OTE's higher staff expenses hit net income

By Kerin Hope in Athens

OTE, Greece's public telecommunications operator, yesterday blamed higher staff costs and increased financial expenses for a 9.9 per cent fall in consolidated first-quarter net income to Dr49.48bn ($136m). Operating revenues rose 13.2 per cent to Dr279.68bn.

The results came the day after the Greek government said it was looking for a strategic investor to acquire an equity stake in the partly privatised operator and supervise its modernisation.

Payroll and staff expenses increased 16.9 per cent to Dr69.1bn as a result of two salary increases last year and a generous early retirement scheme for almost 1,500 employees.

Net interest charges increased by Dr2.7bn following a sharp rise in long-term borrowing. OTE also raised €800m ($742m) in January in its first euro-bond issue. The extra cash will be used to expand in the Balkans.

Foreign exchange losses due to the drachma's depreciation against the US dollar, the yen and the euro amounted to about Dr4bn.

"These are disappointing results," said Joanna Telloglou, analyst at HSBC Pantelakis Securities in Athens. "It's the fifth successive quarter that OTE has failed to achieve its profit forecast because of exceptional charges."

However, CosmOTE, the group's mobile telephony subsidiary, raised first-quarter operating revenues 170 per cent to Dr42.7bn. Net income tripled to Dr4.2bn. The unit increased its share of Greece's fast-growing cellular market from 26.9 per cent to 28.6 per cent.

The group's interests in public telecoms operators in Serbia, Romania and Armenia, which are all profitable despite difficult market conditions, contributed Dr3.5bn to group income.

OTE shares fell 0.62 per cent yesterday to close at Dr8,845. Analysts said the market had already discounted the poor figures.