairs Officer of OTE Group Investor Relations and Mr. Dakoutros Evangelos, HR Assistant General Manager of OTE Group, HRM Issues of OTE & Subsidiaries Greece
14/05/2015	Announcement of regulated information - Transactions' Notification of Mr Michael Tsamaz (Chief Executive Officer of the Company), Mr Zacharias Piperidis (OTE Group Chief Operating Officer), Ms Eirini Nikolaidi (OTE Group General Counsel), Mr Georgios Athanasopoulos, Mr Aristodimos Dimitriadis, Mr Stefanos Theocharopoulos, Mr Georgios Mavrakis, Ms Eleni Papadopoulou, Ms Maria Rontogianni, Ms Christini Spanoudaki, Ms Aimilia Filippou-Klopfer (OTE Group Chief Officers), Mr Konstantinos Ploumpis, Mr Panagiotis Sarantopoulos, Mr Georgios Tsonis (OTE General Managers), Mr Georgios Arvanitidis, Mr Evangelos Dakoutros (OTE Assistant General Managers), Mr Ilias Drakopoulos (General Manager), Mr Konstantinos Paradeisis (Secretary of OTE's Board of Directors), Mr Evriviadis Sarsentis, Ms Despoina Tzimea, Mr Panagiotis Kaliabetsos (OTE Group Directors), Mr Konstantinos Vasilopoulos (OTE Director), Mr Dimitrios Tzelepis 6 (Head of Investor Relations Division OTE Group) and Ms Nektaria Kozanoglou, (Head of Corporate Announcements)
12/05/2014	Announcement of regulated information - Transfer of own shares
08/04/2014	Announcement of regulated information - Transactions' Notification of Mr. Panagiotis Sarantopoulos, OTE Chief Commercial Officer - Wholesale
04/04/2014	Announcement of regulated information - Transactions' Notification of Mr. Panagiotis Sarantopoulos, OTE Chief Commercial Officer - Wholesale
02/04/2014	Announcement of regulated information - Transactions' Notification of Mr. Panagiotis Sarantopoulos, OTE Chief Commercial Officer - Wholesale

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## VI. INFORMATION PURSUANT TO ARTICLE 10 OF LAW 3401/2005

31/03/2014	Announcement of regulated information - Transactions' Notification of Mr. Panagiotis Sarantopoulos, OTE Chief Commercial Officer - Wholesale
19/03/2014	Announcement of regulated information - Buyback of own shares
17/03/2014	Announcement of regulated information - Buyback of own shares
11/03/2014	Announcement of regulated information - Transaction Notification of Mr Stefanos Theocharopoulos, Chief Technology and Operations Officer of OTE Group
11/03/2014	Announcement of regulated information - Buyback of own shares
10/03/2014	Announcement of regulated information - Buyback of own shares
07/03/2014	Announcement of regulated information - Buyback of own shares
06/03/2014	Announcement of regulated information - Buyback of own shares
05/03/2014	Announcement of regulated information - Buyback of own shares
04/03/2014	Announcement of regulated information - Buyback of own shares
28/02/2014	Announcement of regulated information - Buyback of own shares
27/02/2014	Announcement of regulated information - Buyback of own shares
26/02/2014	Announcement of regulated information - Buyback of own shares
25/02/2014	Announcement of regulated information - Buyback of own shares
24/02/2014	Announcement of regulated information - Buyback of own shares
21/02/2014	Announcement of regulated information - Buyback of own shares
20/02/2014	Announcement of regulated information - Buyback of own shares
19/02/2014	Announcement of regulated information - Buyback of own shares
17/02/2014	Announcement of regulated information - Buyback of own shares
14/02/2014	Announcement of regulated information - Buyback of own shares
13/02/2014	Announcement of regulated information - Buyback of own shares
10/02/2014	Announcement of regulated information - Buyback of own shares
07/02/2014	Announcement of regulated information - Buyback of own shares
06/02/2014	Announcement of regulated information - Buyback of own shares
05/02/2014	Announcement of regulated information - Buyback of own shares

04/02/2014	Announcement of regulated information - Buyback of own shares
30/01/2014	Announcement of regulated information - Buyback of own shares
28/01/2014	Announcement of regulated information - Buyback of own shares
23/01/2014	Announcement of regulated information - Buyback of own shares
22/01/2014	Announcement of regulated information - Buyback of own shares
21/01/2014	Announcement of regulated information - Buyback of own shares
20/01/2014	Announcement of regulated information - Buyback of own shares
17/01/2014	Announcement of regulated information - Buyback of own shares
16/01/2014	Announcement of regulated information - Transaction Notification of Mr Stefanos Theocharopoulos, Chief Technology and Operations Officer of OTE Group
16/01/2014	Announcement of regulated information - Buyback of own shares
15/01/2014	Announcement of regulated information - Buyback of own shares
14/01/2014	Announcement of regulated information - Buyback of own shares
13/01/2014	Announcement of regulated information - Transaction Notification of Mr Stefanos Theocharopoulos, Chief Technology and Operations Officer of OTE Group
13/01/2014	Announcement of regulated information - Buyback of own shares
10/01/2014	Announcement of regulated information - Buyback of own shares
08/01/2014	Announcement of regulated information - Buyback of own shares
07/01/2014	Announcement of regulated information - Successful completion of OTE 's voluntary exit
07/01/2014	Announcement of regulated information - Transaction Notification of Mr. Michael Tsamaz, Chairman of the BoD and Chief Executive Officer of the Company
03/01/2014	Announcement of regulated information - Buyback of own shares
02/01/2014	Announcement of regulated information - Buyback of own shares
Location on the company's website: <a href="http://www.ote.gr/Company/Investor%20Relations/Newsroom">www.ote.gr/ Company/ Investor Relations/ Newsroom</a>	
<b>Press Releases</b>	
12/02/2015	Financial Calendar 2015
26/01/2015	Q4 and Full Year 2014 Financial Results Announcement Date - Conference call details



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## VI. INFORMATION PURSUANT TO ARTICLE 10 OF LAW 3401/2005

24/12/2014	Announcement - New Collective Labor Agreement at OTE
06/11/2014	Announcement of Q3 2014 Results
15/10/2014	Announcement on Champions League
15/10/2014	Q3 2014 Results Announcement Date - on 6th November 2014
07/10/2014	Announcement-Response to HCMC's letter
07/08/2014	Announcement of Q2 2014 Results
16/07/2014	Q2 2014 Results Announcement Date- on 7th August 2014
26/05/2014	Revision of Financial Calendar 2014
21/05/2014	Announcement on OTE's intention to participate in Procedures for the undertaking of projects or for the acquisition of supplies of the Public Sector or of Legal Entities owned by the Public Sector
08/05/2014	Announcement of Q1 2014 Financial Results
02/05/2014	OTE Q1 2014 Financial Results Announcement- Conference call details
15/04/2014	Q1 2014 Results Announcement Date - on 8th May 2014
09/04/2014	Announcement on amendment of Articles of Incorporation
28/03/2014	Document for the Provision of Information Under L. 3401/2005
06/03/2014	Announcement of Q4 and Full Year 2013 Results
05/03/2014	Financial Calendar 2014
17/02/2014	OTE Q4 2013 Financial Results announcement- Conference call details
05/02/2014	Q4 and Full Year 2013 results announcement date- on 6th March 2014
29/01/2014	Announcement - Increase of the Share Capital by Increasing the Nominal Value of the Share
15/01/2014	Announcement - OTE's Participation in an Open Public International Tender
Location on the company's website: <a href="http://www.ote.gr/ Company/ Investor Relations/ Newsroom">www.ote.gr/ Company/ Investor Relations/ Newsroom</a>	
Transactions Notifications of the liable persons in compliance with L3340/2005 and 3/347/12.7.2005 Decision of the Hellenic Capital Market Commission	
Location on the company's website : <a href="http://www.ote.gr/ Company/Investor Relations/Corporate Governance/Transparency and Information Disclosure/ Transactions Notifications in compliance with L3340/2005">www.ote.gr/ Company/Investor Relations/Corporate Governance/Transparency and Information Disclosure/ Transactions Notifications in compliance with L3340/2005</a>	
Financial Results	
06/11/2014	Third Quarter 2014- Press Release

07/08/2014      Second Quarter 2014 - Press Release

08/05/2014      First Quarter 2014 - Press Release

06/03/2014      Fourth Quarter 2013 - Press Release

Location on the company's website: [www.ote.gr/](http://www.ote.gr/) Investor Relations/ Financial Results/ Financial Statements of OTE Group and OTE S.A

#### IFRS Reports- Figures and Information

06/11/2014      Financial Data and Information - Third Quarter 2014

06/11/2014      Interim Condensed Financial Statements (01/01/14-30/09/14) - Third Quarter 2014

07/08/2014      Financial Data and Information - Second Quarter 2014

07/08/2014      OTE Six Months Financial Report 30/06/14 - Second Quarter 2014

08/05/2014      Financial Data and Information - First Quarter 2014

08/05/2014      Interim Condensed Financial Statements (01/01/14-31/03/14) -First Quarter 2014

06/03/2014      Financial Data and Information - Fourth Quarter 2013

06/03/2014      Annual Financial Report 2013 - Fourth Quarter 2013

Location on the company's website: [www.ote.gr/](http://www.ote.gr/) Company/Investor Relations/ Financial Results/ Financial Statements of OTE Group and OTE S.A.

Note: The Financial Statements, the Independent Auditor's Reports and the Annual Reports of the Board of Directors can be found (after their approval) at the web page: [www.ote.gr/](http://www.ote.gr/) Company/ Investor Relations/ Financial Results/ Financial Statements of OTE Group Companies.

OTE S.A.

**Project manager**

Evrikos Sarsentis

Mergers, Acquisitions & Investor Relations Director OTE Group

**Editorial Preparation and Content Supervision**

Manousos Apostolakis

Maria Delenika

Kostas Maselis

Christina Hadjigeorgiou

Sofia Ziavra

**Publication Coordinator & Design**

Deppie Tzimea

Corporate Communications Executive Director OTE Group

**Publication Coordinator & Design Team**

Polly Katsouli

Anna Kyriazi

Katerina Nikaki

**Editorial Preparation of Annual Financial Report**

Kostas Vasilopoulos, Chief Accounting Officer

Tassos Kapenis

**Creative Concept -Design- Production**

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Copies of the OTE Annual Financial Report 2014 are available at OTE's registry, Patission str. 85, 10434, Athens, Greece.

