



**‘LAN-NET COMMUNICATIONS S.A.’**

Tax Reg. No 094055219, ATHENS TAX AUTHORITY (DOY FAVE ATHINON), Reg. No S.A.  
2640/06/B/86/03  
KONSTANTINOUPOLEOS 1 & KIFISSOU, 12132 PERISTERI

**AMENDED FINANCIAL STATEMENTS  
(PARENT & CONSOLIDATED)  
AS OF DECEMBER 31, 2006  
IN ACCORDANCE WITH THE INTERNATIONAL  
FINANCIAL REPORTING STANDARDS  
(IFRS)**



**Amended Annual Financial Statements (solo and consolidated) for 2006  
in accordance with the International Financial Reporting Standards**

This is to certify that the attached Amended Annual Financial Statements (solo and consolidated) are those which have been approved by the Board of Directors of 'LAN-NET COMMUNICATIONS S.A.' on the 14<sup>th</sup> of November 2007 and which will be submitted for approval by the Ordinary General Meeting that has been recessed and will re-convene on November 16<sup>th</sup> 2007. (The company's Board of Directors on March 20<sup>th</sup> 2007 had approved the 2006 annual financial statements, which had been published through the press, through their submission in the Athens Exchange and Hellenic Capital Market Commission and by posting them on the internet, at the address [www.lannet.gr](http://www.lannet.gr)).

It is noted that the published in the press brief financial information refers to those the approved by the company's Board of Directors on March 20<sup>th</sup> 2007 and the amended financial information to be published aim at providing the public with certain elements of financial information but they do not present a comprehensive view of the financial position and the results of operations of the Company and Group, in accordance with International Financial Reporting Standards (I.F.R.S.). Please note, that for purposes of simplification, some accounts in the published financial statements have been abridged or rearranged.

*Peristeri, 14<sup>th</sup> of November 2007*

*Thomas Ch. Lanaras  
Chairman of the Board of Directors and  
Managing Director*

*Peristeri, 14 November 2007*

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**BOARD OF DIRECTORS' MANAGEMENT REPORT OF 'LAN-NET COMMUNICATIONS S.A.'**  
**TO THE ORDINARY GENERAL SHAREHOLDERS' MEETING**  
**PER THE FINANCIAL STATEMENTS OF THE COMPANY FOR**  
**FISCAL YEAR 2006**

**Dear Shareholders,**

The Financial Statements as at 31.12.2006 concern the Company's 30<sup>th</sup> financial year that covers the period from January 1<sup>st</sup> to December 31<sup>st</sup> 2006. For 2006, the Company compiled for the first time consolidated financial statements, according to the International Financial Reporting Standards (IFRS).

During 2006, the company fundamentals of LAN-NET COMMUNICATIONS S.A. ascended significantly both through the acquisition of similar companies and through the merger by absorption of TELEPASSPORT S.A.

In particular, the strengthening of the Company's position in the market, its development and the attainment or access to a larger market share, are considered significant by the company's management and constitute a primary objective, which was realized to a large extent both through acquisitions and through a merger. From 2006, LAN-NET comprises a group of 8 companies focused on the fixed telephony market and has proliferated its fundamentals. Specifically, at present the company participates in the following companies:

| COMPANY                  | BUSINESS ACTIVITY                           | ACQUISITION DATE | PARTICIPATION |
|--------------------------|---|------------------|---------------|
| PRIMUS CALL S.A.         | Call center, Telemarketing, Market Research | 29.8.2006        | 100%          |
| ORBITECH S.A.            | Developer of broadband application          | 30.8.2006        | 100%          |
| COLUMBIA TELECOM S.A.    | VNO, Target Group Sales                     | 18.7.2006        | 70%           |
| TELEPASS S.A.            | Multilevel Marketing Company                | 31.8.2006        | 100%          |
| PASSPOINT S.A.           | E-Sales, Collection Company                 | 31.8.2006        | 80%           |
| TPH S.A.                 | Technological Research                      | 31.8.2006        | 70%           |
| TELEPASSPORT CYPRUS Ltd. | Telecom                                     | 31.8.2006        | 33%           |

From the above companies, Orbitech, Columbia Telecom and Primus were acquired by acquisition, while the remaining companies through the absorption of TELEPASSPORT. Following the completion of the latter, LAN-NET now maintains 600,000 lines, 490,000 active customers and a presence in 54 geographic areas in Greece and abroad.

To finance the aforementioned activities, six series of a convertible bond loan were issued, as is described in detail in the attached Annual Financial Statements.

Moreover, in August 2006 the Company estimated that the cost for consolidating the new companies in LAN-NET and the cost for the total restructuring of the node services, the network technological base, the employee IT systems and the integrated customer base will amount to approximately € 12.35 million, which will be financed by the Company's equity. Until the end of the current period, the realized restructuring cost amounted to € 6.3 million.

Dear Shareholders, during 2006, the telecommunication sector continued to endure acute competition conditions, mainly characterized by the acquisition of significant market shares through reductions in prices and by the efforts of alternative providers to attain a more powerful customer base in order to exploit the local loop unbundling more efficiently. At the same time, 2006 constituted a significant year for the telecommunication sector in general with company acquisitions such as TIM and Q TELECOM, HELLAS ON LINE, the entrance of SYSTEMA and WIND in the Greek market and the establishment of ON TELECOM.

Accordingly, such conditions had a significant effect on the company's turnover and results. Specifically, even through the Company's turnover appears increased at the company level by 6%, in effect it has decreased by 11.5%. This decrease is due to the loss of customers in the private client category and to a lesser extent to the reduction in service prices. It is noted that the financial statements for 2006 are not directly comparable with those of 2005 due to the fact that the former include data from the activity of the absorbed TELEPASSPORT for the period from 1/9 to 31/12/2006. Turnover increased by 10.63% compared to 2005, amounting to approximately € 61 million compared to € 55 million in the previous year, which included only the activity of the parent company. The consolidated balance sheet of 2006 included the activity of "COLUMBIA TELECOM S.A." from 1/7/2006 to 31/12/2006 and that of the remaining companies from 1/9 to 31/12/2006.

Gross profit at the consolidated level amounted to € 29.35 million compared to € 25.26 million the previous year, thus posting an increase of 16.14% in absolute terms, while at the company level gross profit amounted to € 28 million, increased by 10.89%. In percentage terms, gross profit both at the company and the consolidated level increased from 45.86% to 48.17% and 48.15% respectively. Earnings before taxes and financing results increased from €-3.8 million to € -7.8 million at the company level and to € 8.8 million at the consolidated. Respectively, losses after taxes amounted to € 12.4 million for the Group and 11.15% compared to € 6.58% in 2005.

The company's EBITDA is positive for 2006 and amounts to € 1,108,670 for the parent and to € 208,226 for the group compared to € 793,078 in 2005, namely posting an increase of approximately 40% at the parent level. As regards to the analysis of assets, liabilities, net position and results for 2006 as well as the accounting principles applied by the Company at the parent and consolidated level, a detailed analysis is provided in the Notes on the Financial Statements that constitute an inseparable

part of the Company's Annual Financial Statements.

At the same time, in the context of the Corporate Social Responsibility plan LANNET supports the World Juvenile Diabetes Foundation. Specifically LAN-NET assists children with diabetes and their families by undertaking the initiative to financial support the research program conducted by the Foundation for many years. Moreover, from 2006 it has established a Blood Bank program that has met significant support from the company's total employees and which has contributed until today to the assistance of many fellow beings and LAN-NET employees when in need of blood.

*Disclosure Requirements under Article 11a of Law 3371/2005:*

a) The company's share capital after the merger via absorption of TELEPASSPORT consists of 142,732,000 common registered shares. Out of these shares, a total of 79,805,802 which are LAN-NET's shares before the merger, are listed shares in the Athens Exchange Main Market and the remaining 62,926,198 shares that were added after the merger are in the process to be listed under the current legislation. Shareholders rights and obligations are those described by the current legislation.

b) There are no restrictions in disposing of the shares

c) Based on P.D. 51/1992, Prensco Holding LTD controls 9.59% of the listed Company shares, which also correspond to the same number of voting rights.

d) There are no shares with special controlling rights.

e) All Voting rights bear no restrictions. Under current legislation all voting rights may be used in Shareholders Meetings.

f) To the company's knowledge there are no shareholder agreements in effect that carry restrictions both in the disposal of these shares or in exercising voting rights.

g) The company rules for replacing and/or appointing members of the Board are those of Codified Law 2190/1920.

h) The Board of Directors or any of its members has no power in issuing new shares and/or buying back existing shares according article 16 of Law 2190/1920.

i) There exist three agreements issued by the company, which can be in effect besides any existing loan agreements, regarding ownership status changes may occur under common practices in the case

of a tender offer.

j) No agreements are in effect between the Company and Members of the Board or the personnel that provides for any compensation in the case of resignation, or dismissal without major reason or termination of work as a result of a Public Tender Offer. In case of termination of employment contracts with the Company's ordinary personnel, indemnities are defined by the relevant legislation.

*Other Information under Article 1 paragraph 7b of Law 3487/2006:*

The company's most significant facts for the period between year-end and the publication of this report are as follows:

- In the beginning of January the Company faced an illegal disruption of its circuits, instigated abusively by the Hellenic Telecommunication Organization (OTE). This action took place immediately following the completion of the merger through absorption of TELEPASSPORT and while our company operated under twofold protection, on the one hand based on the temporary order by EETT dated 21.02.2006 issued in favor of Lannet and on the other based on the temporary orders of the Athens Unilateral Court of First Instance dated 24.10.2006 and 13.11.2006 issued in favor of the company TELEPASSPORT HELLAS S.A. It is obvious that OTE, with this action, for yet another time pursued to obstruct our activity with the creation of false impressions, always against the smooth operation of Lannet and against the servicing of its subscribers, the market and also its shareholders.

- In February 2007, the company was certified in the context of the International Quality Management Standard by the TUV organization with the ISO 9001:2000 Quality Assurance Standard. Thus, it currently constitutes the only company in this sector in the Greek market to be certified for its total services. The objective of the aforementioned certification is to reassure that the offered quality of LAN-NET's telecommunication services is exactly that promised and what it commits for its customer.

- In March 2007, our Company converted the amount of € 4 million it had deposited for the share capital increase to the company FANCO since October 2004, to a bond loan and thus settled a significant and prolonged impediment. Today, with the loan's conversion to the universal successor of "UNITED TEXTILES S.A.", the company is expected to have a significant liquid asset at its disposal.

In relation to the circumstances in the fixed telephony market, and the Company's foreseen developments, the main trends are as follows:

2006 was characterized by a further intensification of the already increased competition since all

companies are striving to acquire critical sizes as it is now even clearer that more companies are present in the market than those that can efficiently operate.

Alternative providers are trying to take advantage of the conditions that prevail with the local loop unbundling and the exploitation of new technologies. Already, competitor companies advertise the provision of advanced services particularly in the triple play area, without however being in a position to directly offer the services they provide in theory, thus creating confusion in the market.

LAN-NET is ready for the provision of triple play services through its self-owned system – developed by ORBITECH – which was in trial operation since the middle of 2006 and is expected to productively operate within 2007.

Furthermore, following the agreement signed in November 2006 with Craig Wireless, Lannet now maintains a WiMAX system that will serve the smooth direct distribution of broadband services both to household users and to corporate clients throughout the country. The network of Craig Wireless, with its programmed form and structure, without taking into account its possible future expansions, will be able to serve at least 500 thousand broadband subscribers of all types.

In addition, it is important to note that through the specific trade agreement, Lannet acquires a significant level of independence as regards to the provision of the aforementioned services, thus utterly utilizing the technologically advanced capabilities offered by the WiMAX network and the infrastructure developed by Craig Wireless.

Subsequent to the merger with TELEPASSPORT, LAN-NET now maintains 1,066,335 CLI's that cover almost 8% of the country's population, as well as 51 nodes throughout Greece with the capacity to provide broadband services. For their better utilization, Orange Business Systems was appointed a study concerning the configuration of the future network and infrastructure for the provision of new advanced QUAD PLAY services and the reduction of operating cost over 25%. The implementation of this plan is expected to be completed within 2007.

The company runs 3 outlets and owns 51 nodes throughout Greece.

Research & Development activity during the same period amounted to € 149 thousand and we note that almost the total operations of the 100% subsidiary Orbitech constitute research to the development of the triple-play platform.

Dear Shareholders,

Following these clarifications we invite you to approve the Company's submitted financial statements at the parent and consolidated level, which have been compiled according to IFRS, and to proceed with decisions on the remaining issues of the daily agenda.

Peristeri, November 14<sup>th</sup> 2007

*Thomas Ch. Lanaras*  
*Chairman and Managing Director*  
**'LAN-NET COMMUNICATION S.A.'**

**AUDIT REPORT BY THE INDEPENDENT CERTIFIED AUDITOR ACCOUNTANT**  
**To the Shareholders of 'LAN-NET COMMUNICATIONS SA'**

**Report on the Financial Statements**

We have audited the accompanying Financial Statements (separate and consolidated) of 'LAN-NET COMMUNICATIONS S.A.', which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these Financial Statements (separate and consolidated) in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. This responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these Financial Statements (separate and consolidated) based on our audit. We conducted our audit in accordance with Greek Standards on Auditing which conform with International Standards on Auditing. Those Standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entities of the Group internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the accompanying Financial Statements (separate and consolidated) present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2006 and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

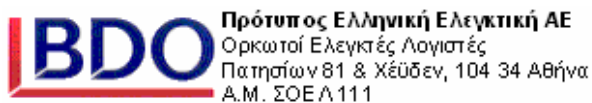
Without reservation as to our audit's conclusions, we draw your attention to Note 13, presented in the notes on the financial statements, which refers to the fact that the goodwill amounting to € 29,722,599 that emerged from the acquisition-merger of the company 'Telepassport S.A.' was defined based on the temporary fair values of the company's Balance Sheet as of 31 August 2006. The final definition of the relevant goodwill is underway as the company has applied the option provided by standard IFRS 3 paragraph 62, regarding finalization of accounts within 12 months from the acquisition date.

**Report on Other Legal Requirements**

In our opinion the content of Board of Directors' Report, is consistent with the aforementioned financial statements.

Athens, 15 November 2007

The Certified Auditor Accounts  
Theodore G. Zervos  
CPPA R.N. 17591



BDO Standard Greek Auditing SA  
Certified Auditors Accountants

**LAN-NET COMMUNICATIONS S.A.**  
**Amended Financial Statements of 2006**  
*(Amounts are expressed in €)*

**INCOME STATEMENT FOR THE PERIOD 1.1-31.12.2006**

| <b>GROUP</b>                              | <b>Note</b> | <b>1.1-31.12.2006</b> | <b>1.1-31.12.2005</b> | <b>1.10-31.12.2006</b> | <b>1.10-31.12.2005</b> |
|---|-------------|-----------------------|-----------------------|------------------------|------------------------|
| Turnover                                  | 4           | 60,949,499            | 55,094,754            | 22,735,000             | 14,659,633             |
| Cost of sales                             |             | <u>(31,604,428)</u>   | <u>(29,828,326)</u>   | <u>(13,767,048)</u>    | <u>(7,906,740)</u>     |
| Gross profit                              |             | 29,345,071            | 25,266,428            | 8,967,952              | 6,752,893              |
| Other operating income                    |             | <u>1,595,042</u>      | <u>9,543,335</u>      | <u>533,444</u>         | <u>9,481,595</u>       |
|   |             | 30,940,113            | 34,809,763            | 9,501,396              | 16,234,488             |
| Selling, distribution expenses            | 7           | (30,772,867)          | (33,191,921)          | (11,502,876)           | (8,309,721)            |
| Administrative expenses                   | 7           | (8,434,306)           | (4,957,264)           | (3,294,734)            | (596,215)              |
| Research and development expenses         |             | (149,148)             | (312,372)             | (40,725)               | (92,946)               |
| Other operating expenses                  |             | <u>(354,163)</u>      | <u>(147,137)</u>      | <u>(270,608)</u>       | <u>(103,040)</u>       |
| Losses before tax and financial results   |             | (8,770,371)           | (3,798,931)           | (5,607,547)            | 7,132,566              |
| Finance cost                              | 8           | <u>(3,646,021)</u>    | <u>(2,785,522)</u>    | <u>(1,420,820)</u>     | <u>(518,308)</u>       |
| Loss before tax                           |             | (12,416,392)          | (6,584,453)           | (7,028,367)            | 6,614,258              |
| Less: Taxes                               | 9           | <u>8,876</u>          | <u>-</u>              | <u>8,876</u>           | <u>-</u>               |
| Loss after tax                            |             | (12,407,516)          | (6,584,453)           | (7,019,491)            | 6,614,258              |
| <b>Allocated to:</b>                      |             |                       |                       |                        |                        |
| Company shareholders                      |             | (12,407,516)          | (6,584,453)           | (7,019,491)            | 6,614,258              |
| Minority shareholders                     |             | -                     | -                     | -                      | -                      |
| Loss/Profit after tax per share           |             | -0,1678               | -0,1724               | -0,0669                | 0,1574                 |
| Weighted average number of shares (basic) |             | 73,965,389            | 38,184,540            | 104,935,062            | 42,030,090             |
| <b>COMPANY</b>                            | <b>Note</b> | <b>1.1-31.12.2006</b> | <b>1.1-31.12.2005</b> | <b>1.10-31.12.2006</b> | <b>1.10-31.12.2005</b> |
| Turnover                                  | 4           | 58,164,261            | 55,094,754            | 20,756,917             | 14,659,633             |
| Cost of sales                             | 5           | <u>(30,145,976)</u>   | <u>(29,828,326)</u>   | <u>(12,336,786)</u>    | <u>(7,906,740)</u>     |
| Gross profit                              |             | 28,018,285            | 25,266,428            | 8,420,131              | 6,752,893              |
| Other operating income                    |             | <u>932,562</u>        | <u>9,543,335</u>      | <u>194,219</u>         | <u>9,481,595</u>       |
|   |             | 28,950,847            | 34,809,763            | 8,614,350              | 16,234,488             |
| Selling, distribution expenses            | 7           | (29,412,577)          | (33,191,921)          | (10,635,993)           | (8,309,721)            |
| Administrative expenses                   | 7           | (7,065,509)           | (4,957,264)           | (2,237,202)            | (596,215)              |
| Research and development expenses         |             | (149,148)             | (312,372)             | (40,725)               | (92,946)               |
| Other operating expenses                  |             | <u>(105,553)</u>      | <u>(147,137)</u>      | <u>(36,105)</u>        | <u>(103,040)</u>       |
| Losses before tax and financial results   |             | (7,781,940)           | (3,798,931)           | (4,335,675)            | 7,132,566              |
| Finance cost                              | 8           | <u>(3,366,244)</u>    | <u>(2,785,522)</u>    | <u>(1,175,101)</u>     | <u>(518,308)</u>       |
| Loss before tax                           |             | (11,148,184)          | (6,584,453)           | (5,510,776)            | 6,614,258              |
| Less: Taxes                               |             | <u>-</u>              | <u>-</u>              | <u>-</u>               | <u>-</u>               |
| Loss after tax                            |             | <u>(11,148,184)</u>   | <u>(6,584,453)</u>    | <u>(5,510,776)</u>     | <u>6,614,258</u>       |
| Loss after tax per share                  |             | -0,1507               | -0,1724               | -0,0525                | 0,1574                 |
| Weighted average number of shares (basic) |             | 73,965,389            | 38,184,540            | 104,935,062            | 42,030,090             |

The notes on pages 16 to 61 form an integral part of these Financial Statements which are presented on pages 11 to 15.

**LAN-NET COMMUNICATIONS S.A.**  
**Amended Financial Statements of 2006**  
*(Amounts are expressed in €)*

**BALANCE SHEET**

| <b>ASSETS</b>                       | <i>Note</i> | <b>GROUP<br/>31.12.2006</b> | <b>GROUP<br/>31.12.2005</b> | <b>COMPANY<br/>31.12.2006</b> | <b>COMPANY<br/>31.12.2005</b> |
|-------------------------------------|-------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| <b>Non-current assets</b>           |             |                             |                             |                               |                               |
| Tangible assets                     | 11          | 40,676,081                  | 27,064,913                  | 39,223,678                    | 27,064,913                    |
| Intangible assets                   | 12          | 4,173,537                   | 2,662,548                   | 4,066,520                     | 2,662,548                     |
| Investments in subsidiaries         | 14          | -                           | -                           | 26,703,546                    | -                             |
| Deferred Tax                        | 24          | 28,969                      | -                           | -                             | -                             |
| Goodwill                            | 13          | 53,818,633                  | 3,569,124                   | 29,722,599                    | 3,569,124                     |
|                                     |             | <u>98,697,220</u>           | <u>33,296,585</u>           | <u>99,716,343</u>             | <u>33,296,585</u>             |
| <b>Current assets</b>               |             |                             |                             |                               |                               |
| Inventories                         | 16          | 454,546                     | 228,096                     | 404,130                       | 228,096                       |
| Trade receivables                   | 15          | 38,914,083                  | 21,169,905                  | 36,231,891                    | 21,169,905                    |
| Other assets                        | 17          | 16,134,208                  | 9,162,670                   | 15,892,477                    | 9,162,670                     |
| Cash and cash equivalents           | 18          | 4,506,269                   | 7,225,046                   | 4,070,442                     | 7,225,046                     |
|                                     |             | <u>60,009,106</u>           | <u>37,785,717</u>           | <u>56,598,940</u>             | <u>37,785,717</u>             |
| <b>TOTAL ASSETS</b>                 |             | <b><u>158,706,326</u></b>   | <b><u>71,082,302</u></b>    | <b><u>156,315,283</u></b>     | <b><u>71,082,302</u></b>      |
| <b>LIABILITIES</b>                  |             |                             |                             |                               |                               |
| <b><u>EQUITY</u></b>                |             |                             |                             |                               |                               |
| Share capital                       | 19          | 97,057,760                  | 54,584,246                  | 97,057,760                    | 54,584,246                    |
| Share premium account               | 19          | 2,291,040                   | 996,512                     | 2,291,040                     | 996,512                       |
| Reserves                            |             | 7,909,396                   | 6,463,756                   | 6,518,410                     | 6,463,756                     |
| Loss carried forward                |             | <u>(44,238,163)</u>         | <u>(28,758,579)</u>         | <u>(37,259,870)</u>           | <u>(28,758,579)</u>           |
|                                     |             | 63,020,033                  | 33,285,935                  | 68,607,340                    | 33,285,935                    |
| Minority interest                   |             | 96,277                      | -                           | -                             | -                             |
| <i>Total equity</i>                 |             | <u>63,116,310</u>           | <u>33,285,935</u>           | <u>68,607,340</u>             | <u>33,285,935</u>             |
| <b>Liabilities</b>                  |             |                             |                             |                               |                               |
| <b>Long-term liabilities</b>        |             |                             |                             |                               |                               |
| Loans                               | 20          | 21,165,159                  | 19,533,944                  | 21,165,159                    | 19,533,944                    |
| Staff retirement indemnity          | 23          | 358,155                     | 209,902                     | 295,200                       | 209,902                       |
| Deferred tax                        | 24          | 10,791                      | -                           | -                             | -                             |
| Other long-term liabilities         |             | 454,348                     | -                           | 339,848                       | -                             |
| <i>Total long-term liabilities</i>  |             | <u>21,988,453</u>           | <u>19,743,846</u>           | <u>21,800,207</u>             | <u>19,743,846</u>             |
| <b>Short-term liabilities</b>       |             |                             |                             |                               |                               |
| Trade and other payables            | 21          | 51,617,881                  | 9,560,302                   | 44,300,922                    | 9,560,302                     |
| Provisions                          | 22          | 12,055,414                  | -                           | 12,055,414                    | -                             |
| Loans                               | 20          | 9,928,268                   | 8,492,219                   | 9,551,400                     | 8,492,219                     |
| <i>Total short-term liabilities</i> |             | <u>73,601,563</u>           | <u>18,052,521</u>           | <u>65,907,736</u>             | <u>18,052,521</u>             |
| <i>Total liabilities</i>            |             | <u>95,590,016</u>           | <u>37,796,367</u>           | <u>87,707,943</u>             | <u>37,796,367</u>             |
| <b>TOTAL LIABILITIES AND EQUITY</b> |             | <b><u>158,706,326</u></b>   | <b><u>71,082,302</u></b>    | <b><u>156,315,283</u></b>     | <b><u>71,082,302</u></b>      |

The notes on pages 16 to 61 form an integral part of these Financial Statements which are presented on pages 11 to 15.

**LAN-NET COMMUNICATIONS S.A.**  
**Amended Financial Statements of 2006**  
*(Amounts are expressed in €)*

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

**GROUP 2006**

|   | <b>Share capital</b> | <b>Share premium</b> | <b>Statutory reserve</b> | <b>Other reserves</b> | <b>Balance carried forward</b> | <b>Total</b>      |
|---|----------------------|----------------------|--------------------------|-----------------------|--------------------------------|-------------------|
| Balance at 1 January 2006                       | 54,584,246           | 996,512              | 1,223,193                | 5,240,563             | (28,758,579)                   | 33,285,935        |
| Equity of ORBITECH SA on 1.9.2006               | -                    | -                    | 6,912                    | -                     | (1,136,510)                    | (1,129,598)       |
| Equity of PRIMUS SA on 1.9.2006                 | -                    | -                    | 1,503                    | -                     | (472,277)                      | (470,774)         |
| Equity of COLUMBIA SA on 1.7.2006               | -                    | -                    | -                        | -                     | (3,794,016)                    | (3,794,016)       |
| Equity of PASSPOINT SA on 1.9.2006              | -                    | -                    | -                        | -                     | 214,004                        | 214,004           |
| Equity of TELEPASS SA on 1.7.2006               | -                    | -                    | 1,399                    | -                     | (2,394,949)                    | (2,393,550)       |
| Equity of TRI TECHNOVLASTOS SA on 1.9.2006      | -                    | -                    | 17                       | -                     | (148,260)                      | (148,243)         |
| Equity of TELEPASSPORT SA on 1.9.2006           | 13,067,215           | -                    | 54,654                   | -                     | (27,075,707)                   | (13,953,838)      |
| Share capital increase from 1.1 till 31.12.2006 | 29,406,299           | 1,718,209            | -                        | -                     | 760,000                        | 31,884,508        |
| Expenses of share capital increase              | -                    | (423,681)            | -                        | -                     | -                              | (423,681)         |
| Goodwill  | -                    | -                    | -                        | -                     | 29,722,599                     | 29,722,599        |
| Other changes                                   | -                    | -                    | -                        | 1,381,155             | 1,253,048                      | 2,634,203         |
| Minority interest                               | -                    | -                    | -                        | -                     | 96,277                         | 96,277            |
| Losses for the period from 1.1 till 31.12.2006  | -                    | -                    | -                        | -                     | (12,407,516)                   | (12,407,516)      |
| Balance at 31 December 2006                     | <b>97,057,760</b>    | <b>2,291,040</b>     | <b>1,287,678</b>         | <b>6,621,718</b>      | <b>(44,141,886)</b>            | <b>63,116,310</b> |

**GROUP 2005**

|  | <b>Share capital</b> | <b>Share premium</b> | <b>Statutory reserve</b> | <b>Other reserves</b> | <b>Balance carried forward</b> | <b>Total</b>      |
|--|----------------------|----------------------|--------------------------|-----------------------|--------------------------------|-------------------|
| Balance at 1 January 2005                    | 38,378,798           | 1,257,708            | 1,223,193                | 5,240,563             | (22,174,126)                   | 23,926,136        |
| Share capital increase                       | 16,205,448           | 32,108               | -                        | -                     | -                              | 16,237,556        |
| Expenses of share capital increase           | -                    | (293,304)            | -                        | -                     | -                              | (293,304)         |
| Loss for the period from 1.1 till 31.12.2005 | -                    | -                    | -                        | -                     | (6,584,453)                    | (6,584,453)       |
| Balance at 31 December 2005                  | <b>54,584,246</b>    | <b>996,512</b>       | <b>1,223,193</b>         | <b>5,240,563</b>      | <b>(28,758,579)</b>            | <b>33,285,935</b> |

The notes on pages 16 to 61 form an integral part of these Financial Statements which are presented on pages 11 to 15.

**LAN-NET COMMUNICATIONS S.A.**  
**Amended Financial Statements of 2006**  
*(Amounts are expressed in €)*

**COMPANY 2006**

|  | <u>Share capital</u>     | <u>Share premium</u>    | <u>Statutory reserve</u> | <u>Tax law reserves</u> | <u>Balance carried forward</u> | <u>Total</u>             |
|--|--------------------------|-------------------------|--------------------------|-------------------------|--------------------------------|--------------------------|
| <b>Balance at 1 January 2006</b>   | 54,584,246               | 996,512                 | 1,223,193                | 5,240,563               | (28,758,579)                   | 33,285,935               |
| Share capital increase from 1.1 till 31.12.2006                            | 29,406,299               | 1,718,209               | -                        | -                       | -                              | 31,124,508               |
| Expenses of share capital increase   | -                        | (423,681)               | -                        | -                       | -                              | (423,681)                |
| Equity if the absorbed TELEPASSPORT SA on 1.9.2006 in accordance with IFRS | 13,067,215               | -                       | 54,654                   | -                       | (27,075,707)                   | (13,953,837)             |
| Goodwill   | -                        | -                       | -                        | -                       | 29,722,599                     | 29,722,599               |
| Losses for the period from 1.1 till 31.12.2006                             | -                        | -                       | -                        | -                       | (11,148,184)                   | (11,148,184)             |
| <b>Balance at 31 December 2006</b>   | <b><u>97,057,760</u></b> | <b><u>2,291,040</u></b> | <b><u>1,277,847</u></b>  | <b><u>5,240,563</u></b> | <b><u>(37,259,870)</u></b>     | <b><u>68,607,340</u></b> |

**COMPANY 2005**

|   | <u>Share capital</u>     | <u>Share premium</u>  | <u>Statutory reserve</u> | <u>Reserves</u>         | <u>Balance carried forward</u> | <u>Total</u>             |
|---|--------------------------|-----------------------|--------------------------|-------------------------|--------------------------------|--------------------------|
| Balance at 1 January 2005                       | 38,378,798               | 1,257,708             | 1,223,193                | 5,240,563               | (22,174,126)                   | 23,926,136               |
| Share capital increase                          | 16,205,448               | 32,108                | -                        | -                       | -                              | 16,237,556               |
| Expenses of share capital increase              | -                        | (293,304)             | -                        | -                       | -                              | (293,304)                |
| Losses for the period from 1.1 till 31.12. 2005 | -                        | -                     | -                        | -                       | (6,584,453)                    | (6,584,453)              |
| <b>Balance at 31 December 2005</b>              | <b><u>54,584,246</u></b> | <b><u>996,512</u></b> | <b><u>1,223,193</u></b>  | <b><u>5,240,563</u></b> | <b><u>(28,758,579)</u></b>     | <b><u>33,285,935</u></b> |

The notes on pages 16 to 61 form an integral part of these Financial Statements which are presented on pages 11 to 15.

**CASH FLOW STATEMENT**

|   | <b>GROUP</b><br><b>1.1-31.12.2006</b> | <b>GROUP</b><br><b>1.1-31.12.2005</b> | <b>GROUP</b><br><b>1.1-31.12.2006</b> | <b>GROUP</b><br><b>1.1-31.12.2005</b> |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| <u>Operating Activities</u>                                 |                                       |                                       |                                       |                                       |
| Loss before tax   | (12,416,394)                          | (6,584,453)                           | (11,148,182)                          | (6,584,453)                           |
| Plus/Less adjustments for:                                  |                                       |                                       |                                       |                                       |
| Depreciation  | 8,978,597                             | 4,592,009                             | 8,890,610                             | 4,592,009                             |
| Provisions  | 406,626                               | -                                     | 248,782                               | -                                     |
| Results of investing activities                             | (7,140)                               | 23,230                                | 217,103                               | 23,230                                |
| Interest and similar expenses                               | 3,397,440                             | 2,246,588                             | 3,341,907                             | 2,246,588                             |
| (Increase)/Decrease of inventories                          | (226,450)                             | 1,867,482                             | 99,714                                | 1,867,482                             |
| (Increase) / Decrease of receivables                        | (17,744,178)                          | 3,976,750                             | (6,836,704)                           | 3,976,750                             |
| Decrease/(Increase) of current liabilities (excl. banks)    | 34,153,840                            | (16,976,701)                          | 13,440,604                            | (16,976,701)                          |
| Less:   |                                       |                                       |                                       |                                       |
| Interest and similar expenses paid                          | (3,397,440)                           | (2,246,588)                           | (3,341,907)                           | (2,246,588)                           |
| (Loss) / Profit from securities sale                        | (76,955)                              | -                                     | 325,911                               | -                                     |
| Total cash flows from operating activities                  | <u>13,067,946</u>                     | <u>(13,101,683)</u>                   | <u>5,237,838</u>                      | <u>(13,101,683)</u>                   |
| <u>Investing activities</u>                                 |                                       |                                       |                                       |                                       |
| Purchase of tangible and intangible assets                  | (1,392,555)                           | (1,611,102)                           | (1,296,696)                           | (1,611,102)                           |
| Proceeds from the sale of tangible and intangible assets    | 38,817                                | 6,256                                 | 4,273                                 | 6,256                                 |
| Interest received   | 69,815                                | 46,704                                | 69,730                                | 46,704                                |
| Purchase of subsidiaries and other investments              | (28,728,546)                          | (975,618)                             | (26,086,200)                          | (975,618)                             |
| (Decrease)/Increase of long-term receivables                | (6,971,538)                           | 731,944                               | (7,260,180)                           | 731,944                               |
| Total (outflows)/inflows from investing activities          | <u>(36,984,007)</u>                   | <u>(1,801,816)</u>                    | <u>(34,569,073)</u>                   | <u>(1,801,816)</u>                    |
| <u>Financing activities</u>                                 |                                       |                                       |                                       |                                       |
| Receipts from issued / taken loans                          | 7,268,000                             | 5,720,000                             | 7,268,000                             | 5,720,000                             |
| Receipts from share capital increase                        | 21,145,788                            | 16,205,448                            | 21,145,788                            | 16,205,448                            |
| Payments of financial leasing                               | (447,947)                             | (909,197)                             | (399,585)                             | (909,197)                             |
| Loan repayment  | (6,768,557)                           | (1,737,877)                           | (6,742,395)                           | (1,737,877)                           |
| Total inflows/(outflows) from financing activities          | <u>21,197,284</u>                     | <u>19,278,374</u>                     | <u>21,271,808</u>                     | <u>19,278,374</u>                     |
| Net decrease in cash and cash equivalents of period         | (2,718,777)                           | 4,374,875                             | (8,059,427)                           | 4,374,875                             |
| <u>Cash and cash equivalents at the beginning of period</u> | <u>7,225,046</u>                      | <u>2,850,171</u>                      | <u>12,129,869</u>                     | <u>2,850,171</u>                      |
| <u>Cash and cash equivalents at the end of period</u>       | <u>4,506,269</u>                      | <u>7,225,046</u>                      | <u>4,070,442</u>                      | <u>7,225,046</u>                      |

The notes on pages 16 to 61 form an integral part of these Financial Statements which are presented on pages 11 to

## **NOTES ON THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

The Company was established in 1976 (GGI 2755/1-11-1976), with a term of 50 years and initial title 'GIANNIS TH. GIANNOUSSIS SA.' On 16.7.2002 G. GIANNOUSSIS SA merged LAN-NET COMMUNICATIONS SA by absorption, and at the same time it was renamed LANNET SA. Subsequently LAN-NET SA merged LANTEC COMMUNICATIONS SA by absorption and was renamed LAN-NET COMMUNICATIONS SA. The company LAN-NET COMMUNICATIONS SA merged via absorption with the company 'TELEPASSPORT (HELLAS) TELECOMMUNICATIONS, MANAGEMENT AND TECHNOLOGICAL SERVICES SA' by absorption. The merger was approved by the General Shareholders' Meetings of the companies on 24.12.2006 and 23.12.2006 respectively and was registered in the Société Anonyme Register under K2-18300/29.12.2006. With the same decision the deposit of € 13,067,215 for the Share Capital Increase was verified, which corresponds to the contributing Share Capital of the absorbed company plus € 992,511 from the capitalization of difference from the issue of shares above par, that is a total sum of € 14,059,726. The merger of the company 'TELEPASSPORT (HELLAS) TELECOMMUNICATIONS, MANAGEMENT AND TECHNOLOGICAL SERVICES SA' in the accounting books of LAN-NET COMMUNICATIONS SA was performed using the pooling method. Based on the accounting practice that is applied in transactions under the pooling method and also in accordance with L. 2166/1993, the commercial transactions realized by the absorbed company with transformation date (31/8/006) are recorded in the accounts of the absorber. Therefore, the results for the period 1<sup>st</sup> of September 2006 till 31<sup>st</sup> of December 2006 of the absorbed (at parent level) include also the activities of the absorbed company. Therefore, the results for the period 1/1-31/12/2006 of the parent company are not comparable with those of 2005. Based on the ratios of values, which were approved by the General Shareholders' Meetings of the merged companies, the exchange ratios of the absorbing 'LAN-NET COMMUNICATIONS SA' and the absorbed 'TELEPASSPORT (HELLAS) SA' are as follows:

- a. Every shareholder of 'LAN-NET COMMUNICATIONS SA' exchanges one common registered share of nominal value € 1.04 which s/he holds in 'LAN-NET COMMUNICATIONS SA' with a new common registered share of nominal value € 0.68 each, which means that 'LAN-NET COMMUNICATIONS SA' shareholders retain the same number of shares.
- b. Every shareholder of 'TELEPASSPORT (HELLAS) SA' exchanges a common registered share with voting rights that s/he holds with 2,50410071764947 new common registered shares with voting rights of 'LAN-NET COMMUNICATIONS SA' of nominal value € 0.68 each, which means that shareholders of 'TELEPASSPORT (HELLAS) SA' receive in total 25,129,260 shares X 2,50410071764947= 62,926,198 new shares, of nominal value € 0.68 each.

Consequently the share capital of 'LAN-NET COMMUNICATIONS SA' now reaches € 97,059,759, divided into 142,732,000 common registered shares of nominal value € 0.68 each.

The Company activates in the provision of telecommunications services to companies, banks, organizations, and private parties.

The Company is an alternative provider of telecommunication services that following the merger has presence in 51 geographical areas in Greece and 3 abroad (Great Britain, Germany and Austria). Its operation is based on general and special licenses that are provided by the Hellenic Telecommunications and Postal Services Commission as well as the British Ministry of Trade and forms a new great power in telecommunications holding 600,000 lines, 490,000 active customers and 7 subsidiaries. It offers services of Fixed-Line telephony, Short Messages Sending from Fixed Line telephony, economic programs Lannet under the trademarks ego FREE , Cut bill , Biz Plus Services Lannet Free Internet Log & Play and broadband services BroadNet ADSL. Also, it holds, in co-operation with Graig Wireless, a license for the use of wi max network and through its subsidiary Orbitech, has developed a Triple play system having important technological innovations.

The Company's shares, which totaled on Dec. 31<sup>st</sup> 2006 79,805,802 common registered (prior to the Telepassport merger), are listed in medium and small capitalization category of the Athens Exchange.

***INFORMATION ON SUBSIDIARIES:***

**'PRIMUS SOCIETE ANONYME COMPANY OF COMMUNICATIONS SERVICES SUPPORT'**

On 29.8.2006 the final contract for the transfer of the 100% of the shares of 'PRIMUS SOCIETE ANONYME COMPANY OF COMMUNICATIONS SERVICES SUPPORT' was signed for the price of € 7,600,200.

From the total amount of € 7,600,200, an amount of € 3,130,010 was paid in cash until 28.8.2006 and the remaining amount of € 4,470,190 was covered with the issuance of convertible bond loan of, 550 bonds having a nominal and distribution price of € 8,127.60 with two years maturity and bullet repayment with annual rate of 5%, which on 31.8.2006 converted in 3,725,150 new common registered shares.

The company started its operation on June 1998, based in Athens. Within a short period of time the company gained a leading position offering 120 working places having achieved an exceptional structure and operation through an advanced and continuously developing technology and an excellent trained personnel managing the administration and operation of more than 5,000,000 calling contacts in the last three years, also developing and operating two activities in the areas of market research and bi-directional communication from the simultaneous activities of collecting and providing information.

LAN-NET COMMUNICATIONS SA with this acquisition is aiming at the development of its client base in the wider area of telephony, internet, information and entertainment, at the promotion of new

products targeting the leading market share in the market.

**‘COLUMBIA TELECOMMUNICATIONS SA’**

On 18.7.2006 the final contract for the transfer of the 100% of the shares of company ‘COLUMBIA TELECOMMUNICATIONS SA’ was signed for the price of approximately € 3,990,000.

From the total amount of € 3,990,000, € 210,952 was paid in cash and the remaining amount of € 3,779,048 was covered by the issue of a convertible bond loan of, 1,253 bonds having a nominal and distribution price of € 3,016 and fixed annual coupon of 2.58%.

On 31.7.2006 583 bonds of nominal value of € 3,016 per bond were converted to equity of € 1,576,432 with the issuance of 1,515,800 new common registered shares and the share premium account amounted to € 181,896.

In accordance with the decision of the Extraordinary shareholders meeting on 30.11.2006 a share capital increase of € 461,850 was decided with the issue of 15,395 new shares having a nominal value of € 30 each and issue price of € 64.96 each. Therefore, the Share Capital increased by € 461,850 and a reserve was formed from a share premium of € 538,209. ‘LAN-NET COMMUNICATIONS SA’ which hold 100% of the shares did not participate in the increase and its share was reduced to 70% as the initial contract stated.

‘COLUMBIA TELECOMMUNICATIONS SA’, was founded on 1998 based in Athens being today the largest Virtual Network Operator in Greece.

Having a specific strategic and entrepreneurship plan, simultaneously with its other activities, the company has made trade agreements with large athletic clubs, through sponsorships, as well as with local Chambers. With this way it has created an important number of subscribers-clients distinguished for their reliability and trust to the company and its reliable services.

The two companies would operate as independent legal entities sharing a common strategy in production and development having although their own trade policy aiming at offering in the Greek market of complete telecommunication solutions and pioneered broadband products and services.

**‘ORBITECH TECHNOLOGIES OF INFORMATION & COMMUNICATIONS SOCIETE ANONYME’**

On 30.8.2006 the contract for the transfer of the 100% of shareholders equity of the company ‘ORBITECH TECHNOLOGIES OF INFORMATION & COMMUNICATIONS’ was signed for the price of € 14,496,000.

The amount of € 14,496,000 was covered by the issuance of a convertible three-year corporate loan of 1,000 bonds having a nominal value and issue price of € 14,496 per bond and annual coupon of 4.50% which on 31.8.2006 converted to 12,080,000 new common registered shares. The company began

operating in November 2000, based in Athens, and is a high technology and know-how company active in the area of information technology and telecommunications.

Having a multiyear experience in research, development and provision of information technology services and materialization of integrated solutions, the company has a number of large clients in its client list. Recognizing the continuously increasing demand for 'next generation' services from telecommunication providers, as well as the need of the market for the provision of integrated solutions including rich multimedia services, the company focused its actions nearly exclusively in the past two years in research and own development. At the same time it developed 'Cultis', a client base platform that supports and facilitates value added 'TRIPLE PLAY' services.

'LAN-NET COMMUNICATIONS SA' and ORBITECH are co-operating for the creation of advanced services such as Lannet Net home service that is the first triple-play application in Greece that is installed and operated on a pilot basis. This acquisition gives 'LAN-NET COMMUNICATIONS SA' the competitive advantage of quick and cost-controlled development of "tailor made" next generation services for home and corporate clients, expanding its subscribers base, while participating in the company having important capabilities for development in the market of technology and computing.

#### **'PASSPOINT ELECTRONIC TRANSACTIONS SA'**

The company was established in Greece in May 2004 (GGI 6449/21.06.04), based in the municipality of Maroussi under the title 'PASSPOINT ELECTRONIC TRANSACTIONS SA.' The term of the company according to its articles of incorporation is 50 years, beginning with its registration in the Société Anonyme Register and ends on the corresponding date of year 2,054. The aim of the company is the establishment and operation of electronic networks for handling payments and transactions with terminals, the management and exploitation of systems and electronic networks for handling payments and transactions, the development and provision of services the provision of which is offered through electronics networks for payments and transactions, the creation and management of electronic commercial sites on the Internet, the provision to third parties of long-distance electronic preparation of agreements through the Internet, the organization and management of games of chance and bets of predetermined or not yield to the measure allowed by law, and finally the creation of products and services of consumer credit which will mutually serve merchants and consumers. The company was an 80% subsidiary of 'TELEPASSPORT SA.'

#### **'TELEPASS TELECOMMUNICATIONS SERVICES AND PRODUCTS SA'**

The company 'TELEPASS TELECOMMUNICATIONS SERVICES AND PRODUCTS SA' was established in November 2002 (GGI 11766/22.11.2002), based in the Athens municipality, according to the modification of its articles of incorporation in November 2006 its base was changed to the Peristeri municipality. The term of the company, according to its articles of incorporation was set at 100 years

(with the option to extend), beginning with its registration in the Société Anonyme Register and ending on 31/12/2101.

The object of the company is to establish, operate, and manage a clients network for the promotion of a) telecommunications services and products and b) electronic commerce and internet and c) to provide all manner of services and products related to telecommunications, to provide managerial, consulting and customer services to companies and private parties relating to the above activity.

The company was a 100% 'TELEPASSPORT SA' subsidiary.

**'TRH SOCIETE ANONYME COMPANY FOR THE PROMOTION AND DEVELOPMENT OF TECHNOLOGY'**

The company 'TPH TECHNOLOGY PROMOTION AND DEVELOPMENT SA' was established in December 2003 (GGI 21/2.1.2004) and based in the Maroussi municipality. The term of the company, according to its articles of incorporation has been set to 50 years, beginning with its registration in the Société Anonyme Register and ending on 19/12/2053.

The aim of the company is the study and production of systematic research based on existing knowledge, in order to prepare the production of new materials, products or regulations, the creation of systems or services procedures and the substantial improvement of those in existence for particular applications, the development on behalf of third parties or for own use of technological products or regulations, or innovations or services to increase competitiveness, productivity and the commercial activity of industries and companies, and the support of activities of international and technological cooperation and transfer of technology. The company was a 70% 'TELEPASSPORT SA' subsidiary.

## **2. ACCOUNTING PRINCIPLES**

### **2.1. Basis of preparation of financial statements**

The attached solo and consolidated financial statements of 2006 have been prepared on the historical cost basis and have also been prepared according to the principal of going concern. The financial statements have been prepared in accordance with the amended or newly issued Standards and Interpretations that are effective on the Group on December, 31 2006 and were taken into account at the extend that were applicable.

The annual financial statements of 31.12.2006, are compiled in accordance with the accounting principles followed for the compilation of annual statements for the year ended on December, 31 2005. The Company compiled for the first time annual consolidated financial statements and followed the following accounting principles.

#### Basis of consolidation

The attached consolidated financial statements include the financial statements of the parent company 'LAN-NET COMMUNICATIONS S.A.' and all the subsidiaries in which the parent has the control. Subsidiaries are those entities that are governed or controlled directly or indirectly by other companies, either through the majority of the voting rights or through the know-how dependence by the Group. That is to say, subsidiaries are the companies governed by the parent. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries.

The cost of an acquisition is measured as the sum of the fair values of assets provided, shares issued and liabilities undertaken, at the date of exchange less any cost directly related to the transaction.

The acquired identifiable assets, liabilities and contingent liabilities are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Where the cost of the acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Minority rights are estimated at minority percentage regarding the fair values of the recognized items of Assets and Liabilities at the acquisition date.

The acquisition of minority rights that effectively refers to acquisitions made after the control of a company was taken, are estimated with the recognition of a minority interest reduction based on the transferred share capital amount at the acquisition date.

Related are the companies that the Group may have a significant influence but do not meet the

requirements to be classified as subsidiaries. The assumptions used by the Group state that the holding share ranges between 20% and 50% of the voting rights of a company, a fact that suggest the existence of a significant influence. Investments in related companies are initially recognized at cost and subsequently at net equity. At the end of every year the cost is increased in analogy with the participation of the investing company in the net equity changes of the investment company, and reduced by the amount of the received dividends by the related company.

Goodwill is the difference between the acquisition price and the fair value of the assets of the acquired companies. The goodwill emerges by acquisitions occurring after the 1<sup>st</sup> of January 2004 are don't depreciated but are subject to annual impairment or a more frequent one if facts or changes in conditions suggest that the accounting value may have been impaired.

The consolidated financial statements (compiled for the first time on 30.9.2006), excluding the parent company 'LAN-NET COMMUNICATIONS SA', include its subsidiaries 'PRIMUS SOCIETE ANONYME COMPANY OF COMMUNICATION SERVICES SUPPORT' (participation percentage 100%), 'COLUMBIA COMMUNICATIONS S.A.' (participation percentage 70%) and 'ORBITECH TECHNOLOGIES OF INFORMATION TECHNOLOGY AND COMMUNICATIONS SOCIETE ANONYME' (participation percentage 100%), 'TELEPASS SOCIETE ANONYME OF TELECOMMUNICATION SERVICES AND PRODUCTS' (participation percentage 100%), 'PASSPOINT SOCIETE ANONYME COMPANY OF ELECTRONIC TRANSACTIONS' (participation 80%), 'TRH SOCIETE ANONYME COMPANY FOR THE PROMOTION AND DEVELOPMENT OF TECHNOLOGY' (participation percentage 70%) which were consolidated under the method of complete consolidation and the company 'TELEPASSPORT TELECOM LTD' (participation percentage 33%) under the net equity method.

It is noted that based on the consolidated financial statements on 31.12.2006 there was no change by more than 25% on the turnover, the net earnings after tax and the minority interest and the equity of the shareholders of the company.

#### Consolidated results for the period 1.1-31.12.2006

The consolidated results of the period 1.1-31.12.2006 include the results of the company 'LAN-NET COMMUNICATIONS SA' for the period 1.1-31.12.2006, of the absorbed company 'TELEPASSPORT (HELLAS) SOCIETE ANONYME OF TELECOMMUNICATION, ADMINISTRATION AND TECHNOLOGICAL SERVICES' for the period 1.9-31.12.2006, the company 'COLUMBIA TELECOMMUNICATIONS S.A.' for the period 1.7-31.12.2006 and the companies 'ORBITECH TECHNOLOGIES OF INFORMATION TECHNOLOGY AND COMMUNICATIONS SOCIETE ANONYME', 'PRIMUS SOCIETE ANONYME COMPANY OF COMMUNICATION SERVICES SUPPORT', 'TELEPASS SOCIETE ANONYME COMPANY OF TELECOMMUNICATION SERVICES AND PRODUCTS', 'PASSPOINT SOCIETE ANONYME COMPANY OF ELECTRONIC TRANSACTIONS', 'TRH SOCIETE ANONYME COMPANY FOR THE

PROMOTION AND DEVELOPMENT OF TECHNOLOGY' for the period 1.9-31.12.2006.

The Company and its subsidiaries keep their accounting books under the provisions of the Law for Societe Anonymes 2190/1920 and the current tax laws. From the 1<sup>st</sup> of January 2005 onwards, the parent Company and its subsidiaries are forced by the provisions of the laws to compile their financial statements in accordance with the provisions of IFRS as these are adopted by the European Union.

As they have the right though, they keep maintaining their accounting books in accordance with the provisions of the Greek accounting laws. Therefore, and referring to the compilation of the consolidated financial statements, the financial statements of the parent and its subsidiaries are adjusted and restated through off balance sheet entries for the reconciliation with IFRS.

The compilation of financial statements in accordance with IFRS requires from the management to perform estimations and hypothesis that affect the amounts of asset and liabilities items, to notify for potential receivables and liabilities at the date the financial statements are compiled, as well as the income and expenses during the year. The real results may differ from estimates.

The Board of Directors of the Company approved the attached solo and consolidated financial statements for the period ended on 31 December 2006, on 20 March 2007 and subsequently amended the financial statements by means of a relevant BoD decision on 14 November 2007.

Some entries of the previous year were reclassified in order to become homogenous and comparable with those of the precious year. The relevant amounts of these reclassifications are not significant and their reporting is not required.

## **2.2. Changes in accounting principles**

The International Accounting Standards Boards and the Interpretation Committee have issued a series of new accounting standards and interpretations, or have amended existing ones, which application is mandatory for the accounting period starting from January the 1<sup>st</sup> 2006 onwards. The estimation of the Management of the Group and the Company regarding the effect of the new standards and interpretation is as follows:

### **IAS 19 (amendment) – Employee benefits (effective from 1/1/2006):**

The amendment introduces an alternative option for the recognition of actuarial profit and losses.

It may force new prerequisites for the recognition of cases for which there are pension plans in which many employers participate and for which there are no adequate information for the application of defined benefit accounting. It also introduces new disclosure requirements. This amendment is not applicable in the Group.

**IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intra-group Transactions (effective from 1 January 2006).**

The amendment allows the foreign currency risk of a highly probable forecast intra-group transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction; and (b) the foreign currency risk will affect consolidated profit or loss. This amendment is not relevant to the Group's operations, under the hypothesis that the structure and the relevant transactions will not alter.

**IAS 39 (Amendment), The Fair Value Option (effective from 1 January 2006).**

This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group has not classified its financial instruments in fair value through the results. This amendment is not relevant to the Group's operations.

**IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts (effective from 1 January 2006).**

This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognized at their fair value, and subsequently measured at the higher of (a) the unamortized balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment and concluded that it is not relevant to the Group and the Company.

**IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006).**

These amendments are not relevant to the Group's operations.

**IFRS 6, Exploration for and exploitation of Mineral resources (effective from 1 January 2006):**

This amendment is not relevant to the Group's operations and will not affect its financial statements.

**IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007).**

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires

the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. IFRS 7 replaces IAS 30 “Disclosures in the Financial Statements of Banks and Similar Financial Institutions”, and disclosure requirements in IAS 32 “Financial Instruments: Disclosure and Presentation.” It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity’s capital and how it manages capital. The Group and the Company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

**IFRIC 3, Emission rights:**

The interpretation was not adopted by EU and was subsequently withdrawn by IASB. It is not relevant to the Group’s operations and will not affect its financial statements.

**IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006).**

IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management believes that IFRIC 4 is not expected to have an impact on the accounting presentation of the current business arrangements.

**IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006).**

IFRIC 5 is not relevant to the Group’s and the Company’s operations.

**IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005).**

IFRIC 6 is not relevant to the Group’s and the Company’s operations.

**IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006):**

IFRIC 7 is not relevant to the Group’s and the Company’s operations.

**IFRIC 8, Scope of IFRS (effective from 1 May 2006):**

It is not relevant to the Group’s operations and will not affect its financial statements.

**IFRIC 9, Reassessment of Embedded Derivatives (effective from 1 June 2006):**

It is not relevant to the Group's operations and will not affect its financial statements.

**IFRIC 10, Interim Financial Reporting and Impairment (it is applied to annual accounting periods starting at or after 1 November 2006)**

IFRIC 10 may affect the financial statements in case a loss impairment is recognized in an interim period regarding a goodwill or investments in participations available for sale or non-listed participations stated at cost value as this impairment cannot be reversed in future interim or annual financial statements. EU does not yet adopt IFRIC 10.

**IFRIC 11, IFRS2 – Group and treasury shares transactions (it is applied to annual accounting periods starting at or after 1 March 2007)**

This interpretation requires that the transactions in which a right on participation shares is given to personnel, is assumed to be made for the scope of accounting treatment as remuneration stated by the value of the share and are settled with participation titles even in the case that the company chooses or has the responsibility to buy these shares from third parties or the shareholders of the company offer the shares. The interpretation is also extended in the way subsidiaries treat in their solo financial statements programs in which personnel acquire rights on the shares of the parent company. EU does not yet adopt this interpretation.

**IFRIC 12, Service Concession Arrangements (it is applied to annual accounting periods starting at or after 1 January 2008)**

IFRIC 12 treats the way in which those participate in concession arrangements must apply the current International Financial Reporting Standards (IFRS) in order to record their liabilities and the rights relevant to the concession arrangements. Based on the Interpretation those participate in concession arrangements should not recognize the relevant infrastructure as tangible assets but to recognize a financial asset or an intangible asset. IFRIC 12 is not relevant to the Group. EU does not yet adopt this interpretation.

### **2.3. Property, plant and equipment**

Property, plant and equipment is stated at historical or replacement cost. These values are stated less (a) accumulated depreciation and (b) impairment.

Initial cost of a tangible asset includes the acquisition price that includes any import taxes and non-refundable purchase tax, as well as any cost required for the asset to become operational. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will be realized.

Any other expenditure for repairing or service etc. of the tangible assets are recorded in the expenses of the year they refer to. During the withdrawal or sale of an asset, the relevant cost and the accumulated depreciation are erased from the relevant accounts at the time of withdrawals or sale and the relevant profit or loss is recognized through the results. Depreciation is charged against the results based on the straight-line method over their estimated useful lives. Residual values and useful life of tangible assets are subject to review at every annual balance sheet. When the accounting values of the tangible assets exceed their recoverable value, the differences (impairment) are recorded as expenses in the results.

The useful life per asset category is as follows:

|   |             |
|---|-------------|
| Buildings-infrastructure in third party buildings | 12-25 years |
| Machinery and installations                       | 4-10 years  |
| Motor vehicles                                    | 9 -12years  |
| Furniture and fittings                            | 5-20 years  |
| Tools   | 3-9 years   |

### **2.4. Intangible assets**

#### *a) Computer software*

Computer software refer to the acquisition cost or self-production of software such as payroll, materials, services and any expenditure occurred during the development of software in order for this to become operational. Expenditure enhancing or expanding the performance of software beyond its initial specification is recognized as capital expenditure and is added to the initial cost of the software.

The depreciation of software is charged against the results using the straight-line method during the useful life. The useful life for software is 10 years.

#### *b) Other intangible assets*

The expenses for the acquisition of patents, trademarks and licenses are capitalized and depreciated using the straight-line method during their useful life.

## **2.5. Impairment of assets**

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized, as an expense immediately, for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The net sale price is the expected income from the sale of an asset in a transaction in which the participating parties have complete knowledge and act willingly after the deduction of any additional direct distribution cost of the asset. Value of use is the present value of all expected cash flows arising from the continuous use of the asset and its distribution at the end of its useful life. If there is no chance for the evaluation of recoverable value of an asset for which there is an indication for impairment, then the recoverable value of the unit that creates the cash flows is estimated. Accounting reversal of impairment of assets that was recorded in previous years is made only when there are sufficient indications that the impairment does not exist or is reduced. In these cases, the aforementioned accounting reversal is recognized as income.

## **2.6. Investments**

The available for sale investments refer to investments that may remain in the portfolio of the company for an indefinite period of time but may be sold instantly for liquidity reasons or changes in interest rates.

The purchases or sales of investments are recorded in acquisition price at the time the transaction occurs, and which is the date at which the company is bind to purchase or sell the asset. The acquisition cost includes the transaction cost. The available for sale investments are recorded at fair value. The non-recognized profits (losses) arising from changes in the fair value of securities are classified as cash available for sale and are recognized in equity. The fair value of investments is based on the bid price or the amounts produced by the cash flow models. The fair values for equity securities of non-listed companies are estimated by using price to earnings or price to cash flow ratios adjusted according to the circumstances of each issuer. Shares which fair value may not be estimated precisely are recognized at book value less any impairment. When securities are classified as available for sale and they are sold or impaired, the accumulated readjustment of fair value are included in the results as profits or losses from securities.

## **2.7. Inventories**

Inventories are recorded at the lower value between acquisition or production cost and their value of liquidation. The liquidation value is the estimated sale value reduced by the distribution cost of inventories. The cost of inventories is estimated by the use of weighted average and includes the expenses needed for the acquisition of inventories, their production expenses (if they are related to self-produced products) and the transportation expenses to bring them to current location.

Specifically the inventories of specialized spare parts of machines that are purchased at the same time with the machine are assumed to be an integral part of the machine's value and are depreciated together with the machine, while the replacements of used parts are expensed at the acquisition time. In contrast, the consumable parts for the maintenance of machines and the spare parts for general use are included in inventories and are expenses at the time of their use.

## **2.8. Receivables**

Short-term receivables are recorded at book value after provisions for potential non-receivable balances while long-term receivables (balances that are not counted under normal credit range) are recorded at net book value under the real interest rate method. The Company has set criteria for the provision of credit to its clients which in general terms are based on the activities of the client, with parallel estimation of relevant economic information.

The transactions with clients are generally taking place under normal terms and estimated average collection period of sixty days following the shipment of products. At every balance sheet date all delayed or doubtful receivables are estimated in order to evaluate the need for the provision of doubtful receivables. The balance of the specific provision for doubtful receivables is appropriately adjusted at each balance sheet date in order to reflect the potential relevant risks. Every deletion of customer balances is debited at the current provision for doubtful receivables. It is the Company's policy not to proceed with any write-offs until all legal actions for their collections are made. It is noted that the concentration of credit risk is limited compared to the total amount trade receivables due to the large diversification of balances.

## **2.9. Cash and cash equivalents**

The Company classifies time deposits and other highly liquid investments with duration of less than three months as cash.

For the compilation of cash flow statements, cash and equivalents include cash and deposit sin banks as well as cash as described above.

## **2.10. Transactions in foreign currencies**

Transaction in foreign currencies are translated in euro using the exchange rate prevailing at the time the transaction occurs. At the balance sheet date, currency assets and liabilities expressed in foreign currency are translated in euro using the prevailing exchange rate at that date. The foreign exchange differences that emerge from the conversion are recorded in results.

### **2.11. Share Capital**

Common shares are classified as capital. The increased cost from the issue of new shares is shown in capital reducing the amount to be received. When the Company acquires part of its share capital, the price plus any additional cost further to income tax is deducted from the total share capital as own shares until these are cancelled. When these shares (own) are sold or re-issued at further point in time, any arising price is recorded in share capital.

### **2.12. Loans**

All loans are initially recorded at cost which is the fair value of benefit plus the expenses required for the acquisition of the loans. The loans are valued at future time at their depreciated book value using the discounted rat method. The cost of loans is recognized as an expense at the period in which it occurs.

### **2.13. Leases**

Finance leases that transfer to the Company all risks and benefits that follow the ownership to the Company transfer all risks and benefits that follow the ownership of the leased asset and are recorded as assets having a value at the beginning of the lease equal to the real value of the leased asset or if this is lower, with the present value of the least leases. Leases are apportioned in financial expenses and they reduce the unpaid liability in order for a stable periodic interest on the remaining liability balance to emerge. Financial expenses are charge directly in results.

Leased assets are depreciated based on their useful life. Leases where the lessor is liable for all benefits and risks that emerge from the ownership of the asset are classified are operating leases. The payments for operating leases are recorded as expenses in the income statement on a systematic base during the duration of the lease.

### **2.14. Income tax (current and deferred)**

Current and deferred income tax is based on the relevant items of the financial statements in accordance with the tax laws that are applicable in Greece. Current income tax refer to tax on the profits of the Company as these were restated in accordance with the requirements of the tax law, and was estimated based on the current tax rate.

Deferred tax is estimated using the liability method in all temporary tax differences between the tax base and the book value of assets and liabilities occurring at the balance sheet date. Expected tax impact arising from temporary tax differences is defined and appear either as future (deferred) tax liability either as deferred tax receivables.

Deferred tax receivables are recorded for all tax-exempt temporary differences and the transferred tax losses, at the extent that it is estimated that a taxable profit will emerge against which a tax-exempt temporary difference may be used. The book value of deferred tax receivables is reviewed at every balance sheet date and is reduced to the degree that no other taxable earnings are expected to occur against of which part or all deferred tax may be used.

Current tax receivables and liabilities for the current and the previous years are valued at the amount which is estimated to be paid to tax authorities (or recovered by them) using tax rates (and tax laws) that are legislated or would be effectively legislated by the balance sheet date.

#### **2.15. Distribution of dividends**

Dividends payable are recorded as liability at the time of their approval by the General Shareholders Meeting.

#### **2.16. Employee benefits**

The liability of the Company towards its employees regarding the future payment of benefits related to the length of employment of each of them, is added and recorded based on accrued right that is expected to be paid to each employee, at the balance sheet date, discounted to its present value according to its estimated time of payment. The interest rate used for the discounting equals the yield of long-term Greek government bonds at the balance sheet date. The company estimates the employee benefits based on an actuarial study that takes place every 2 years.

## **2.17. Provisions**

Provisions are created when the Company has a legal or implied liability that emerges as a result of a past event and is expected that an outflow would be required in order for this liability to be settled, and a reliable estimation of this liability may be made.

Provisions are reviewed at the end of each year and are adjusted in order to reflect the best possible estimations and in case it is required are discounted based on a pre-tax discount rate. Potential liabilities are not recorded in financial statements but are notified, unless the possibility for an outflow that encompasses economic benefit is limited. Potential receivables are not recorded in financial statements but are notified if the inflow of economic benefit is possible.

## **2.18. Grants**

State grants are initially recognized at their nominal value when there is a reasonable assurance that the grant would be received and the Company will follow all relevant terms and conditions. State grants regarding the purchase of tangible (fixed) assets are classified in long-term liabilities as income and are transferred in income statement during the useful life of the asset that is financed by the grant.

The grants that refer to expenses reduce these expenses during the period required for the systematic correlation with the granted expenses.

## **2.19. Financial assets**

Financial receivables and financial liabilities recorded in the balance sheet include cash, receivables, short-term liabilities, long-term liabilities and financial derivatives. Given the short-term nature of these tools, the Management of the Company believes that their fair value equals the one recorded in the accounting books of the Company. Given the short-term nature of these tools, the management of the Company believes that their fair value equals the one recorded in the accounting books of the Company. In addition, the management of the Company believes that interest paid, in relation to taken loans, equals the current fair rates prevailing at the market and therefore there is no need for any readjustment in which these liabilities are reflected. The Company does not use financial derivatives. The financial products are shown as receivables, liabilities or items in equity based on the substance and the content of the relevant contracts they emerge from. Interest, dividends, profits and losses arising from the financial products that are classified as receivables or liabilities are recorded as income or expenses respectively. The distribution of dividends to shareholders is directly recorded in equity.

Financial products are offset when the Company, according to the law, has the legal right and wishes to offset in net base (between them) or recover the asset and settle the liability at the same time.

Convertible bond loans are debt liability that includes a conversion right. The liability item is based on

the present value of conventional future cash flows discounted at a rate prevailing at that period in the market for similar credit products which offer the same cash flows under the same terms but excluding the conversion right.

The remaining part of the product, if any, is part of the equity representing the embedded conversion right of the liability in the equity of the issuer. Following the apportionment of the bond value as mentioned above, any profit or loss related to the liability is recorded in income statement, while the price related to share capital is recorded in equity.

## **2.20. Income recognition**

Income from the sale of goods is recognized when the main risks and benefits of ownership are transferred to the owner of the goods. Income from the provision of services are based on the completion stage that is set by the reference to up to now offered services, as percentage of the total services offered. Income arising from royalties are recognized separately for each accounting year and in accordance with the provision of the relevant agreements. Interest income is recognized based on time analogy taking into account the balance of the initial amount and the current rate of the period till maturity when the income would be payable to the Company.

Income from dividends is recognized at the date the distribution is approved.

## **3. RISK MANAGEMENT**

### **Financial risk factors**

The Company is exposed to many financial risks such as market risk (foreign exchange differences, interest rates, market prices), credit risk, liquidity risk, cash flow risk and fair value risk resulting from interest rate changes. The general risk management practices of the Company is focused on the non-forecast ability of financial markets and aims to limit their potential negative impact on the financial performance of the Company.

Risk management is performed by the Economic Division which sets, estimates and hedges the financial risk in co-operation with the departments that face these risks. Before any transaction is taking place an approval is taken from the employees that are entitled to bind the Company to its counter parties.

#### **(a) Foreign exchange risk**

The Company has no international presence, neither it has debt liabilities in foreign currency and therefore is not exposed to foreign exchange risk arising from exchange rate volatility.

#### **(b) Interest rate risk**

The operating income and cash flows of the Company are independent of interest rate changes.

#### **(c) Credit risk**

The Company does not have a significant credit risk concentration in any of its related parties and has set principles in order to ensure that the sales of goods and services will be made to clients of high credit rating.

(d) Liquidity risk

The prudent management of liquidity is achieved by the use of an appropriate combination of cash and approved bank credit. The Company manages the risks that may emerge from the lack of adequate liquidity ensuring that bank credit would always be available for use. Current available and unused approved bank credits to the Company are adequate to face any potential cash shortage.

## FINANCIAL STATEMENT ANALYSIS

### 4. TURNOVER

|  | <b>GROUP</b><br><b>1.1-31.12.2006</b> | <b>GROUP</b><br><b>1.1-31.12.2005</b> | <b>COMPANY</b><br><b>1.1-31.12.2006</b> | <b>COMPANY</b><br><b>1.1-31.12.2005</b> |
|--|---------------------------------------|---------------------------------------|---|---|
| Telecommunications   | 52,233,162                            | 50,372,819                            | 51,944,443                              | 50,372,819                              |
| Wholesale trade of other electronic elements and equipment | 191,683                               | 3,397,946                             | 191,683                                 | 3,397,946                               |
| Call centre activities                                     | 2,496,519                             | -                                     | -                                       | -                                       |
| Other activities relevant with the information technology  | 6,028,135                             | 1,323,989                             | 6,028,135                               | 1,323,989                               |
| <i>Total Turnover</i>                                      | <b>60,949,499</b>                     | <b>55,094,754</b>                     | <b>58,164,261</b>                       | <b>55,094,754</b>                       |

#### Telecommunications Revenues

It is noted that the company's financial statements for FY 2006 are not comparable with those of 2005 as in the FY 2006 statements are also included the results of the merged company TELEPASSPORT for the period from 1/9 to 31/12/2006.

Even though Company Telecommunications' Revenues in FY 2006 are reported higher by 3.69% from last year, which is mainly due to the addition of TelePassport S.A. results that was merged via absorption by Lannet (see Note 10), they are actually lower by 17.15% and is mainly due to a loss in our clientele base, specifically on the retail part, as well as from the reduction in offered prices (long-distance calls priced at local rates).

#### Other Revenues from IT related Activity

Revenues from Information Technology related activity is reported at € 6,028,135 and consists mainly of the sale on Sept. 30, 2006, of a € 5,500,000 'Triple Play' system that enables the development and application of Voice, Data, Video on Demand and IPTV services in a broadband network.

### 5. COST OF SALES

The cost of sales as reported in the financial statements is analyzed as follows:

|                                 | <b>GROUP</b><br><b>31.12.2006</b> | <b>GROUP</b><br><b>31.12.2005</b> | <b>COMPANY</b><br><b>31.12.2006</b> | <b>COMPANY</b><br><b>31.12.2005</b> |
|---------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Telecommunication of production | 27,254,026                        | 27,843,072                        | 27,137,212                          | 27,843,072                          |
| Personnel wages                 | 1,155,287                         | 556,300                           | 761,112                             | 556,300                             |
| Third party provisions          | 1,781,946                         | 626,321                           | 1,531,353                           | 626,321                             |
| Other cost                      | 1,413,169                         | 802,633                           | 716,299                             | 802,633                             |
| <i>Total cost of sales</i>      | <b>31,604,428</b>                 | <b>29,828,326</b>                 | <b>30,145,976</b>                   | <b>29,828,326</b>                   |

## 6. PERSONNEL COST

Number of employees and payroll cost:

|   | <b>GROUP<br/>31/12/2006</b> | <b>GROUP<br/>31/12/2005</b> | <b>COMPANY<br/>31/12/2006</b> | <b>COMPANY<br/>31/12/2005</b> |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| <u>Persons:</u>                                 |                             |                             |                               |                               |
| Permanent employment                            | 489                         | 183                         | 293                           | 183                           |
| <u>Analysis of employee cost for the period</u> |                             |                             |                               |                               |
| Payroll   | 5,888,469                   | 4,171,023                   | 5,094,952                     | 4,171,023                     |
| Employees' compensation                         | 1,025,118                   | 212,291                     | 1,003,604                     | 212,291                       |
| Insurance contribution                          | 645,919                     | 889,140                     | 432,965                       | 889,140                       |
| <i>Total cost</i>                               | <b>7,559,506</b>            | <b>5,272,454</b>            | <b>6,531,521</b>              | <b>5,272,454</b>              |

## 7. ADMINISTRATIVE AND DISTRIBUTION EXPENSES

The administration and distribution expenses that are included in the financial statements are analyzed as follows:

|   | <b>GROUP<br/>31.12.2006</b> | <b>GROUP<br/>31.12.2005</b> | <b>COMPANY<br/>31.12.2006</b> | <b>COMPANY<br/>31.12.2005</b> |
|---|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Compensation and other personnel expenses             | 7,559,506                   | 5,272,454                   | 6,531,521                     | 5,272,454                     |
| Compensation and third party expenses                 | 20,147,930                  | 23,014,009                  | 19,613,851                    | 23,014,009                    |
| Depreciation  | 8,261,123                   | 4,592,009                   | 8,890,610                     | 4,592,009                     |
| Other cost  | 3,238,614                   | 5,270,713                   | 1,442,104                     | 5,270,713                     |
| <i>Total administrative and distribution expenses</i> | <b>39,207,173</b>           | <b>38,149,185</b>           | <b>36,478,086</b>             | <b>38,149,185</b>             |

## 8. FINANCIAL INCOME AND EXPENSES

The financial income and expenses are analyzed as follows:

|   | <b>GROUP<br/>1.1-31.12.2006</b> | <b>GROUP<br/>1.1-31.12.2005</b> | <b>COMPANY<br/>1.1-31.12.2006</b> | <b>COMPANY<br/>1.1-31.12.2005</b> |
|---|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Interest debit of bank liabilities      | (3,397,440)                     | (2,246,588)                     | (3,341,907)                       | (2,246,588)                       |
| Losses from the sale of securities      | (225,915)                       | (23,545)                        | (1,587)                           | (23,545)                          |
| Provisions for impairment of securities | (241,440)                       | (562,164)                       | (241,440)                         | (562,164)                         |
| <i>Total financial expenses</i>         | <b>(3,864,795)</b>              | <b>(2,832,297)</b>              | <b>(3,584,934)</b>                | <b>(2,832,297)</b>                |
| Interest credit and related income      | 69,814                          | 46,543                          | 69,730                            | 46,543                            |
| Income from securities                  | 148,960                         | 232                             | 148,960                           | 232                               |
| <i>Total financial income</i>           | <b>218,774</b>                  | <b>46,775</b>                   | <b>218,690</b>                    | <b>46,775</b>                     |
| <i>Net financial results</i>            | <b>(3,646,021)</b>              | <b>(2,785,522)</b>              | <b>(3,366,244)</b>                | <b>(2,785,522)</b>                |

**9. INCOME TAX**

The companies (excluding the company ‘PASSPOINT SOCIETE ANONYME OF ELECTRONIC TRANSACTIONS’, and ‘ORBITECH TECHNOLOGIES OF INFORMATION & COMMUNICATIONS’) realize losses through its normal activities in the years 2002 till 2006 and no income taxes or deferred taxes have been calculated.

In accordance with the tax laws, the tax rate that is applied on the companies up to 31<sup>st</sup> of December 2005 was 32% and for the year 2006 it was 29%. At November 2004 the new tax law was approved according to which the corporate tax rate will further decrease in 2007 to 25%.

The provision for income tax that is reflected in the attached consolidated financial statements is analyzed as follows:

|  | <b>GROUP</b><br><b>1.1-31.12.2006</b> | <b>GROUP</b><br><b>1.1-31.12.2005</b> | <b>COMPANY</b><br><b>1.1-31.12.2006</b> | <b>COMPANY</b><br><b>1.1-31.12.2005</b> |
|--|---------------------------------------|---------------------------------------|---|---|
| Income tax                               | (9,692)                               | -                                     | -                                       | -                                       |
| Deferred tax-income                      | 18,568                                | -                                     | -                                       | -                                       |
| <i>Total income tax and deferred tax</i> | <u>8,876</u>                          | <u>-</u>                              | <u>-</u>                                | <u>-</u>                                |

Deferred income tax results from temporary differences between the accounting value and the tax base of assets and liabilities are estimated based on the current income tax rate.

|                      | <b>GROUP</b><br><b>31.12.2006</b> | <b>GROUP</b><br><b>31.12.2005</b> | <b>COMPANY</b><br><b>31.12.2006</b> | <b>COMPANY</b><br><b>31.12.2005</b> |
|----------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Balance at beginning | -                                 | -                                 | -                                   | -                                   |
| Debit in equity      | (390)                             | -                                 | -                                   | -                                   |
| Debit in results     | 18,568                            | -                                 | -                                   | -                                   |
| <i>Balance</i>       | <u>18,178</u>                     | <u>-</u>                          | <u>-</u>                            | <u>-</u>                            |

The movements of deferred income tax for assets and liabilities are analyzed as follows:

|                                    | <b>GROUP</b><br><b>31.12.2006</b> | <b>GROUP</b><br><b>31.12.2005</b> | <b>COMPANY</b><br><b>31.12.2006</b> | <b>COMPANY</b><br><b>31.12.2005</b> |
|------------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Provision for doubtful receivables | 15,327                            | -                                 | -                                   | -                                   |
| Fixed assets                       | (5,245)                           | -                                 | -                                   | -                                   |
| Personnel compensation             | 1,000                             | -                                 | -                                   | -                                   |
| Other movements                    | 7,096                             | -                                 | -                                   | -                                   |
| <i>Balance</i>                     | <u>18,178</u>                     | <u>-</u>                          | <u>-</u>                            | <u>-</u>                            |

## 10. FINANCIAL RESULTS OF ACQUIRED SUBSIDIARIES

The consolidated results for the period 1.1-31.12.2006 include the financial results of the absorbed company 'TELEPASSPORT (HELLAS) SOCIETE ANONYME OF TELECOMMUNICATION, ADMINISTRATION AND TECHNOLOGICAL SERVICES' for the period 1.9-31.12.2006, the company 'COLUMBIA COMMUNICATIONS S.A' for the period 1.9-31.12.2006, and the companies 'ORBITECH TECHNOLOGIES OF INFORMATION TECHNOLOGY AND COMMUNICATIONS SOCIETE ANONYME', 'PRIMUS SOCIETE ANONYME COMPANY OF COMMUNICATION SERVICES SUPPORT', 'TELEPASS SOCIETE ANONYME COMPANY OF TELECOMMUNICATION SERVICES AND PRODUCTS', 'PASSPOINT SOCIETE ANONYME COMPANY OF ELECTRONIC TRANSACTIONS', 'TRH SOCIETE ANONYME COMPANY FOR THE PROMOTION AND DEVELOPMENT OF TECHNOLOGY' for the period 1.9-31.12.2006 which are analyzed as follows:

| <b><u>INCOME STATEMENT</u></b>                     | <b>ORBITECH</b>              | <b>PRIMUS</b>                | <b>COLUMBIA</b>              |
|--|------------------------------|------------------------------|------------------------------|
|  | <b><u>1.9-31.12.2006</u></b> | <b><u>1.9-31.12.2006</u></b> | <b><u>1.7-31.12.2006</u></b> |
| Turnover   | 485,642                      | 299,375                      | 3,416,371                    |
| Cost of sales                                      | (95,602)                     | (422,496)                    | (2,407,581)                  |
| Gross profit                                       | 390,040                      | (123,121)                    | 1,008,790                    |
| Other operating income                             | 48,057                       | 69,721                       | 531,964                      |
|  | 438,097                      | (53,400)                     | 1,540,754                    |
| Selling and distribution expenses                  | -                            | (1,091)                      | (1,134,117)                  |
| Administrative expenses                            | (467,089)                    | (171,141)                    | (449,704)                    |
| Other operating expenses                           | (43,725)                     | (28,925)                     | (117,210)                    |
| Earnings/(Losses) before tax and financial results | (72,717)                     | (254,557)                    | (160,277)                    |
| Cost of financing                                  | (517)                        | (1,415)                      | (51,755)                     |
| Earnings/(Losses) before tax                       | (73,234)                     | (255,972)                    | (212,032)                    |
| Less: tax  | 19,277                       | -                            | -                            |
| Earnings/(Losses) after tax                        | (53,957)                     | (255,972)                    | (212,032)                    |

| <b><u>INCOME STATEMENT</u></b>                     | <b>TELEPASSPORT</b>          | <b>TELEPASS</b>              | <b>PASSPOINT</b>             | <b>TPH</b>                   |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | <b><u>1.9-31.12.2006</u></b> | <b><u>1.9-31.12.2006</u></b> | <b><u>1.9-31.12.2006</u></b> | <b><u>1.9-31.12.2006</u></b> |
| Turnover   | 10,211,368                   | 803,444                      | 1,541,463                    | -                            |
| Cost of sales                                      | (4,647,067)                  | (726,448)                    | (1,567,383)                  | -                            |
| Gross profit                                       | 5,564,301                    | 76,996                       | (25,920)                     | -                            |
| Other operating income                             | 165,382                      | 11,983                       | 755                          | -                            |
|  | 5,729,683                    | 88,979                       | (25,165)                     | -                            |
| Selling and distribution expenses                  | (987,111)                    | (181,567)                    | (32,699)                     | (10,816)                     |
| Administrative expenses                            | (597,956)                    | (136,677)                    | (144,185)                    | -                            |
| Other operating expenses                           | (360)                        | (52,950)                     | (5,800)                      | -                            |
| Earnings/(Losses) before tax and financial results | 4,144,256                    | (282,215)                    | (207,849)                    | (10,816)                     |
| Cost of financing                                  | (372,765)                    | (212,833)                    | (13,193)                     | (64)                         |
| Earnings/(Losses) before tax                       | 3,771,491                    | (495,048)                    | (221,042)                    | (10,880)                     |
| Less: tax  | -                            | -                            | (10,401)                     | -                            |
| Earnings/(Losses) after tax                        | 3,771,491                    | (495,048)                    | (231,443)                    | (10,880)                     |

**LAN-NET COMMUNICATIONS S.A.**  
**Amended Financial Statements of 2006**  
*(Amounts are expressed in €)*

**11. TANGIBLE ASSETS**

The tangible assets of the Group and the Company have changed during the period 1.1-31.12.2006 as follows:

| <b><u>GROUP</u></b>   | Buildings<br>& installations | Machinery<br>& mechanical<br>installations | Motor vehicle | Furniture and<br>fittings | Assets under<br>construction<br>or installation | Total      |
|---|------------------------------|--|---------------|---------------------------|---|------------|
| At 31.12.2005   | 962,748                      | 40,009,052                                 | 26,417        | 6,095,447                 | -   | 47,093,664 |
| Cost if tangible assets for<br>subsidiary Companies<br>(acquisition date) | 2,878,352                    | 17,126,390                                 | 35,216        | 2,819,070                 | -   | 22,859,028 |
| Additions 2006  | 19,964                       | 501,884                                    | -             | 219,707                   | 600,000   | 1,341,555  |
| Disposals 2006  | -                            | (4,273)                                    | -             | (34,544)                  | -   | (38,817)   |
| Total at 31.12.2006   | 3,861,064                    | 57,633,053                                 | 61,633        | 9,099,680                 | 600,000   | 71,255,430 |
| <b><u>Accumulated depreciation</u></b>                                    |                              |  |               |                           |   |            |
| At 31.12.2005   | 247,838                      | 16,799,525                                 | 21,957        | 2,959,432                 | -   | 20,028,751 |
| Depreciation of subsidiaries'<br>assets (acquisition date)                | 709,053                      | 3,901,841                                  | 5,069         | 885,053                   | -   | 5,501,016  |
| Additions 2006  | 161,847                      | 4,066,571                                  | 3,901         | 817,263                   | -   | 5,049,582  |
| Disposals 2006  | -                            | -  | -             | -                         | -   | -          |
| Total at 31.12.2006   | 1,118,738                    | 24,767,937                                 | 30,927        | 4,661,748                 | -   | 30,579,349 |
| <b><u>Net book value</u></b>  |                              |  |               |                           |   |            |
| At 31.12.2005   | 714,910                      | 23,209,527                                 | 4,460         | 3,136,016                 | -   | 27,064,913 |
| At 31.12.2006   | 2,742,326                    | 32,865,116                                 | 30,706        | 4,437,932                 | 600,000   | 40,676,081 |

| <b><u>COMPANY</u></b>   | Buildings<br>& installations | Machinery<br>& mechanical<br>installations | Motor vehicle | Furniture and<br>fittings | Assets under<br>construction<br>or installation | Total      |
|---|------------------------------|--|---------------|---------------------------|---|------------|
| At 31.12.2005   | 962,748                      | 40,009,052                                 | 26,417        | 6,095,447                 | -   | 47,093,664 |
| Cost if tangible assets for<br>subsidiary Companies<br>(acquisition date) | 2,757,179                    | 16,294,484                                 | 3,397         | 1,472,837                 | -   | 20,527,897 |
| Additions 2006  | 19,964                       | 501,884                                    | -             | 174,848                   | 600,000   | 1,296,696  |
| Disposals 2006  | -                            | (4,273)                                    | -             | -                         | -   | (4,273)    |
| Total at 31.12.2006   | 3,739,891                    | 56,801,147                                 | 29,814        | 7,743,132                 | 600,000   | 68,913,984 |
| <b><u>Accumulated depreciation</u></b>                                    |                              |  |               |                           |   |            |
| At 31.12.2005   | 247,838                      | 16,799,525                                 | 21,957        | 2,959,432                 | -   | 20,028,751 |
| Depreciation of subsidiaries'<br>assets (acquisition date)                | 662,538                      | 3,592,387                                  | 1,024         | 432,594                   | -   | 4,688,543  |
| Additions 2006  | 157,654                      | 4,035,690                                  | 2,756         | 776,911                   | -   | 4,973,011  |
| Disposals 2006  | -                            | -  | -             | -                         | -   | -          |
| Total at 31.12.2006   | 1,068,030                    | 24,427,602                                 | 25,737        | 4,168,937                 | -   | 29,690,306 |
| <b><u>Net book value</u></b>  |                              |  |               |                           |   |            |
| At 31.12.2005   | 714,910                      | 23,209,527                                 | 4,460         | 3,136,016                 | -   | 27,064,913 |
| At 31.12.2006   | 2,671,861                    | 32,373,545                                 | 4,077         | 3,574,195                 | 600,000   | 39,223,678 |

In order to secure its bank loans in Agrotiki bank, the parent company has pledged some of its fixed assets (machinery) for the value of € 11,271,956.

## 12. INTANGIBLE ASSETS

Intangible assets have changes in the period 1.1-31.12.2006 as follows:

|  | Intangible assets of<br>the GROUP | Intangible assets of<br>the<br>COMPANY |
|--|-----------------------------------|--|
| <b><u>Cost</u></b>   |                                   |  |
| At 1.1.2006  | 2,958,075                         | 2,958,075                              |
| Cost of tangible assets of subsidiary<br>Companies (acquisition date)          | 2,047,143                         | 1,962,143                              |
| Additions for the period 1.1-31.12.2006  | 51,000                            | -                                      |
| Disposals for the period 1.1-31.12.2006  | -                                 | -                                      |
| <b>Total at 31.12.2006</b>   | <b>5,056,218</b>                  | <b>4,920,218</b>                       |
| <b><u>Depreciations</u></b>  |                                   |  |
| At 1.1.2006  | 295,527                           | 295,527                                |
| Depreciations of tangible assets of<br>subsidiary Companies (acquisition date) | 227,263                           | 209,696                                |
| Depreciation for the period 1.1-<br>31.12.2006                                 | 359,891                           | 348,475                                |
| Disposals for the period 1.1-31.12.2006  | -                                 | -                                      |
| <b>Total at 31.12.2006</b>   | <b>882,681</b>                    | <b>853,698</b>                         |
| <b><u>Net book value 31.12.2006</u></b>  | <b><u>4,173,537</u></b>           | <b><u>4,066,520</u></b>                |
| <b><u>Net book value 31.12.2005</u></b>  | <b><u>2,662,548</u></b>           | <b><u>2,662,548</u></b>                |

## 13. GOODWILL

The goodwill that is shown in the attached consolidated financial statements refers to, besides the company 'TELEPASSPORT SA', the consolidation differences that emerged during the acquisition of the subsidiary companies and is analyzed as follows:

| <b><u>COMPANY</u></b>       | <b>Net book value<br/>GROUP<br/>31.12.2006</b> | <b>Net book value<br/>GROUP<br/>31.12.2005</b> | <b>Net book value<br/>COMPANY<br/>31.12.2006</b> | <b>Net book value<br/>COMPANY<br/>31.12.2005</b> |
|-----------------------------|--|--|--|--|
| LANTEK COMMUNICATIONS<br>SA | -  | 3,569,124                                      | -  | 3,569,124  |
| ORBITECH S.A.               | 14,256,000                                     | -  | -  | -  |
| COLUMBIA S.A.               | 3,120,334                                      | -  | -  | -  |
| TELEPASSPORT S.A.           | 29,722,599                                     | -  | 29,722,599                                       | -  |
| PRIMUS S.A.                 | 6,719,700                                      | -  | -  | -  |
| <b>Total Goodwill</b>       | <b>53,818,633</b>                              | <b>3,569,124</b>                               | <b>29,722,599</b>                                | <b>3,569,124</b>                                 |

A. The company absorbed 'LANTEK COMMUNICATIONS S.A.', which shares were listed in Athens Exchange, with transformation balance sheet of 31.7.2003 and a goodwill of € 3,965,124 emerged which is derived from the difference between the equity of the absorbed company according to the transformation balance sheet ((€17,328,969) and the nominal value of the share capital that the shareholders of the absorbed company LANTEK received (20,475,090 shares \* € 1.04= € 21,294,093) during the exchange of their sales with shares of the absorber company (LANNET) and until 31.12.2004

reported accumulated depreciation of € 396,000.

At 31.12.2006 the company charged its results with the remaining undepreciated value € 3,569,124.

B. The Board of Directors of 'LANNET COMMUNICATIONS S.A.' (absorber) on 23.08.2007 announced its decision to merge through acquisition, according to the provisions of L. 2166/1993, the company 'TELEPASSPORT (HELLAS) S.A.' (absorbed company).

On 18 September 2006, a Memorandum of Agreement was signed by representatives of the aforementioned companies, following a special decision by their Board of Directors, according to which the companies will merge by absorption of the Absorbed company by the Absorber, according to the provisions of C.L.2190/20 and L. 2166/93. The 31<sup>st</sup> of August 2006 was set as the preparation date of the transformation Balance Sheet according to the decisions by the Board of Directors and according to L.2166/1993. This date was also considered as the date control was acquired on the company according to IFRS 3 (G.M. of Telepassport, 25.07.2007). The merger was approved by the General Shareholders' Meetings of the companies on 24.12.2006 and 23.12.2006 respectively and was registered in the Societe Anonyme Registrar under No. K2-18300/29.12.2006.

The goodwill that emerged from the aforementioned acquisition-merger was defined based on the temporary fair values of the absorbed company's Balance Sheet at 31 August 2006 and the final definition of the relevant goodwill is underway as the company implemented the option provided by standard IFRS 3, regarding the finalization of accounts within 12 months from the acquisition date.

The use of the over-twelve month period in order to finalize the allocation procedure of the acquisition price, took place due to the size and large number of subsidiaries included in the merger.

According to IFRS 3, the temporary liabilities of the company 'TELEPASSPORT S.A.' (amounting to € 32,499,664) have not included for the calculation of goodwill, the amount of € 12,346,120, which concerns reorganization costs (IFRS 3 paragraph 43) and the amount of € 7,906,007, which concerns costs from provisions for uncertain outcomes of the provider's judicial cases, amounts which are included in the financial statements of the acquired company 'TELEPASSPORT S.A.' as at 31.8.2006 (see paragraph 27,

We also note that for goodwill, temporary income taxes on assets were calculated, amounting to € 6,768,927, which have not been included in the financial statements of 31.8.2006 as the company realizes accounting and tax losses (IFRS 3 paragraph 65a).

The process for calculating the fair value of assets, liabilities and contingent liabilities of the absorbed company, took place according to the provisions of IFRS 3. The fair values of the absorbed company's Balance Sheet, the total acquisition price (cost) and the goodwill that emerged during the 31<sup>st</sup> of August 2006, namely the acquisition date, are as follows:

**TELEPASSPORT SA**

Acquisition Date  
31.08.07

**ASSETS**

|                         |                   |
|-------------------------|-------------------|
| Fixed Assets            | 17,591,800        |
| Inventories             | 275,749           |
| Trade Receivables       | 15,408,235        |
| Participations          | 617,346           |
| Deferred income taxes   | 6,768,927         |
| Cash & cash equivalents | 4,904,823         |
| <b>TOTAL ASSETS</b>     | <b>45,566,880</b> |

**LIABILITIES**

|                              |                   |
|------------------------------|-------------------|
| Other long-term liabilities  | 122,570           |
| Short-term bank liabilities  | 3,124,369         |
| Other short-term liabilities | 29,252,725        |
| <b>TOTAL LIABILITIES</b>     | <b>32,499,664</b> |

NET VALUE OF ASSETS **13,067,216**

|                              |                   |
|------------------------------|-------------------|
| <b>Total merger cost</b>     | <b>42,789,815</b> |
| Net value of assets absorbed | 13,067,216        |
| <b>GOODWILL</b>              | <b>29,722,599</b> |

The company in order to define and calculate the assets, liabilities and contingent liabilities of the absorbed company, took into account for the defined assets and liabilities the present value, for intangible assets the price that would be paid for their purchase in a bilateral transaction between equal and informed parties and for machinery and equipment the depreciated net replacement cost that was used due to their specialized nature (France Telecom bids for the same type of equipment).

The merger cost of € 42,789,815 was defined based on the number of new shares of 'LANNET S.A.', which were issued (number of shares 62,926,198) in favor of shareholders of 'TELEPASSPORT (HELLAS) S.A.' according to the exchange agreement defined by the Merger Memorandum of Agreement, multiplied by the nominal value of shares of € 0.68.

The Company's Board of Directors decided to calculate the merger cost based on the nominal value of new shares issued (62,926,198 shares time €0,68 each= € 42,789,815) as the published price during the exchange date for the shares was not a reliable indicator of their fair value as it was affected by the tightness of the stock exchange market. The shares of LANNET S.A., as regards to the dimension of their value, are dominated by features that are focused on the following factors:

1. The company's Shareholder Registry does not include the Bank Portfolios, which in the future or present and under the sense of the investment character, may offer, as indeed occurs in many cases, even a theoretical security to the Share's value,
2. Likewise, the institution Portfolios, domestic or foreign, are not included. Such portfolios contribute significantly both to the definition and to the security of the Company's Share value.
3. On the other hand, large dispersion is presented in individual investors, who to a large extent do not reassure the credibility of the Share's value and as a result such fluctuates at levels different to the Stock Market's overall trend and in many cases with small volumes affecting significantly the Share's price.
4. Historically it is proved that with no reason, the Share's value is led to negative closing prices from small volumes when during the Market's session it presents volumes that however do not indicate such negative closings in any way.
5. The company's Share is not traded during the total period of the Stock Market session, with the well known in many cases negative results.
6. The LANNET S.A. security is absent from the broader Derivatives and Securities Lending Market, where other companies of the fixed telephony market can be found. The trading of the company's securities in the aforementioned Market, historically proves to coincide with the support of the value of the relevant companies' shares.

From the above, is it concluded that mechanisms that could possibly absorb negative effects, are not in place for the value of LANNET S.A. Share. Therefore small changes in sales orders may create disproportionate changes to the share price.

The total formed result for the Company, from the detailed presentation of the above, concludes to its small Capital Market Value, in a dynamic comparison always with similar companies of the Fixed Telephony sector, despite the better and more robust numerical and metric values and assets presented by the Company.

Following the above, it is evident that as a valuation measure, all other items defined by standard 3 will be used. The business combinations under L. 2166/93 do not allow the use of the market value of existing listed (old) shares, as there is no depiction of an estimation for the real and not book value of the absorbed or the absorbing company, and only the so-called "exchange ratio" expresses a valuation, namely the valuation of the absorbed company's real value in relation to the absorbing company's value. Thus considering that in cases of mergers based on L. 2166/1993 the fair value of new shares issued with the merger, which reflects the relation of the absorbing company's assets towards the assets of the absorbed, is attributed with the use of the nominal value of new shares that will be listed on the stock exchange and will also attain a stock exchange price following their listing, the nominal value was used as fair value for the valuation of any kind of goodwill .

Therefore, the use of the share's stock exchange price as at 31.8.2006 would lead to a distortion of the real image of the absorbed company's valuation and thus the Company's asset structure. And this because the company did not exchange existing assets with the net position of the absorbed company, of which it is the universal and not special successor, nor did it offer a portion of the existing shares but it issued new shares based on the comparison of the net positions of the two companies, which includes tangible and intangible assets that appear or not in the company's Financial Statements and accounting books. The goodwill exceeding the nominal value of shares, that would emerge based on the stock exchange price of existing shares during the exchange date, would essentially constitute goodwill of the absorbing company and not goodwill of the absorbed, and thus it would illegally appear in the Financial Statements and distort the company's real image. Based on the above the Management easily is led to the conclusion that even if the implementation of standard 3 required the calculation based on the stock exchange value of old shares on one of the aforementioned dates, this calculation should still not have been followed but the calculation should be based on the nominal value of the share according to the explicit provisions of articles 42a § 3 and 100 § 5 of L.2190/1920, and I.A.S. 1, which state that "deviation from a Standard is allowed only in the case where its implementation would lead to a misleading depiction of the financial statements". Such are also stated by standard 3 par. 67, providing the information needed to assess the non compliance in any respect to I.F.R.S. Therefore, the Board of Directors based on the above, is led to the same conclusion. For the aforementioned reasons, the company's management considers that no goodwill should be calculated based on the stock exchange price of existing shares, which does not constitute a reasonable measure for its fair value and its presentation on a Transformation Balance Sheet that is based on book values and only such.

The difference between the value attributed to the shares (amounting to € 42,789,815) and the published price of the share of 'LANNET COMMUNICATIONS S.A.' on the Athens Exchange on 31.8.2006 (of € 71,735,866) amounted to € 28,946,051,

An impairment assessment will be implemented on 31.12.2007.

#### **14. PARTICIPATIONS IN SUBSIDIARY COMPANIES**

The participations in subsidiary companies that are recorded in the attached financial statements of the

parent company are analyzed as follows:

|                                 | <u>PERCENT</u><br><u>OWNERSHIP</u> | <u>COMPANY</u><br><u>31.12.2006</u> | <u>COMPANY</u><br><u>31.12.2005</u> |
|---------------------------------|------------------------------------|-------------------------------------|-------------------------------------|
| ORBITECH S.A.                   | 100%                               | 14,496,000                          | -                                   |
| COLUMBIA S.A.                   | 70%                                | 3,990,000                           | -                                   |
| TELEPASS S.A.                   | 100%                               | 1,556,000                           | -                                   |
| PASSPOINT S.A.                  | 80%                                | 236,000                             | -                                   |
| TPH TECHNOVLASTOS S.A.          | 70%                                | 206,500                             | -                                   |
| PRIMUS S.A.                     | 100%                               | 7,600,200                           | -                                   |
| TPH TECHNOVLASTOS S.A.          | 33%                                | 643,846                             | -                                   |
| Acquisition Value               |                                    | 28,728,546                          |                                     |
| Provision from Devaluation      |                                    | (2,025,000)                         |                                     |
| Total Participations 31.12.2006 |                                    | 26,703,546                          | -                                   |

## 15. TRADE RECEIVABLES

Trade receivables are analyzed as follows:

|                                | <u>GROUP</u><br><u>31.12.2006</u> | <u>GROUP</u><br><u>31.12.2005</u> | <u>COMPANY</u><br><u>31.12.2006</u> | <u>COMPANY</u><br><u>31.12.2005</u> |
|--------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Trade receivables              | 43,710,825                        | 23,895,306                        | 40,183,179                          | 23,895,306                          |
| Notes and checks receivable    | 1,377,015                         | 164,560                           | 1,372,341                           | 164,560                             |
| Checks receivable overdue      | 815,041                           | 248,709                           | 815,041                             | 248,709                             |
| Doubtful – contested customers | 667,706                           | 641,330                           | 641,330                             | 641,330                             |
|                                | 46,570,587                        | 24,949,905                        | 43,011,891                          | 24,949,905                          |
| Less: Provisions for bad debts | (7,656,504)                       | (3,780,000)                       | (6,780,000)                         | (3,780,000)                         |
| <i>Total Trade Receivable</i>  | 38,914,083                        | 21,169,905                        | 36,231,891                          | 21,169,905                          |

All other receivables are of a short-term duration and is not demanded a discount at the balance sheet date. There is no concentration of credit risk in relation with trade receivables as the company has a large number of trade receivables and the credit risk is diversified.

## 16. INVENTORIES

The inventories are analyzed as follows:

|  | <u>GROUP</u><br><u>31.12.2006</u> | <u>GROUP</u><br><u>31.12.2005</u> | <u>COMPANY</u><br><u>31.12.2006</u> | <u>COMPANY</u><br><u>31.12.2005</u> |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|

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|   |                |                |                |                |
|---|----------------|----------------|----------------|----------------|
| Merchandise                             | 454,546        | 228,046        | 404,130        | 228,046        |
| Prepayments for purchase of inventories | -              | 50             | -              | 50             |
| <i>Total inventories</i>                | <u>454,546</u> | <u>228,096</u> | <u>404,130</u> | <u>228,096</u> |

**17. OTHER ASSETS**

Other assets are analyzed as follows:

|  | <b>GROUP</b><br><b>31.12.2006</b> | <b>GROUP</b><br><b>31.12.2005</b> | <b>COMPANY</b><br><b>31.12.2006</b> | <b>COMPANY</b><br><b>31.12.2005</b> |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Sundry debtors   | 6,282,367                         | 1,449,760                         | 7,700,527                           | 1,449,760                           |
| Accounts for the administration of prepayments and credits | 956,812                           | 748,067                           | 696,390                             | 748,067                             |
| Securities   | 2,027,917                         | 1,311,436                         | 867,917                             | 1,311,436                           |
| Prepayments for the purchase of securities                 | 4,000,000                         | 4,000,000                         | 4,000,000                           | 4,000,000                           |
| Expenses brought forward                                   | 1,570,748                         | 944,645                           | 1,503,950                           | 944,645                             |
| Blocked deposits   | 238,009                           | 21,048                            | 238,009                             | 21,048                              |
| Other long-term receivables                                | 1,058,355                         | 687,714                           | 885,684                             | 687,714                             |
| <i>Total other assets</i>                                  | <u>16,134,208</u>                 | <u>9,162,670</u>                  | <u>15,892,477</u>                   | <u>9,162,670</u>                    |

Securities at 31.12.2006 and 31.12.2005 are analyzed as follows:

|   | Shares of the<br>GROUP | GROUP<br>31.12.2006 | GROUP<br>31.12.2005 | COMPANY<br>31.12.2006 | COMPANY<br>31.12.2005 |
|---|------------------------|---------------------|---------------------|-----------------------|-----------------------|
| KLONATEX S.A.                           | 935,000                | 951,650             | 980,000             | 951,650               | 980,000               |
| NAOUSSA SPINNING MILLS S.A.             | 2,000,000              | 717,076             | 892,693             | 717,076               | 892,693               |
| LAN-NET COMMUNICATIONS SA               | 1,000,000              | 1,160,000           | -                   | -                     | -                     |
| OTE S.A.                                | 100                    | 877                 | 877                 | 877                   | 877                   |
| COSMOTE S.A.                            | 100                    | 1,888               | -                   | 1,888                 | -                     |
| INTRAKOM S.A.                           | 10                     | 30                  | 30                  | 30                    | 30                    |
|   |                        | <u>2,831,521</u>    | <u>1,873,600</u>    | <u>1,671,521</u>      | <u>1,873,600</u>      |
| Less:                                   |                        |                     |                     |                       |                       |
| Provisions for impairment of securities |                        | (803,604)           | (562,164)           | (803,604)             | (562,164)             |
| <i>Total securities</i>                 |                        | <u>2,027,917</u>    | <u>1,311,436</u>    | <u>867,917</u>        | <u>1,311,436</u>      |

Prepayments for the purchase of securities

The prepayments for the purchase of securities of the parent company at 31.12.2006, for the amount of € 4,000,000, refer to the capitalization of the largest part of the liability of the company FANCO S.A. to the parent Company “LANNET COMMUNICATIONS S.A.”.

On 31 March 2007, the listed in Athens Exchange company ‘UNITED TEXTILES S.A.’ (arising from the merger between ‘FANCO SA’ and ‘NAOUSSA SPINNING MILLS SA’) issued a convertible not guaranteed bond of € 4,002,000 with holder the company ‘LAN-NET COMMUNICATIONS SA’ with payment date the 1.3.2012 and conversion right to shares every monthly anniversary of the issue date.

The conversion ratio to underlying values is set at 26,680 common registered voted shares for each one bond that is to say 13,340,000 shares. It is noted that the closing price of the share 'UNITED TEXTILES S.A' was € 0.3 in the Athens Exchange on 15.3.2007.

Investments by Lannet totaling € 776,000 include 600,000 shares of ATHEX listed KLONATEX GROUP OF COMPANIES S.A. and 2,000,000 shares of ATHEX listed UNITED TEXTILES S.A. (ex NAOUSSA SPINNINGMILLS S.A.), which are pledged at AGRICULTURAL BANK of GREECE, for security against the parent company's loans.

## **18. CASH & CASH EQUIVALENTS**

Cash represents cash held by the Company and bank deposits available at first demand.

## **19. SHARE CAPITAL**

Company's share capital on 31.12.2006 consists of 142,732,000 common registered shares with nominal value of € 0.68 each and sum of € 97,057,760. The shares of the Company are listed in the category of middle and small size of Athens Stock Exchange.

During the period 1.1 - 30.9.2006 five increases of Share Capital occurred of total amount of € 28,413,788, from which € 2,080,000 arises from the transformation of 2,000 bonds in 2,000,000 new shares (according to the decision of the 13/1/2006 meeting of the Board of Directors of the Company), € 3,120,000 arises from the transformation of 3,000 bonds into 3,000,000 new shares (according to the decision of the 11/2/2006 meeting of the Board of Directors of the Company) and an amount of € 5,200,000.00 arises from the transformation of 5,000 bonds into 5,000,000 new shares (according to the decision of the 30.06.2006 meeting of the Board of Directors of the Company), amount of € 1,576,432 arises from the transformation of 538 bonds into 1,515,800 new shares (according to the decision of the 31.7.2006 meeting of the Board of Directors of the Company), and amount of € 16,437,356 arises from the transformation of 1,550 bonds into 15,805,150 new shares (according to the decision of the 31.08.2006 meeting of the Board of Directors of the Company).

With the decision of the B' repeat General Shareholders Meeting of the Company 'LAN-NET COMMUNICATIONS' on 24.12.2006 the share capital increased due to the merger by absorption of the company 'TELEPASSPORT (HELLAS) SA' under the provision of L.2166/1993 by the amount of € 13,067,215 and by € 992,511 with the capitalization of the share premium account, that is to say a total amount of € 14,059,726 with the reduction of the nominal value of the shares of € 0.68 each., and the issue of 62,926,198 new common registered shares with nominal value € 0.68 each.

## **20. LOANS**

Company's loans have been granted by Greek banks in Euro. The amounts which are payable within 1

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year from the balance sheet date are marked as short-term loans although the amounts which are payable in subsequent date are marked as long-term loans.

Group's loans are analyzed as follows:

|                       | GROUP 31.12.2006       |                       | GROUP 31.12.2005       |                       |
|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
|                       | Short-term liabilities | Long-term liabilities | Short-term liabilities | Long-term liabilities |
| Bank loans            | 9,792,593              | 11,876,431            | 7,970,325              | 14,333,944            |
| Financial leases      | 135,675                | -                     | 521,894                | -                     |
| Bond payable          | -                      | 9,288,728             | -                      | -                     |
| Convertible bond loan | -                      | -                     | -                      | 5,200,000             |
| <b>Total loans</b>    | <b>9,928,268</b>       | <b>21,165,159</b>     | <b>8,492,219</b>       | <b>19,533,944</b>     |

The loans of the Company are as follows:

|                       | COMPANY 31.12.2006     |                       | COMPANY 31.12.2005     |                       |
|-----------------------|------------------------|-----------------------|------------------------|-----------------------|
|                       | Short-term liabilities | Long-term liabilities | Short-term liabilities | Long-term liabilities |
| Bank loans            | 9,415,725              | 11,876,431            | 7,970,325              | 14,333,944            |
| Financial leases      | 135,675                | -                     | 521,894                | -                     |
| Bond payable          | -                      | 9,288,728             | -                      | -                     |
| Convertible bond loan | -                      | -                     | -                      | 5,200,000             |
| <b>Total loans</b>    | <b>9,551,400</b>       | <b>21,165,159</b>     | <b>8,492,219</b>       | <b>19,533,944</b>     |

Companies are making provisions for the accrued bank interests and charge the income statement of the respective period. No other guarantees and withholding of occupancy or use exist on the assets and other possessions of the Company.

The bonds payable at 31.12.2006 for the amount of € 9,288,728 refer to bonds of a total amount of € 6,728,000 that mature on 20.7.2008, and for the amount of € 540,000 that mature at 7.11.2008 and the amount of € 2,020,728 that mature at 21.7.2009.

## 21. SUPPLIERS AND OTHER LIABILITIES

Total liabilities at 31.12.2006, towards suppliers and other third parties are analyzed as follows:

|  | <b>GROUP<br/>31.12.2006</b> | <b>GROUP<br/>31.12.2005</b> | <b>COMPANY<br/>31.12.2006</b> | <b>COMPANY<br/>31.12.2005</b> |
|--|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Suppliers                                    | 29,767,719                  | 8,631,756                   | 29,991,816                    | 8,631,756                     |
| Cheques Payable                              | 9,182,872                   | 60,234                      | 7,071,929                     | 60,234                        |
| Advances from trade debtors                  | 173,068                     | 59,990                      | 47,895                        | 59,990                        |
| Insurance and pension fund dues              | 621,158                     | 213,578                     | 338,098                       | 213,578                       |
| Taxes and duties                             | 3,088,688                   | 223,205                     | 1,641,060                     | 223,205                       |
| Dividends payable                            | 101,570                     | 101,570                     | 101,570                       | 101,570                       |
| Other suppliers                              | 6,702,604                   | 137,095                     | 3,653,554                     | 137,095                       |
| Accrued expenses                             | 1,514,443                   | 70,914                      | 1,455,000                     | 70,914                        |
| Other liabilities                            | 465,759                     | 61,960                      | -                             | 61,960                        |
| <b>Total suppliers and other liabilities</b> | <b>51,617,881</b>           | <b>9,560,302</b>            | <b>44,300,922</b>             | <b>9,560,302</b>              |

## 22. PROVISIONS

|                       | <b>GROUP</b><br><b>31.12.2006</b> | <b>GROUP</b><br><b>31.12.2005</b> | <b>COMPANY</b><br><b>31.12.2006</b> | <b>COMPANY</b><br><b>31.12.2005</b> |
|-----------------------|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Reorganization cost   | 6,017,660                         | -                                 | 6,017,660                           | -                                   |
| Tax-audit differences | 1,050,000                         | -                                 | 1,050,000                           | -                                   |
| Other provisions      | 4,987,714                         | -                                 | 4,987,714                           | -                                   |
|                       | <u>12,055,374</u>                 | <u>-</u>                          | <u>12,055,374</u>                   | <u>-</u>                            |

The company made a provision for reorganization expenses on 31.08.2006 in accordance with the decision of the Board of Directors which approved the merger and reorganization plan of total amount of € 12,346,120, of which amount € 6,328,460 was used for reverse accounting for year 2006. The reorganization of the company is mainly referring to the reorganization of services, technological base of networks and nodes, information systems, personnel and common customer base.

## 23. EMPLOYEE BENEFITS

The liability of the Company towards its employees in Greece regarding the future payment of benefits related to the length of employment of each of them, is added and recorded based on accrued right that is expected to be paid to each employee, at the balance sheet date, discounted to its present value according to its estimated time of payment.

On 31.12.2006 a company of independent actuaries made an estimation regarding the liabilities of the companies as these arise from the liability to pay pension benefits. The main hypotheses behind this actuarial study on 31.12.2006 and on 31.12.2005 was a discount rate of 3.7%, a wage growth of 4% and consumer price index growth of 2%.

The liability in the attached balance sheet of the group and the company for 2006 is as follows:

|  | <b>GROUP</b><br><b>31.12.2006</b> | <b>GROUP</b><br><b>31.12.2005</b> | <b>COMPANY</b><br><b>31.12.2006</b> | <b>COMPANY</b><br><b>31.12.2005</b> |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Liability at the beginning of the year | 209,902                           | 209,902                           | 209,902                             | 209,902                             |
| Absorption of the company              | 92,640                            | -                                 | 92,640                              | -                                   |
| Acquisition of subsidiaries            | 81,597                            | -                                 | -                                   | -                                   |
| Income recognized in income statements | (25,984)                          | -                                 | (7,342)                             | -                                   |
|  | <u>358,155</u>                    | <u>209,902</u>                    | <u>295,200</u>                      | <u>209,902</u>                      |

## 24. DEFERRED INCOME TAX

Deferred tax receivables and liabilities have been estimated using a tax rate of 25% which is applied in periods that the deferred taxable liabilities or receivables will be settled or received and are offset, when there is a legal rights related to the offset of tax receivables against tax liabilities and hen the deferred income tax is related to the same tax principle.

| <b>RECEIVABLES</b>                 | <b>GROUP<br/>31.12.2006</b> | <b>GROUP<br/>31.12.2005</b> | <b>COMPANY<br/>31.12.2006</b> | <b>COMPANY<br/>31.12.2005</b> |
|------------------------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Tangible assets                    | 15,695                      | -                           | -                             | -                             |
| Provision for doubtful receivables | 5,178                       | -                           | -                             | -                             |
| Employee compensation              | 1,000                       | -                           | -                             | -                             |
| Other                              | 7096                        | -                           | -                             | -                             |
| <b>TOTAL</b>                       | <b>28,969</b>               | <b>-</b>                    | <b>-</b>                      | <b>-</b>                      |
| <b>LIABILITIES</b>                 |                             |                             |                               |                               |
| Tangible assets                    | 20,940                      | -                           | -                             | -                             |
| Provisions of doubtful debts       | (10,149)                    | -                           | -                             | -                             |
| <b>TOTAL</b>                       | <b>10,791</b>               | <b>-</b>                    | <b>-</b>                      | <b>-</b>                      |

On 31 December 2006 there were tax losses of the Group of € 56,591,930 for which a deferred tax receivable was not estimated because up to now their tax exploitation is not certain. Based on tax law, the Company has the right to utilize the tax benefit from the aforementioned losses over a five-year period following the year these were created.

## 25. TRANSACTIONS AND BALANCE WITH SUBSIDIARIES AND RELATED PARTIES

The company purchases and provides services to its subsidiaries.

The transactions and the balances of the accounts with the related parties are mentioned below:

| <b><u>INTRACOMPANY PURCHASES</u></b> | <b><u>1.1-31.12.2006</u></b>  | <b><u>1.1-31.12.2005</u></b> |
|--------------------------------------|-------------------------------|------------------------------|
| LANNET S.A.                          | 1,744,949                     | -                            |
| COLUMBIA S.A.                        | 1,844,227                     | -                            |
| PRIMUS S.A.                          | 41,654                        | -                            |
| PASSPOINT S.A.                       | 59,411                        | -                            |
| TELEPASS S.A.                        | 46,698                        | -                            |
| ORBITECH S.A.                        | 24,118                        | -                            |
| TPH S.A.                             | -                             | -                            |
| <b>TOTALS</b>                        | <b><u>3,761,057</u></b>       | <b><u>-</u></b>              |
| <br>                                 |                               |                              |
| <b><u>INTRACOMPANY SALES</u></b>     | <b><u>1.1 -31.12.2006</u></b> | <b><u>1.1-31.12.2005</u></b> |
| LANNET S.A.                          | 1,958,426                     | -                            |
| COLUMBIA S.A.                        | 1,813                         | -                            |
| PRIMUS S.A.                          | 339,618                       | -                            |
| PASSPOINT S.A.                       | 175,041                       | -                            |
| TELEPASS S.A.                        | 800,517                       | -                            |
| ORBITECH S.A.                        | 485,642                       | -                            |
| TPH S.A.                             | -                             | -                            |
| <b>TOTALS</b>                        | <b><u>3,761,057</u></b>       | <b><u>-</u></b>              |

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**INTRACOMPANY BALANCES OF RECEIVABLES**

|                | <b><u>31.12.2006</u></b> | <b><u>31.12.2005</u></b> |
|----------------|--------------------------|--------------------------|
| LANNET S.A.    | 2,324,524                | -                        |
| COLUMBIA S.A.  | 2,155                    | -                        |
| PRIMUS S.A.    | 29,477                   | -                        |
| PASSPOINT S.A. | 192,116                  | -                        |
| TELEPASS S.A.  | 490,362                  | -                        |
| ORBITECH S.A.  | 3,556                    | -                        |
| TPH S.A.       | 54,260                   | -                        |
| <b>TOTALS</b>  | <b><u>3,096,450</u></b>  | <b><u>-</u></b>          |

**INTRACOMPANY BALANCES OF LIABILITIES**

|                | <b><u>31.12.2006</u></b> | <b><u>31.12.2005</u></b> |
|----------------|--------------------------|--------------------------|
| LANNET S.A.    | 767,831                  | -                        |
| COLUMBIA S.A.  | 457,759                  | -                        |
| PRIMUS S.A.    | 801,459                  | -                        |
| PASSPOINT S.A. | 1,526,749                | -                        |
| TELEPASS S.A.  | (471,656)                | -                        |
| ORBITECH S.A.  | 14,308                   | -                        |
| TPH S.A.       | -                        | -                        |
| <b>TOTALS</b>  | <b><u>3,096,450</u></b>  | <b><u>-</u></b>          |

The remuneration of BoD members as well as the executive management for the periods 1 January 2005 till 31 December 2005 and 1 January 2006 till 30 December 2006 respectively are analyzed as follows:

|  | GROUP<br>31.12.2006 | GROUP<br>31.12.2005 | COMPANY<br>31.12.2006 | COMPANY<br>31.12.2005 |
|--|---------------------|---------------------|-----------------------|-----------------------|
| Remuneration of BoD members and executives | 1,983,000           | 1,237,667           | 1,835,000             | 1,237,667             |
| Receivables by BoD members and executives  | -                   | -                   | -                     | -                     |
| Liabilities to BoD members and executives  | -                   | -                   | -                     | -                     |

## 26. STOCK OPTION PLAN

The Extraordinary General Shareholders Meeting of 27.12.2002 unanimously decided to establish a stock option plan for the BoD members and the personnel of the Company and of the related companies in accordance with the provisions of Article 13, par. 9, L. N. 2190/1920 as amended with Article 16, par.2 of L. 2919/2001.

The BoD of the Company decided that stock options should be given to the BOD members and the employees and informed the beneficiaries in written.

The right is given to the beneficiaries and may be exercised every year, on December, by 40% in the same year, 30% in the year after the option is granted and 30% the second year after the option is granted. Given that the plan aims mainly at the upper level management is directly linked with their presence in the Company, and at the same time is not transferable and may not be used for any transaction excluding the inheritance case.

The BoD of the Company with its decision on 27.12.2002 started the application of the Stock Option Plan, a decision that was approved by the Extraordinary Shareholders Meeting on 27.12.2002, with the first issue of 91,710 shares. The period for the exercise of the aforementioned rights ended without any exercises being made by any of the beneficiaries. For 2003 following a BoD decision no options were granted.

With its decision on 26.11.2004 the BoD proceeded with a second issue of stock options of 847,010 shares.

The second repeat Extraordinary General Shareholders Meeting of the Company on 30.6.2005, approved the stock option plan amendment for the BoD members and the employees of the company having as exercise price the nominal price of the shares at the time of the exercise increased by 10%, authorizing at the same time the Board of Directors of the Company to decide on the details of the program for 5,166,376 shares having as exercise price the last nominal value of the share at a 10% premium.

Also, the BoD was given the authority to amend the exercise time (that was initially set within 3 years) in order to be able to attract qualified upper level management staff in the future.

With its decision on 28.11.2005 the BoD proceeded with the third issue of stock options of 1,779,200 shares.

With its decision on 30.11.2006 the BoD proceeded with the fourth issue of stock options of 2,646,100 shares. This issue was granted to 156 upper level management of the Company (Board of Directors, Managers and employees). With its decision on 24.12.2006 the second repeat Extraordinary Shareholders Meeting, that was recorded in the Societe Anonyme registry with the K-2 17618/9-1-2007 decision of the Ministry of Development, the stock option plan was amended and its duration was extended to five years in order to cover the new subsidiaries, to allow the BoD to distribute the stock options at its free will during one or more of its meetings, increased the number of rights to 7,980,580 and finally amended the exercise procedure to lift the timing or quantitative restrictions linked with the options that were already distributed to beneficiaries or with the forthcoming rights at every year the plan runs.

Based on the New Plan, the issue price of the new shares is €1.14 per share. After the merger via absorption of “TelePassport S.A.” the new issue price is set at €0.75 per share. On 31.12.2006 the Board of Directors of the Company realized that the stock options were not exercise in accordance with the terms of the plan.

Therefore, the total valid stock options for the purchase of shares following the exercise of 2005 and the departure of members of management are as follows:

- From the second issue (2004) there are valid rights for 428,150 shares.
- From the third issue (2005) there are valid rights for 900,094 shares.
- From the fourth issue (2006) there are valid rights for 2,646,100 shares.

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The following table shows the number of shares as well as the various exercise prices of the share option plan to the employees and the Board members of Lannet:

|   | <b>2006</b> |                | <b>2005</b> |                |
|---|-------------|----------------|-------------|----------------|
|   | OPTIONS     | EXERCISE PRICE | OPTIONS     | EXERCISE PRICE |
| Options to Exercise at the Beginning of Year              | 1,328,244   | 1,14           | 428,150     | 1,14           |
| Options Issued during the Year                            | 6,652,336   | 1,14           | 1,779,200   | 1,14           |
| Options to Resigned Personnel and/or Members of the Board | -           | -              | (748,787)   | 1,14           |
| Options Exercised during the Year                         | -           | -              | (130,319)   | 1,14           |
| Options to be exercised at Year-end                       | 7,980,580   | 0,75           | 1,328,244   | 1,14           |

**27. SUMMARY BALANCE SHEETS OF ACQUIRED COMPANIES AT THE TIME OF ACQUISITION IN ACCORDANCE WITH IFRS**

| <u>BALANCE SHEET</u>                | <b>Orbitech</b> | <b>Primus</b>    | <b>Columbia</b>  |
|-------------------------------------|-----------------|------------------|------------------|
| ACQUISITION DATE                    | 1.9.2006        | 1.9.2006         | 1.7.2006         |
| <u>ASSETS</u>                       |                 |                  |                  |
| Fixed assets                        | 28,730          | 689,066          | 405,780          |
| Inventory                           | -               | -                | 14,196           |
| Trade receivables                   | 33,617          | 285,266          | 1,635,524        |
| Other assets                        | 32,451          | 482,477          | 17,812           |
| Cash and cash equivalents           | 160,485         | 9,509            | 227,583          |
| <b>TOTAL ASSETS</b>                 | <b>255,283</b>  | <b>1,466,318</b> | <b>2,300,895</b> |
| <u>LIABILITIES</u>                  |                 |                  |                  |
| Share capital                       | 800,000         | 880,500          | 1,077,660        |
| Reserves                            | 6,912           | 1,503            | -                |
| Profit (loss) carried forward       | (1,136,510)     | (472,278)        | (3,794,016)      |
| Equity                              | (329,598)       | 409,725          | (2,716,356)      |
| Other long-term liabilities         | -               | 113,000          | 26,990           |
| Short-term bank liabilities         | 11,300          | -                | 378,277          |
| Other short-term liabilities        | 573,581         | 943,593          | 4,611,984        |
| Total liabilities                   | 584,881         | 1,056,593        | 5,017,251        |
| <b>TOTAL LIABILITIES AND EQUITY</b> | <b>255,283</b>  | <b>1,466,318</b> | <b>2,300,895</b> |

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| ACQUISITION DATE                    | <b>Telepassport</b><br>1.9.2006 | <b>Passpoint</b><br>1.9.2006 | <b>Telepass</b><br>1.9.2006 | <b>TPH</b><br>1.9.2006 |
|-------------------------------------|---------------------------------|------------------------------|-----------------------------|------------------------|
| <b>ASSETS</b>                       |                                 |                              |                             |                        |
| Fixed assets                        | 17,591,800                      | 372,123                      | 21,389                      | 64,079                 |
| Inventory                           | 275,749                         | -                            | -                           | -                      |
| Trade receivables                   | 9,311,569                       | 1,030,879                    | 216,662                     | -                      |
| Participations                      | 617,346                         | -                            | -                           | -                      |
| Other assets                        | 6,096,666                       | 734,590                      | 3,826,777                   | 82,928                 |
| Cash and cash equivalents           | 4,904,823                       | 196,725                      | 27,567                      | 986                    |
| <b>TOTAL ASSETS</b>                 | <b>38,797,953</b>               | <b>2,334,317</b>             | <b>4,092,395</b>            | <b>147,993</b>         |
| <b>LIABILITIES</b>                  |                                 |                              |                             |                        |
| Share capital                       | 13,067,215                      | 295,000                      | 500,000                     | 295,000                |
| Share premium                       | -                               | -                            | 1,056,000                   | -                      |
| Reserves                            | 54,654                          | -                            | 1,399                       | 25                     |
| Profit (loss) carried forward       | (27,075,707)                    | 214,004                      | (2,394,949)                 | (148,259)              |
| Equity                              | (13,953,838)                    | 509,004                      | (837,550)                   | 146,766                |
| Other long-term liabilities         | 12,468,690                      | 179                          | 19,325                      | -                      |
| Deferred taxes                      | -                               | 390                          | -                           | -                      |
| Short-term bank liabilities         | 3,124,369                       | -                            | -                           | -                      |
| Other short-term liabilities        | 37,158,732                      | 1,824,744                    | 4,910,620                   | 1,227                  |
| Total liabilities                   | 52,751,791                      | 1,825,313                    | 4,929,945                   | 1,227                  |
| <b>TOTAL LIABILITIES AND EQUITY</b> | <b>38,797,953</b>               | <b>2,334,317</b>             | <b>4,092,395</b>            | <b>147,993</b>         |

## 28. CONTINGENT LIABILITIES

### I. CONTINGENT LIABILITIES FROM JUDICIAL DIFFERENCES

There are contested (judicial) receivables of the parent company on 31.12.2006 of total sum of € 4,582,000 roughly for which the company has formed adequate provisions.

### II. OTHER CONTINGENT LIABILITIES

#### 1. *Tax un-audited years*

a. The parent company LAN-NET COMMUNICATIONS SA has been audited by tax authorities up to the year 2001 while the absorbed company "LANTEC COMMUNICATIONS S.A." up to the year 2002.

b. The subsidiary company ORBITECH TECHNOLOGIES OF INFORMATION & COMMUNICATIONS S.A. has been audited by tax authorities up to the year 2002.

c. The subsidiary company COLUMBIA COMMUNICATIONS SA has been audited by tax authorities up to the year 2001.

d. The subsidiary company PRIMUS S.A. COMMUNICATIONS SERVICES SUPPORT has been audited by tax authorities up to the year 2002.

e. The subsidiary company PASSPOINT SA ELECTRONIC TRANSACTIONS has not been audited since its inception in 2004.

f. The subsidiary company TELEPASS SA TELECOMMUNICATION SERVICES has been audited by

tax-authorities up to the year 2004.

g. The subsidiary company TPH SA PRODUCTION AND DEVELOPMENT OF TECHNOLOGY has not been audited by the tax authorities since its inception in 2003.

In a case of a future tax audit there may be additional taxes and dues to be imposed on the parent company and its subsidiaries. The Group asserts that adequate provisions have been accounted for any such additional taxes that may arise from a future tax audit, and those where estimated based on past experience.

**2. Issue of convertible to shares bond loan**

A. At the 30/6/2005 2nd repetitive extraordinary General Assembly of Shareholders of the Company it was unanimously approved the issue of convertible bond loan in rows, with completion period within three years, from the date of decision, duration up to nine years from the date of publication of each row, according to the terms of article 1 paragraph 2 and 3 of Law 3156/2003, sum up to € 50,000,000.

On the 11 November 2005 was disposed the first row of convertible to shares bond loan, to common nominal shares of LAN-NET Communications S.A. to the company Mediterranean Telecom Ltd. undertook completely the first row of sum of € 5,720,000 by converting to bonds the total of granted capital of sum of € 5,500,000.

On December 2005 the above company converted 500 bonds to 500,000 shares, amount to € 520,000, on January 2006 converted 2,000 bonds to 2,000,000 shares, amount to € 2,080,000 and on February 2006 converted 3,000 bonds to 3,000,000 shares, amount to € 3,120,000.

B. The Board of Directors of the Company decided, on 31.12.2005, the issue of the next rows of the already approved convertible to shares bond loan and their disposal through a private placement in the company MEDITERRANEAN TELECOM Ltd in the form of a 9 year convertible to shares, mortgage free, bond loan of € 20,800,000 In three issues. The first and the second issues will be issued at a value of € 5,200,000 each and the third issues at a value of €10,400,000.

The bond loan consists of 40 bonds, convertible to shares, of nominal and disposal value of € 520,000 each that will be disposed through private investment to the lender. The rate of the conversion is € 500,000 nominal shares with vote rights, of €1.04 each. The annual interest rate is set to 7.5%.

The right of conversion to shares can be exercised at any time of the loan's duration including the last day before the lasting day of the loan's duration as well as at any day of the loan's duration requested in written by the Bond Holder by the Issuer. The Board of Directors of the Company decided, on 01/06/2006, the disposal of convertible bond loan to the MEDITERRANEAN TELECOM LTD, duration up to nine years from the date of publication of each row, sum up to € 5,200,000. This loan is convertible to shares, bond loans mortgage free.

The bond loan consists of 10 bonds, convertible to shares, of nominal and disposal value of € 520,000 each, which will be disposed through private investment to the lender. The rate of the conversion is € 500,000 nominal shares with vote rights, of €1.04 each. The annual interest rate is set to 7.5%.

The Board of Directors of the Company has also decided, on 30/06/2006, the increase of share capital, due to the conversion of the above 10 Bonds into share capital from the conversion of MEDITERRANEAN TELECOM Ltd bonds.

According to the conditions of the afore mentioned bond loan, each bond converts into 500,000 shares and so will be issued 5,000,000 new shares, of the same category with the existed shares, with nominal value of € 1.04 each, and the company' s share capital will have an increase of € 5,200,000. The trading started in the Stock Market on 19/07/2006.

C. Additionally we mention, that the Board of Directors of the Company on 21/07/2006 decided the issue of Convertible Bond Loans into shares of total amount of € 4,507,048 and the issue of a common bond loan € 6,000,000 (third and fourth issues).

The third issue of total nominal valued of € 3,779,048, duration up to three years, convertible into shares, bond loan, mortgage free, in order to reimburse the takeover of COLUMBIA SA.

The row of Bond Loan consists of 1,253 nominal convertible bonds with nominal and disposal value of € 3,016, each, were disposed through private investment to the lender. The annual interest rate is set to 2.58%.

It is noted that the BoD of the Company in its meeting on 31.7.2006 approved the share capital increase of the Company by € 1,576,432, from the conversion of the third issue bonds.

The bond holders, old shareholders of COLUMBIA TELECOMMUNICATIONS SA, holding 1,253 bonds required in written, and in accordance with the provisions of the aforementioned bond, the conversion of 583 bonds. The conversion ration is 2,600 common registered shares for each bond or amount € 1.16 per share.

The revenues from the conversion of 583 bonds of nominal value of € 3,016 amount to € 1,758,328 of which € 1,576,432 refer to share capital increase with the of 1,515,800 common registered shares of nominal value of € 1.04 each and share premium amount of € 181,896.

The fourth issue total valued € 728,000, duration up to two years, convertible into shares, bond loan, mortgage free. The row of Bond Loan consists of 7 nominal convertible bonds with nominal value and disposal value of € 104,000 each was disposed through private investment to the lender. The rate of the conversion is € 100,000 nominal shares with vote rights, of €1.04 each. The annual interest rate is set to 7.5%

Additionally on 21/07/2006 was disposed common bond loan, mortgage free, of total amount of € 6,000,000 with duration up to two years, which consists of 12 nominal bonds with nominal and disposal value of 500,000. The annual interest rate is set to 7.5%

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D. The Board of Directors of the company on its meeting on 29.8.2006 decided the fifth issue of a Corporate bond amounted to € 4,470,180, to be distributed to company Telepassport Hellas SA for the payment of the transfer of shares of Primus Communications SA, divided into 550 bonds having a nominal value and issue value of € 8,127.60 which on 31.8.2006 converted to 3,725,150 new common registered shares.

E. On 30.08.2006 the BoD of the company decided the sixth issue of the convertible bond amounted to € 14,496,000 for the payment to Prensco Holdings Ltd of the acquisition of Orbitech SA. The issue is divided in 1000 bonds having a nominal and issue value of € 14,496. On 31.08.2006 the conversion of the aforementioned bonds resulted to the issue of 12,080,000 new common registered shares.

In summary, the corporate bond loans for the period 1.1-31.12.2006 are reported in the following table:

| ISSUE OF CORPORATE BOND LOAN | AMOUNT €          | DATE IF ISSUE | CONVERSION €      | CONVERSION DATE | NEW SHARES        | SHARE CAPITAL OF THE COMPANY € | BALANCE TO BE ISSUED/ CONVERSION € |   |
|------------------------------|-------------------|---------------|-------------------|-----------------|-------------------|--------------------------------|------------------------------------|---|
|                              |                   | 11/11/200     |                   |                 |                   |                                |                                    |   |
| A                            | 5,720,000         | 5             | 520,000           | 11/12/2005      | 500,000           | 54,584,246                     | -                                  |   |
|                              | -                 | -             | 2,080,000         | 11/1/2006       | 2,000,000         | 56,664,246                     | -                                  |   |
|                              | -                 | -             | 3,120,000         | 11/2/2006       | 3,000,000         | 59,784,246                     | -                                  |   |
| B                            | 20,800,000        | 6/1/2006      | -                 | -               | -                 | -                              | -                                  |   |
| B1                           | 5,200,000         | 31/5/2006     | 5,200,000         | 30/6/2006       | 5,000,000         | 64,984,246                     | -                                  |   |
| B2                           | 10,400,000        | -             | -                 | -               | -                 | -                              | 10,400,000                         | a |
| B3                           | 5,200,000         | -             | -                 | -               | -                 | -                              | 5,200,000                          | a |
| C                            | 3,779,048         | 21/7/2006     | 1,758,328         | 31/7/2006       | 1,515,800         | 66,560,678                     | 2,020,720                          | b |
| D                            | 728,000           | 21/7/2006     | -                 | -               | -                 | -                              | 728,000                            | b |
| E                            | 4,470,180         | 29/8/2006     | 4,470,180         | 31/8/2006       | 3,725,150         | 70,434,834                     | -                                  |   |
| F                            | 14,496,000        | 30/8/2006     | 14,496,000        | 31/8/2006       | 12,080,000        | 82,998,034                     | -                                  |   |
| <b>TOTAL</b>                 | <b>49,993,228</b> |               | <b>31,644,508</b> |                 | <b>27,820,950</b> |                                | <b>18,348,720</b>                  |   |

a: Corporate bond loan to be issued

b: Corporate bond loan for potential conversion

## 29. POST BALANCE SHEET EVENTS

There are no post balance sheet events that may affect the structure or the financial position of the company.

## 30. OTHER INFORMATION

The 2<sup>nd</sup> Repeat Shareholders Meeting of the company decided the issue of a convertible bond loan in accordance with the provisions of article 1 par. 2 and 3 of L. 3156/2003, up to the amount of € 575,000,000 for the strengthening of the company's need for capital. The Bond would be used for acquisitions, investments subsidized or not, substitution of bank or other loans, working capital needs or

the coverage of part of the company's liabilities to suppliers, creditors or debtors with the equal conversion of the liabilities to bond loan. The duration of the bond loan would be 10 years from the following the issue of each series, while the issue of further series may occur within a four years period from the approval date. The General Shareholders Meeting authorized the Board of Directors to set the terms of each issue as well as the number of issues.

Peristeri, 14 November 2007

The Chairman and  
Managing director

The Director

Director of Finance

The Accountant

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