

## **REPORT**

**of the Board of Directors of the Societe Anonyme with the corporate name “HELLENIC TELECOMMUNICATIONS AND TELEMATICS APPLICATIONS SOCIETE ANONYME” to the extraordinary General Meeting of Shareholders of the 3rd of August 2012 (including any reiterative of or pursuant to a postponement of such meeting) (hereinafter the “EGM”), according to the provisions of articles 9 of law 3016/2002 and 4.1.4.1.1 and 4.1.4.1.2. of the Athens Exchange Rulebook.**

## **INTRODUCTION**

The Board of Directors of the “HELLENIC TELECOMMUNICATIONS AND TELEMATICS APPLICATIONS SOCIETE ANONYME” (hereinafter the “Company” or “Forthnet”) during its meeting on the 11<sup>th</sup> of July 2012, resolved to propose to the EGM the following:

1. The increase of the nominal value of each common registered with voting right share of the Company from €1.18 to €14.16 per share with simultaneous consolidation and decrease of the total number of the common shares (reverse split) at a ratio of 12 existing shares for every 1 new share, i.e. from 155,431,324 to 12,952,610 common registered shares and the authorization to the Board of Directors of the Company for the settlement of fractional rights.
2. The decrease of the share capital of the Company by €179,523,179.32 by decreasing the nominal value of the shares from € 14.16 (after the reverse split) to €0.30 per share, in order to create a special reserve of an equal amount, pursuant to article 4 paragraph 4a of codified law 2190/1920, as applicable. The above share capital decrease shall not affect the entirety of the Company's shareholders equity, nor shall it entail any readjustment to the price of the common share in the Athens Stock Exchange.
3. The increase of the share capital of the Company up to euro 29,143,372.50 (hereinafter the “Increase”) through payment in cash, with preemption right in favor of the Company existing shareholders and the issuance of up to 97,144,575 new common registered shares (hereinafter the “New Shares”) of a nominal value of € 0.30 each at a ratio of 15 New Shares for every 2 old share at an issue price to be determined by subsequent decision of the Board of Directors, with a view of raising up to the amount of € 30.2 mil..

Furthermore, the Board of Directors resolved to propose to the EGM the following:

- (a) To authorize the Board of Directors to determine the issue price for the New Shares (“Issue Price”) within a time period to be defined by the EGM, within a

maximum period of 1 year from the date the EGM will approve the Increase, in accordance with article 13 par. 6 of C.L. 2190/1920, as applicable, the exercise period for all pre-emption rights and specify all other terms and details of the Increase.

- (b) The period during which the Increase will be covered will be four (4) months from the decision of the Board of Directors determining the Issue Price, which may be extended by 1 month, in accordance with article 11, par.4 of the C.L. 2190/1920, as applicable.
- (c) The Issue Price may be higher than the stock market price of the Company existing shares as at the ex-rights date. The potential balance between the nominal value of the New Shares and the Issue Price will be credited with the Company's own funds account headed "*Issuance of shares above par*".
- (d) To grant to the Shareholders of the Company, who will have fully exercised all pre-emption rights in the Increase, the possibility to oversubscribe for the acquisition of any unsubscribed New Shares at the Issue Price, while if, notwithstanding the above, the amount of the Increase is not fully subscribed, the BoD shall be authorized to allocate, at its absolute discretion, any unsubscribed New Shares to third parties, at the Issue Price, otherwise the Company's share capital will be increased by the amount of final coverage, in accordance with article 13a of the C.L. 2190/1920.

In the context of applicable provisions of article 9 of the Law 3016/2002 and paragraphs 4.1.4.1.1. and 4.1.4.1.2 of the Athens Exchange Rulebook, the present Report of the Board of Directors, to be submitted to the EGM, will be sent to the Athens Stock Exchange for publication on its website, along with the invitation for the convocation of the EGM and will also be published on the Company webpage.

## **REVIEW OF THE USE OF FUNDS RAISED AS OF THE PREVIOUS SHARE CAPITAL INCREASE**

### **REPORT ON THE USAGE OF CAPITAL RAISED THROUGH THE SHARE CAPITAL INCREASE WITH CASH**

It is hereby notified, in accordance with decision no. 25/17.07.2008 of the Athens Exchange, that from the Company's share capital increase by cash and free options rights to old shareholders, which took place on the basis of decision no. 23/14.05.2008 of the Company's Extraordinary General Assembly of Shareholders and approved by the Board of Directors of the Athens Exchange at their meeting on 10/07/2008, it raised net capital of €285,000,000 (total amount €299,593,877 less issuing expenses of €14,593,877). The exercise period for the preemption rights was from 18/07/2008 to 01/08/2008. From the share capital increase, 116,573,493 new common shares were issued with a nominal value of €1.18 each, which

were listed for trading on the Athens Exchange on 11/08/2008. The Company's share capital increase was confirmed by the Company's Board of Directors on 04/08/2008.

Amounts in €	Intended use of funds according to Prospectus	Usage of funds			Unused funds
		2008	01/01/2009 to 30/06/2009	Total 30/06/2009	
Financing of a portion of the consideration for the acquisition of NetMed N.V. και Intervision (Services) B.V.	285,000,000	285,000,000	-	285,000,000	-
Expenses relating to the issuance and the acquisition	14,593,877	11,456,916	3,136,961	14,593,877	-
<b>Total</b>	<b>299,593,877</b>	<b>296,456,916</b>	<b>3,136,961</b>	<b>299,593,877</b>	<b>-</b>

**Notes:**

1. The category "Expenses relating to the issuance and the acquisition" concerns expenses for guaranteed coverage, consultant fees, taxes and duties, sundry expenses directly related to the increase as well as the consultant's issuing fee.
2. The total funds raised from the increase of share capital were fully utilized according to the purpose as stated in the respective Prospectus of July 10, 2008. Therefore, the usage of capital was completed during the period ended June 30, 2009.

Iraklion, August 14, 2009

President of the Board of  
Directors

Deepak Srinivas  
Padmanabhan  
Passport I.d. Z 1031032

Chief Financial Officer

Pavlos Kanellopoulos  
I.D. N 006982

Vice President of the Board  
of Directors and  
Chief Executive Officer

Pantelis Tzortzakis

I.D. X 072948

Chief Accountant

Spyros Kosmas  
I.D. AZ 555377  
License No. O.E.E. 0016310  
A Class

**REPORT OF FACTUAL FINDINGS IN CONNECTION WITH THE  
"REPORT ON USAGE OF FUNDS"  
TO THE BOARD OF DIRECTORS OF "HELLENIC COMPANY FOR  
TELECOMMUNICATIONS AND TELEMATIC APPLICATIONS – FORTHNET  
S.A."**

Following the request of the Board of Directors of Hellenic Company for Telecommunications and Telematic Applications – Forthnet S.A. (“the Company”), we have performed the agreed-upon procedures enumerated below within the related regulatory framework of the Athens Exchange as well as the related legal framework of the Hellenic Capital Markets Commission relating to the Company’s share capital increase, in cash, in 2008 in accordance to the decision of the Extraordinary Shareholders Meeting of May 14, 2008. The Company’s Management is responsible for preparing the above report. Our engagement was undertaken in accordance with the International Standard on Related Services 4400, “Engagements to perform Agreed-Upon procedures regarding Financial Information”. Our responsibility is to perform the agreed-upon procedures enumerated below and provide you with our findings.

Procedures:

1. We compared the payments presented in the attached table “Report on the Usage of Capital raised through the Share Capital Increase in cash” (“Report”), with the corresponding amounts recorded in the Company’s accounting books and records for the relevant period.
2. We examined the consistency of the content of the above Report with the related Offering Circular issued by the Company as well as to other relevant decisions and announcements made by the official bodies of the Company.

Findings:

1. The above “Usage of Funds” columns reflected in the accompanying “Report on the Usage of Capital raised through the Share Capital increase with Cash” is derived from the Company’s books and records in the related period to which it refers to.
2. The contents of the Report includes the minimum information required in this respect by the regulatory Framework of the Athens Exchange and the legal framework of the Hellenic Capital Markets Commission and is consistent with the above mentioned Offering Circular and the related decisions and announcements issued by the competent bodies of the Company.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or the International Standard on Review Engagement, we do not express any assurance other than that referred to above. Had we performed additional procedures or had we performed an audit or review, other matters might have come to our attention that would have been reported to you.

Our report is solely addressed to the Board of Directors of the Company so that it complies with the related regulatory framework of the Athens Exchange and the related legal framework of the Hellenic Capital Markets Commission. Accordingly, our report should not be used for any other purpose as it is restricted to the information referred to above and does not relate and extend to the interim financial statements prepared by the Company for the period January 1, 2009 to June 30, 2009, for which we have issued a separate review report dated August 14, 2009.

Athens, August 14, 2009

The Certified Auditors Accountants

CHRIS PELENDRIDIS  
R.N. ICA (GR) 17831

STAVROS SALOUSTROS  
R.N. ICA (GR) 14611

ERNST & YOUNG (HELLAS)  
CERTIFIED AUDITORS ACCOUNTANTS  
S.A.  
SOEL REG. No: 107

SOL S.A.  
CERTIFIED AUDITORS  
SOEL REG No: 125

### **USE OF FUNDS TO BE RAISED**

The funds that the Company aims to raise from the proposed Increase, after the deduction of issue costs, will be used for the purpose of strengthening the Company's capital base and, through this, the Company's working capital.

### **ANNOUNCEMENTS OF MAIN SHAREHOLDERS**

The main shareholders of the Company, in accordance with the provisions of article 4.1.4.1.2 of the Athens Exchange Rulebook, Forendo Limited and CYRTE INVESTMENT GP1B.V., which hold about 41,27% % and 25,73% of the share capital of Forthnet, respectively, and are represented in the Board of Directors of the Company, are expected to announce their intentions with regard to retaining or not their percentage participation in the Company, within the time period stipulated in accordance with the provisions of applicable legislation, by the date of the EGM that will resolve on the Increase.

### **ISSUE PRICE**

As herein first above written, the Board of Directors proposes that the EGM resolves to authorize the Board of Directors to determine the Issue Price within the period to be determined by the EGM, within a maximum period of 1 year from the date the EGM will approve the Increase, in accordance with article 13 par. 6 of C.L. 2190/1920. Additionally, as written above, the Board of Directors will propose to the EGM to resolve that the Issue Price is higher than the stock market price of existing Company shares as at the ex-rights date.

### **INFORMATION ON THE REASONS FOR THE PLACING OF THE SHARES UNDER SURVEILLANCE, ACTIONS TAKEN BY THE COMPANY, ACCORDING TO ART. 4.1.4.1.2 z, OF THE ATHENS EXCHANGE RULEBOOK**

The Company's shares are listed from the 25.11.2011 on the Under Surveillance Segment, after a relevant decision of the Board of Directors of the Athens Stock Exchange, resolved during its session of 24.11.2011, with the reasoning of that, as per the annual financial report of 31/12/2010, the criterion of art. 3.1.2.4.(b) of the rulebook of Athens Stock Exchange was met, i.e. the losses of the Group during the period 01.01.2010 – 31.12.2010 were greater than thirty percent (30%) of its net

worth and the Company was not in a position to conclude a share capital increase within the current fiscal year.

The Company taking into consideration the general macroeconomic situation with an aim of removing the shares for the Under Surveillance segment, undertook the following actions:

(a) it proceeded with an extensive cost-cutting plan which bore immediate results yet with a multi-annual impact in order to enhance operational profitability and reduce the effects of the impairment of goodwill on the Group's accounting results and equity base.

(b) it improved its working capital management policies in order to preserve and reinforce the liquidity of the Group.

(c) it formulated a new integrated commercial policy in line with the deteriorating market conditions aiming at the retention of the Group's client base and the increase of its revenues.

Additionally, the Board of Directors recommends a capital increase of the company share capital with payment in cash with the purpose to raise up to the amount of 30,2 mil. €.

Kantza, Pallini, 11/07/2012

THE BOARD OF DIRECTORS