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# Chairman & CEO Message

The future is now



Michael Tsamaz  
Chairman & CEO

My fellow Shareholders,

2016 was a good year for the OTE Group. We consolidated our position as the number-one Greek fixed and mobile communications provider, and, in terms of subscriber numbers, we became the leader in pay TV as well. These achievements reward our superior networks and our brand commitment to put the customer at the center of everything we do. We remained far and away the largest investor in telecommunications in our markets. In Greece alone, we have invested over €2 billion in the past six years and committed to another €1.5 billion by 2020, notably to establish the fiber and mobile networks that enable our customers, and our country, to succeed in the digital age. And we delivered a solid financial performance, with consolidated Group revenues of about €4 billion, a healthy EBITDA margin, and a further reduction in our net debt to its lowest level in 20 years. Reflecting these achievements, the Board has recommended a 60% increase in our dividend per share, to €0.16. The geopolitical and macroeconomic climate is volatile, and in our home market, disposable income and consumer confidence remain under pressure. In past years, we have demonstrated our ability to perform well in these difficult circumstances, and we are optimistic that we will continue to do so. This is why, once again in 2017, we have set the bar high, and given ourselves three key imperatives.

First, we believe that the future belongs to those who continue investing even when times are more challenging, and we are moving forward with our infrastructure plans. In 2017 alone, our capital expenditure programs, in the local market, should reach €500 million, one-third of our planned four-year target, to accelerate the rollout of fiber and advanced mobile networks. In total, capex this year will approximate €700 million, not including amounts we may invest in spectrum.

Second, we will continue to work hard to enhance COSMOTE's standing as the brand most loved by consumers in Greece – and not just among telecommunications operators.

And thirdly, we aim to return to growth. If we are building the most advanced networks and the most attractive brand, it is not just to stay in place and contain revenue erosion. We want to grow our top and bottom lines, and 2017 is the year when we will put everything in place for this to start happening.

Our determination is grounded in our proven strategy. Last year, I outlined the six pillars of our strategy, and I would like to make a brief progress report on how we are executing in each of these areas.

## Technology and IT Superiority

First and foremost, our technological edge comes from state-of-the-art networks providing the broadest coverage. In fixed, we provide high-speed VDSL access to over 2 million households and businesses. In mobile, our 4G network reaches 93% of the Greek population, and 4G+ coverage is not far behind, at 82%. In 2017, our flagship project is optical fiber. By December, we should have way over 50,000 kilometers of fiber in our core and access networks, enabling vectoring in urban and, increasingly, in rural areas as well. In other words, at year end, we will be offering broadband speeds of 100Mbps to an increasing number of customers. We will also continue investing in coverage, quality and speed of our mobile networks. In fixed as well as mobile, we want a flawless navigation experience to be the Number One reason customers choose us. But we also want our infrastructure to act as the backbone of the country's economic revival – our work creates the foundation for development.

## Best Customer Experience

Offering an outstanding customer experience is our second strategic imperative, and customer satisfaction surveys indicate that we are succeeding. We will continue to improve customer care, with many innovative services scheduled for this year, and we will expand the depth and breadth of services available in our retail networks, which already offer a unique customer experience. Our field technicians are our ambassadors in our customers' homes. Our clients know that we care, that we are determined to help them get the most value from every euro they entrust us with.

## Innovation and Revenue Transformation

Our third priority is to develop new revenue streams through continuous innovation – in addition to high-speed broadband, our main weapons in this fight are pay-TV and ICT services. Building on our strong presence in pay-TV, with already more than half a million subscribers, we intend to continue enriching our content offering, notably with our own productions. We also strengthened our leading business-to-business position with significant private and public-sector contracts. We are shooting for new revenue streams in 2017, seeking large government transformation projects, as well as work on many verticals, including health, finance, shipping and energy.

## Lead in Core Services

Our focus on new revenue streams does not detract us from reinforcing our proposition in traditional services, which remains our fourth priority and still accounts for the largest share of our revenues. We have now stabilized our revenues from traditional services in Greece. We view these services as a focal point of our brand identity. The adoption of the COSMOTE brand across all our services has been instrumental in reinvigorating our traditional offering and in attracting younger customers.

## Operational and Cost Optimization

While we aim to deliver best-in-class customer service relying on a top-quality infrastructure, we want to do this efficiently, and this is our fifth priority, to optimize our operations and our cost base. Building on the organizational and managerial improvements of the prior years, we will generate further savings in 2017, and we will continue leveraging the synergies coming from our membership in the Deutsche Telekom group.

## People Strategy

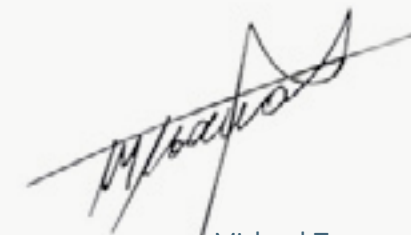
Finally, to make our promises a reality, we rely on our people, the sixth pillar of our strategy. In the digital age, our businesses require people who can blend technological savvy and interpersonal skills, and we have developed a host of programs to support these qualities. At a time where many Greek graduates are seeking opportunities abroad, I want the brightest of them to view OTE as a reason to stay. A new digital culture runs through our organization, we are encouraging job mobility and promoting a flexible work environment. We are definitely looking to the future and we want to set the standards as the employer of choice in the Greek market.

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Our strategy has enabled us to come a long way in the past several years, and has prepared us well for the upcoming challenges – to help our customers, and the markets where we operate, take full advantage of the new digital world in which we live and work. Digitalization is changing the way we work, learn, and enjoy ourselves, it is transforming our life and it requires constant change and constant adaptation. Our clients expect to be connected 24 hours a day, to have responses to their queries at their fingertips, they expect their devices to simplify their daily lives – and they count on us to provide this constant seamless access. The networks we have built, the content we acquire or develop, the solutions we provide, the people who join us and whom we keep at the top of their games, all guarantee that our customers will get the most out of the digital age.

We believe that telecommunications are key to the sustainable development of our economy, the enhancement of our quality of life, and the progress of society in general. Once again, in 2016, our dedication to sustainable business contributed to value creation for investors, customers, employees and the community at large. We will pursue these efforts, leveraging technology for the benefit of all. I would like to thank our Shareholders for the trust they have put in us. We will all work hard in 2017 to reward their confidence.

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Michael Tsamaz  
Chairman & CEO