

Q1 2012 Business & Financial Review

May 2012

Highlights

- **Further improvement in cash generation:** operating cashflow at €18.2M (+72.9% vs. Q1 2011); net increase in cash at €3.9M (+€13.2M vs. Q1 2011)
- **Continued increase in operating profitability:** adjusted EBITDA at €21.0M (+18% vs. Q1 2011); adjusted EBITDA margin at 20.0% (+2.1pp vs. Q1 2011)
- **Preservation of customer and revenue base:** consolidated turnover growing by 1.6% vs. Q1 2011 to €105.3M; unique households stabilize around 747k with 140k enjoying bundled services

According to CEO Panos Papadopoulos: "Considering the persisting macroeconomic uncertainty, Forthnet had an exceptional first quarter. We pressed ahead with the successful strategy laid out in 2011: improve our cash generation and operating profitability, while maintaining a high quality customer and revenue base. We remain confident that our persistence on operating excellence and value for money offerings will continue delivering tangible benefits to our clients, partners and shareholders throughout 2012"

Business Review

Bundling

Bundling remains Forthnet's key retail growth driver: at the end of March 2012 the Group served almost 140k bundled households (out of a total base of 747k unique clients). The majority of the new bundled customers in Q1 were newcomers to the Group.

	Q1 2012	Q42011	Q32011	Q22011	Q12011
Households with Bundled Services	139,932	134,505	126,488	121,582	111,613
Households with Bundled Services as % of Total	18.7%	17.1%	16.7%	16.7%	14.6%
New Households with Bundled Services	5,427	8,017	4,906	9,969	11,681

Telco

Being the leading Greek unbundler, Forthnet continued to resist competitive pressures for growth and – instead – concentrated in Q1 on retaining its telco customer base with a view to optimizing profitability, credit quality and liquidity.

Broadband Customers	Q1 2012	Q42011	Q32011	Q22011	Q12011
Broadband subscribers¹	527,289	528,350	510,643	501,705	496,304
Quarterly net additions	-1,061	17,707	8,938	5,401	13,141
Active LLU customers	504,550	500,275	477,566	472,142	459,626
Unbundling Ratio	96%	95%	94%	94%	93%
New LLU customers	4,275	22,709	5,424	12,516	14,283
Market share in new LLU customers	9.2%	20.0%	11.7%	18.0%	18.5%
LLU market share	29.5%	30.0%	30.6%	31.3%	31.9%

Forthnet's estimated market share stood at 29.5% at the end of March 2012, with a 9.2% share of ULL net adds over the first quarter of the year.

PayTV

Macro conditions impacted the Greek digital PayTV subscriber base, which slipped marginally below 360k at the end of March 2012. As Nova discontinued its analogue service in January 2012, terrestrial subscriber replenishment should be forthcoming with the launch of the new DTT platform (see "Recent Business Developments" below).

PayTV Customers in Greece	Q1 2012	Q1 2011	Δ
Digital Platform	359,706	368,343	-8,637
Analogue Platform	-	12,442	-12,442
Total	359,706	380,785	-21,079

Recent Business Developments

- In May the DTT PayTV services («NOVA Επίγεια») that replace the Analogue services were officially launched. The services are initially available in Athens and Thessaloniki.

¹ Active & pending activation wholesale ADSL and 2Play customers, plus active & pending activation unbundled Customers.

- In April the Competition Commission accepted the commitments offered by the Group for the lifting of the exclusivity with the free-to-air national channels and closed the relevant case, considering that there is no reason for further examination.
- After the first football match 3D broadcast back in November 2011 and the first 3D football match production and broadcast in March 2012, the Group incorporated in Nova's program 3D movie content for the whole family as of May 2012.

Financial Review

Profitability

The Group reported total Q1 revenues of €105.3M, an increase of 1.6% against 2011. Revenue from ULL services grew by 5.4% driven by an increase in subs. The decrease in PayTV revenue is predominantly driven by the termination of the analogue service. Compensating for the changing household spending behavior, the Group is successfully diversifying its revenue streams (telco and payTV) focusing on advertising and SMEs.

Revenue Analysis <i>(in €'000)</i>	Q1 2012	Q1 2011	Δ
Residential LLU services	42,219	40,047	5.4%
Residential Wholesale Services	927	1,379	-32.7%
Business Services and Applications	12,831	10,325	24.3%
PayTV Revenue	45,427	48,110	-5.6%
Equipment and Other	3,877	3,722	4.2%
Total Revenue (incl. other income)	105,281	103,583	1.6%

2011 initiatives in terms of operational integration, streamlining and cost-cutting are showing their full effect in 2012 - new projects have already been streamlined to maintain cost restructuring momentum. As a result, adjusted EBITDA grew by €2.6M, up 13.8% on a y-o-y basis. Adjusted EBITDA margin for the quarter stood at 20%, an increase of 2.1pp over Q1 2011.

<i>(in € '000)</i>	Q1 2012	Q1 2011	Δ
Revenue (including other income)	105,281	103,583	1.6%
Reported EBITDA	20,953	14,884	40.8%
Adjusted EBITDA ²	21,046	18,494	13.8%
Adjusted EBITDA margin	20.0%	17.9%	2.1pp

Liquidity

Cashflow generation improved in Q1 2012 as a result of increased profitability, efficient working capital management and lower capex outflows. Operating cashflow stood at €18.2M (up 46% over Q1 2011) yielding a free cash flow of €3.9M (up €13.2M vs. Q1 2011).

<i>(in € '000)</i>	Q1 2012	Q1 2011	Δ
Operating Profit	23,095	15,602	+48.0%
Net Cash from Operating Activities	18,172	10,509	+72.9%
Net Increase in cash	3,932	-9,315	+121.0%

Despite revenue growth and stretched market liquidity, the Group successfully retained its tight credit policy in Q1 (with the aim of maintaining its low bad debts), while at the same time reducing its funding reliance on supplier credit.

<i>(in € '000)</i>	Q1 2012	Q4 2011	Δ
Trade Receivables	68,688	75,209	-8.7%
Trade Payables	100,360	102,835	-2.4%

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²Non- cash adjustment