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Investors should also look at the listed company's financial statements, annual report and other similar information, as well as risks related to its business and operations, in order to form a more analytical view about the company's fundamentals and prospects.

The following report is based on the publicly traded company's official financial statements, annual report, and presentation compiled in order to inform the communities of institutional investors and equity analysts. Valuation & Research Specialists (VRS) do not intend to express any views or judgments about the listed company / stock via this report.

FORTHNET GROUP S.A.

Listing Year: 2000

Category: Medium & Small Capitalization

Activity Sector:
Telecommunication - Technology
- Internet

Foundation Year: 1995

Share Price:

€ 0.33 (20/06/2011)

Outstanding Number of Shares:
155,431,324

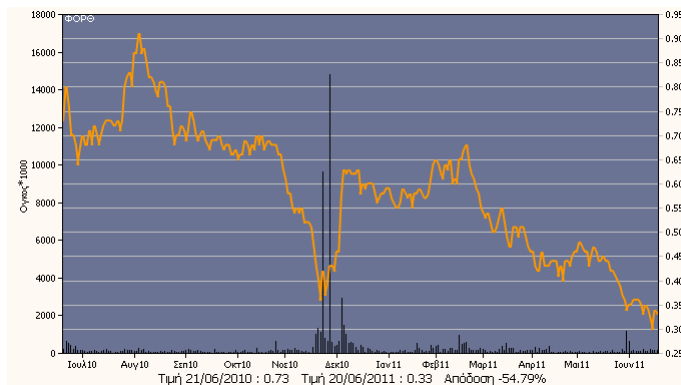
Market Cap: € 49.74 million

Athens Exchange

Reuters / Bloomberg:
FORr.AT / FORTH.GA

Web-site: www.forthnet.gr

Share Price Graph (July 2010 – June 2011) (Common Stock, Price in euro)



Company Profile – Sector

Forthnet introduced the Internet to Greece and it currently offers a wide range of broadband services with an emphasis on the Internet and fixed telephony. After acquiring NetMed NV and Intervision (Services) BV in August 2008, Forthnet entered the pay TV sector. Greek Broadband and Pay TV markets are underpenetrated relative to European peers: Broadband penetration 19%, European average 26%, Pay-TV penetration 11%, European average 60%. Forthnet's broad portfolio of services covers all the telecommunication needs of households, small businesses and large organizations.

Forthnet's objective is to remain close to its customers on a continuous basis and to develop tailor made solutions. In order to achieve this goal, the Company invests in new technologies and infrastructure and develops integrated telecommunication proposals and solutions, which are addressed to both residential and business consumers.

As regards residential consumers, the Company offers a wide range of Internet access and telephony services. Furthermore, aiming at providing broadband access everywhere, Forthnet is developing the largest network of wireless access points throughout Greece.

As regards corporate services, Forthnet supports modern businesses by offering Internet access solutions, corporate networks (MPLS VPN), interconnection of remote points of presence (leased lines), fixed telephony, computer system and application hosting, and also advanced surveillance, management & maintenance services, together with technical support for such services. At the same time, Forthnet provides special interactive marketing solutions, such as online advertising, webpage design and development, and mobile marketing, as well as information services (like WebSMART programme for on line financial information), value added services (<http://search.forthnet.gr>, <http://dir.forthnet.gr> and the DriveMe mapping portal) etc.

Within this framework, in the past years Forthnet has invested substantial capital in order to develop its own infrastructure throughout Greece; this includes a private fibre optics network and a Wireless Local Access Network. Furthermore, the Company owns fibre optic submarine cable circuits and ensures continuous upgrading of its international Internet interconnection speed.

Corporate Strategy: I. Capture growth from unique bundling offering (combine expertise of Nova and Forthnet to create competitive triple play service including voice, data and television, -significant opportunity for growth of triple play products in Greece, -Netmed's Nova brand and attractive content portfolio will be key differentiating factors of Forthnet offer). II. Customer focus and cross-selling maximisation. III. Leverage network infrastructure potential (best of breed and complementary IP based and satellite infrastructure-will make ULL infrastructure more profitable). IV. Realise cost savings and other benefits from acquisition (focus on full integration of Nova in order to realise cost savings from central functions and sales and marketing as well as through benefits from economies of scale and from integrating platforms, systems and processes).

Forthnet S.A. is a member of the American-Hellenic Chamber of Commerce, the Hellenic Association of Information Technology & Communication Enterprises (SEPE) and the Federation of Greek Industries (SEV).

Sources: Company Annual and Interim Financial Reports, Press Releases, Company's Website, Presentation at the Association of Greek Institutional Investors (May 2011).

Review of 12M 2010 Results

Forthnet reported consolidated sales from continuing activity of €409.852 million during the 12M 2010 from €376.985 in 2009 (+8.72% year-on-year). Group EBITDA stood at €46.284 million, down 27.7% y-o-y (€64.025 million in 12M 2009). Adjusted EBITDA (non cash) stood at €65.662 million, up 1.11% y-o-y (€64.938 million in 12M 2009). Adjusted EBITDA margin settled at 16.0% versus 17.2% in the previous year.

(Source: Company's presentation 18/5/2011)

Review of Q1 2011 Results

The operating integration of the Pay TV and Telecom businesses provides an opportunity for the Group to reduce its expenses. At the same time the demand for bundled Telecom and Pay TV services has remained strong.

The Group reported total revenues of €102.6m in Q1 2011 (€99.4m in Q1 2010) with an adjusted EBITDA of €18.5m (€17.0 in Q1 2010) and an EBITDA margin of 18% (17.11% in Q1 2010).

In Q1 2011, the Group continued to increase its subscriber base and to add customers that bundle Telecom and Pay TV services. By the end of Q1 the Group served 765 thousand households. Among which, 112 thousand have chosen bundled services.

Forthnet is the leading unbundler in Greece with an estimated overall market share of 31.9% at the end of March and 14.3k net additions in Q1. It is estimated that the market share in net addition in Q1 was 18.5%.

The number of Broadband subs at the end of March 2011 stood at 496,304 customers, with 13,141 additions in Q1 2011. ULL is the key growth driver, while demand for Broadband, 2play and other ULL services is expected to remain strong.

For Q1 2011, the Telecom segment reported revenues of €54.1m - a 11.3% y-o-y growth, driven by incremental LLU services.

Satellite Pay-TV subscribers in Greece reached 368,343 at the end of March 2011, an all time high for Q1. The Analogue subscriber base and the Digital subscriber base in Cyprus recorded a decrease. As a result, by the end of Q1 2011 Pay-TV had 390,534 customers, a y-o-y increase of 25,082 subs. (Sources: Company's press release Q1 '11)

S.W.O.T. Analysis

Strengths

Largest private broadband and satellite service provider in Greece
Diverse, extensive, high quality product offering
Robust, efficient infrastructure with national coverage
Improved financials - Consistent revenue growth

Weaknesses

Revenues dependent on consumer demand largely affected by economic cycles

Opportunities

Attractive Broadband and Pay-TV markets with strong growth potential
Synergy potential
Triple play offering: strong prospects for growth in Greece

Risks – Threats

Intensifying competition in the mature Greek market will imply lower growth rates and profit margins

Specific Parameters

FINANCIAL HIGHLIGHTS 2010

© December 2010: The end of the year found the chain of Forthnet Stores in a state of ongoing growth, with 19 new Stores and shops-in-a-shop, bringing the total to 131 stores throughout Greece.

Forthnet already has presence in all major retail chains and NOVA services are available in all Forthnet shops. Works for upgrading Forthnet's interconnection to the Internet were also completed, bringing the total capacity to 43 Gbps.

© Product-mix – total group revenues at €410 million versus €377 in the previous year:

Telecom at €214.330 million versus €176.646 million in 2009 (+21.3%). Adjusted EBITDA (non-cash adjustments) at €29.279 million versus €19.218 million in 2009. EBITDA margin at 13.7% versus 10.9% in 2009. Capital Expenditure at €52.631 million versus €69.049 million.

Revenue Analysis: Residential LLU services €150.553 million versus €111.347 million in 2009 (+35.2%), Residential Wholesale Services €8.209 million versus €19.011 million in 2009 (-56.8%),

Business Services and Applications at €55.568 million in 2010 versus €46.287 million in 2009 (+20.05%). Pay TV at €195.522 million versus €200.339 million in 2009.

DEBT & LIQUIDITY

© As of December 2010: Cash and Cash equivalent €36.4million. Net Debt settled at €296.6million. As of March 31st 2011, Forthnet Group's cash and cash equivalents amounted to €29.1m. Total net bank debt for the Group at end March '11 stood at €305.9m. The Group has initiated discussions with its lending syndicates with a view to refinance its maturing stock of debt for 2011 and 2012 and extend the repayment profiles beyond 2013. The process was formally launched in early February and is already at an advanced stage.

Recent Developments

Pay TV platform keeps enriching the HD offering that is currently enjoyed by the 9% of its subscriber base. In Q1 two new HD channels were added bringing total the number of HD channels to six.

For the first time, Live Streaming services were offered to the broadband subscribers of the Group providing exclusive access to important live sport events.

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