

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the nine-month period from 1 January to 30 September 2005
(Amounts in Euro)



LANNET COMMUNICATIONS S.A.

Tax Reg. No 094055219, DOY FABE ATHINON, Reg. No S.A. 2640/06/B/86/03
KONSTANTINOUPOLEOS 1 & KHFISOU, 12132 PERISTERI

Interim Financial Statements
for the nine-month period from 1 January to 30 September 2005
in accordance with the International Financial Reporting Standards

This is to certify that the attached Interim Financial Statements are those which have been approved by the Board of Directors of LANNET COMMUNICATIONS S.A. on 10 November 2005 and have been published by filing them with the Registrar of Companies and by posting them on the internet, at the address www.lannet.gr. The attention of the reader is drawn to the fact that the extracts published in the press 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, in accordance with International Financial Reporting Standards. Please note, that for purposes of simplification, some accounts in the published financial statements have been abridged or rearranged.

Thomas Ch. Lanaras
Chairman of the Board of Directors
"LANNET COMMUNICATIONS S.A."

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1. REVIEW REPORT

To the Shareholders of the Company
“LANNET COMMUNICATIONS S.A.”

We have reviewed the accompanying interim financial statements of **LANNET COMMUNICATIONS S.A.**, as of and for the nine-month period ended 30 September 2005. These interim financial statements are the responsibility of the Company's management. We conducted our review in accordance with the International Standard on Review Engagements, which is based on the Greek Review Standard. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view in accordance with the International Financial Reporting Standards that have been adopted by the European Union. Without, expressing any reservation regarding the results of our review, we bring to your attention to the note 6.21 of the financial statements the fact, that the company has not been audited by the Tax Authorities from the year 2002 to the year 2004 and the absorbed company 'LANTEC COMMUNICATIONS S.A.' for the year 2003 and as a consequence, there is a possible charge of added taxes and increments at the time these years will be audited and finalized. The result of the tax audits is not possible to be predicted and therefore, no relative provision has been formed in the financial statements.

Athens, November 10, 2005
The Certified Public Accountants

Theodoros G. Zervos
Soel R.N. 17591

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2. INCOME STATEMENT

	Note	1/1-30/9/2005	1/1-30/9/2004	1/7-30/9/2005	1/7-30/9/2004
Sales	6.19	40.435.121	53.468.007	11.646.051	17.174.484
Cost of sales		<u>(21.921.586)</u>	<u>(29.816.363)</u>	<u>(5.907.195)</u>	<u>(9.565.069)</u>
Gross profit		18.513.535	23.651.644	5.738.856	7.609.415
Other operational income		<u>61.740</u>	<u>554.680</u>	<u>2.487</u>	<u>21.797</u>
		18.575.275	24.206.324	5.741.343	7.631.212
Selling, distribution expenses		(24.882.200)	(30.533.646)	(7.490.089)	(8.705.622)
Administrative expenses		(4.361.048)	(5.129.247)	(1.451.247)	(1.104.400)
Research and development expenses		(219.427)	(292.515)	(53.543)	(65.117)
Other operational expenses		<u>(44.097)</u>	<u>(132.480)</u>	<u>(368)</u>	<u>(25.525)</u>
Operating Loss		(10.931.497)	(11.881.564)	(3.253.904)	(2.269.452)
Finance cost (net)	6.4	<u>(2.267.214)</u>	<u>(1.865.378)</u>	<u>(203.562)</u>	<u>(685.502)</u>
Loss before tax		(13.198.711)	(13.746.942)	(3.457.466)	(2.954.954)
Less: Taxes		-	-	-	-
Loss after tax		<u>(13.198.711)</u>	<u>(13.746.942)</u>	<u>(3.457.466)</u>	<u>(2.954.954)</u>

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3. BALANCE SHEET

BALANCE SHEET

ASSETS	Note	30/9/2005	31/12/2004
Fixed assets			
Tangible assets	6.6	28.058.034	32.720.044
Intangible assets	6.7	2.650.381	-
Goodwill	6.8	3.569.124	3.569.124
<i>Total Fixed assets</i>		<u>34.277.539</u>	<u>36.289.168</u>
Current Assets			
Inventories	6.9	1.947.621	2.095.578
Trade receivables	6.10	24.232.896	25.146.655
Other assets	6.11	7.529.107	9.894.615
Cash and cash equivalents	6.12	2.786.552	2.850.171
<i>Total current assets</i>		<u>36.496.176</u>	<u>39.987.019</u>
TOTAL ASSETS		<u>70.773.715</u>	<u>76.276.187</u>
LIABILITIES			
EQUITY			
Share capital	6.13	38.378.798	38.378.798
Share premium account	6.13	1.257.708	1.257.708
Reserves	6.14	6.463.756	6.463.756
Accumulated deficit		(35.372.837)	(22.174.126)
Total equity		<u>10.727.425</u>	<u>23.926.136</u>
LIABILITIES			
Long-term liabilities			
Loans	6.15	20.611.454	13.839.433
Obligations towards employees	6.16	209.902	209.902
<i>Total long-term liabilities</i>		<u>20.821.356</u>	<u>14.049.335</u>
Short-term liabilities			
Trade and other payables	6.17	36.385.627	26.443.595
Short-term borrowings	6.15	2.839.307	11.857.121
<i>Total short-term liabilities</i>		<u>39.224.934</u>	<u>38.300.716</u>
Total Liabilities		<u>60.046.290</u>	<u>52.350.051</u>
Total Equity and Liabilities		<u>70.773.715</u>	<u>76.276.187</u>

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4. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Share Capital	Share premium	Legal reserve	Tax Law reserves	Retained earnings	Total
Balance at 01/01/2004 as previously appeared	38.378.798	1.257.708	1.223.193	5.240.563	(2.812.432)	43.287.830
I.F.R.S. adjustments (1st adoption)	0	0	0	0	(3.884.235)	(3.884.235)
Balance at 01/01/2004 under I.F.R.S.	38.378.798	1.257.708	1.223.193	5.240.563	(6.696.667)	39.403.595
Loss 2004 after tax	0	0	0	0	(15.477.459)	(15.477.459)
Balance at 31/12/2004 under I.F.R.S.	38.378.798	1.257.708	1.223.193	5.240.563	(22.174.126)	23.926.136
Loss of the nine-month period from 1 January to 30 September 2005 after tax	0	0	0	0	(13.198.711)	(13.198.711)
Balance at 30/9/2005 under I.F.R.S.	38.378.798	1.257.708	1.223.193	5.240.563	(35.372.837)	(10.727.425)

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5. CASH FLOW STATEMENT

	1/1– 30/9/2005	1/1– 30/9/2004
	€	€
<u>Cash flows from operating activities</u>		
Loss before tax	(13.198.711)	(13.746.942)
Plus/Less adjustments:		
Depreciation	3.465.601	3.523.832
Results of investing activities	627.334	346.718
Interest and similar expenses	<u>1.486.502</u>	<u>1.523.415</u>
Operating Loss before working capital changes	<u>(7.619.274)</u>	<u>(8.352.977)</u>
Decrease of inventories	147.957	329.928
Decrease of receivables	913.759	5.351.982
Increase of current liabilities (except from banks)	<u>9.942.033</u>	<u>10.977.113</u>
Cash generated from operations	11.003.749	16.659.023
Interest and similar expenses paid	<u>(1.486.502)</u>	<u>(1.523.415)</u>
Total cash flows from operating activities	<u>1.897.973</u>	<u>6.782.631</u>
<u>Total cash flows from investing activities</u>		
Purchase of property, plan and equipment	(422.973)	(4.388.039)
Purchase of securities	(975.618)	-
Interest received	(13.174)	(47.259)
Decrease of long-term receivables	<u>2.365.508</u>	<u>(1.174.783)</u>
Total cash flows from investing activities	<u>953.743</u>	<u>(5.610.081)</u>
<u>Cash flows from financing activities</u>		
Repayments on liabilities from financial leases (sinking fund)	(738.541)	(845.424)
Proceeds of borrowings	83.664	92.055
Repayments on borrowings	<u>(2.260.458)</u>	<u>(3.615.954)</u>
Total cash flows from financing activities	<u>(2.915.335)</u>	<u>(4.369.323)</u>
Net increase /(decrease) in cash and cash equivalents of period	<u>(63.619)</u>	<u>(3.196.773)</u>
Cash and cash equivalents in the beginning of period	<u>2.850.171</u>	<u>5.702.400</u>
Cash and cash equivalents at the end of period	<u>2.786.552</u>	<u>2.505.627</u>

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6. NOTES TO THE FINANCIAL STATEMENTS

6.1 Description of the company

The company was established in 1976 with a duration of 50 years and the initial brand name of "G. GIANNOUSIS A.B.E.E.". The full brand name of the Company is "LANNET COMMUNICATIONS S.A." (previous name "LANNET A.E.B.E.T."). The legal form of the Company is Societe Anonyme and operates under the Greek legislation.

The activity of the Company after the merging, and according to the Extraordinary General Assembly of the shareholders on the 17th November 2003 has changed in order to include the activities of the absorbed company such as the provision of every nature of Telecommunication services inside and outside Greece, the transmission and switching of voice and sounds of electronic data, pictures and internet.

The Company's shares are listed in the Main Market of the Athens Stock Exchange.

6.2 Basis of Preparation of Financial Statements

The interim financial statements of period 1/1-30/9/2005 have been prepared on the historical cost basis. The mentioned financial statements have also been prepared according to the principal of going concern.

The interim financial statements of period 1/1-30/9/2005 have been prepared in accordance with the International Financial Reporting Standards (I.F.R.S.) that are prescribed by the International Accounting Standards Board and the Interpretations issued from the Standard Interpretation Committee. By the exception of IFRS 1 concerning "First Implementation Use of International Financial Reporting Standards (I.F.R.S.)" used for the preparation of the interim financial statements of the period 1/1-30/9/2005, no Standards have been implemented prior to the commencement date of their implementation.

The above interim financial statements are based in the financial statements prepared by the Company in accordance with the Greek Commercial Law, adjusted with the proper off-balance sheet accounts, in order to comply with I.F.R.S.

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6.3 Company Accounting Principles

6.3.1 Tangible fixed assets

Tangible fixed assets are shown in the financial statements in their acquisition or replacement cost. These values are reduced by: (a) their accumulated depreciation and (b) their impairment.

The initial cost of any property, buildings or equipment comprises its purchase price including import taxes and other non returnable purchase taxes as well as any other necessary elements of cost in order the fixed assets to turn functional and be prepared for its intended use.

Subsequent expenses relating to the tangible fixed assets are capitalized only when it is probable that future economic benefits by the performance of the existing asset will flow to the Company. All the other expenditure of repairs, maintenance etc. are recognized as an expense to the income statement when incurred.

At the retirement or disposal of an asset, the relative cost and the accumulated depreciation are written off from the respective accounts at the retirement or disposal period and the relative profits or loss are recognized in the income statement.

Depreciation is calculated using the straight-line method over the estimated useful life of fixed assets and charges the Income Statement. The estimated useful life per category of fixed assets is as follows:

• Buildings	25 years
• Machinery and buildings	10 years
• Vehicles	9 years
• Furniture and other equipment	5-20 years
• Tools	3-9 years

Residual values and useful lives of property, plan and equipment are reviewed at each balance sheet date.

When carrying amounts of property, plan and equipment exceed their residual value, differences (impairment) are recognized as an expense in the income statement.

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6.3.2 Intangible fixed assets

Computer software

Computer software concern purchase or own production cost of software such as for payments, material and services, as well any expense occurring during software's development to turn it in function. Expenses made to enhance or expand software performance beyond their initial specifications are recognized as capital expenses and added to the software's initial value.

Software depreciation is calculated using the straight-line method over their useful lives and charges income statement account. The estimated useful life of computer software is 10 years.

Other intangible assets

Expenditures to acquire patents, trademarks and licenses are capitalised and amortised using the straight-line method over their useful lives.

6.3.3 Impairment of assets

Property, plant and equipment, intangible assets and other non-current assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in the income statement 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 costs to sell are considered the feasible revenue from the sale of an asset within the framework of a reciprocal transaction, in which the parties have full cognizance and enter willingly, after deduction of any additional direct disposal costs of the asset.

The value in use is the present value of future cash flows, which are expected to occur from the on-going use of an asset and from its disposal at the end of its estimated useful life. If a company has not the possibility to assess the recovered amount of an asset, for which there are indications of impairment of its value, then the company defines the recovered amount of the unit generating cash flows, to which the asset belongs.

Offsetting error for loss of impairment asset value calculated in previous years is only performed when there are solid indications that the said impairment no longer exists or is reduced. In these cases, the above-mentioned offsetting error is recognized as revenue.

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6.3.4 Investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale, and are included in Fixed assets.

Purchases and sales of investments are recognised with their purchase cost on the trade date, which is the date that the Company commits to purchase or sell the asset. Cost of purchase includes transaction costs. The available-for-sale investments are subsequently carried at fair value. Unrealised gains (losses) arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. The fair value of investments is based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

6.3.5 Inventories

Inventories are valued at the lower of acquisition or production cost and net realisable value. Net realisable value is the estimated selling price less the costs necessary to make the sale. The cost of inventories is defined by the weighted average basis and comprises the cost of materials, the related production overhead (in case of own products) and transfer costs.

Inventories of specialized machinery spare parts are considered as an integral part of the machinery value and they are depreciated together with the cost of machinery although the replacements of used spare parts are recognized as expenses at the date of purchase. On contrary, the consumables for the maintenance of machinery and the spare parts of general use are included in inventories and recognized as an expense at the date of their consumption.

6.3.6 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently, measured at amortised cost using the effective interest rate method, less losses for impairment. Losses for impairment of trade receivables (losses from doubtful debt receivables) are recognized when there is objective evidence that the Company will not be able to collect all amounts due

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according to the original terms of receivables. The amount of the impairment loss is the difference between the carrying amount of the receivables and the present value of the estimated future cash flows, discounted with the effective interest rate. The amount of the impairment loss is recognized as an expense in the income statement.

6.3.7 Cash

Cash include cash equivalents such as on-site bank deposits and short-term time deposits. Bank super withdrawals which are payable in first demand and comprise an integral part of cash management of the Company are represented, for retirement purposes of cash flow statement, as a component element of cash.

6.3.8 Transactions in foreign currency

Transactions in foreign currency are converted in Euro with the exchange parity on the transaction date. On the balance sheet date, the monetary assets and the liabilities in foreign currency are converted in Euro with the parity of exchange on that date. Exchange differences of that conversion are recognized in income statement.

6.3.9 Share Capital

Ordinary shares are classified as equity. Incremental cost directly attributable to the issue of new shares is shown in equity as a deduction, net of tax, from the proceeds. When the company acquires part of the share capital, the acquisition cost plus any incremental external cost except for income tax is reduced from the total share capital as own shares until they will be cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

6.3.10 Borrowings

Borrowings are recognised initially at cost, which represents the fair value for provision of loans except the transaction costs incurred. Borrowings are subsequently evaluated at amortised cost using the effective interest rate method. Any difference between this provision (except the acquisition cost) and the amount of settlement is recognised in the income statement during the loans duration.

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6.3.11 Leases

Financial leases, through which the Company undertakes in effect all the risks and rewards of ownership, are recorded as assets with an amount equal at the lease's inception to the fair value of the leased property, or if it is lower, to the present value of the minimum lease payments.

Each lease payment is allocated between finance charges and the decrease of unpaid liability so as to achieve a constant rate on the finance balance outstanding. Finance expenses are directly charged to the income statement.

The leased assets are amortised in accordance with their useful life.

Leases where the lessor retains mainly all of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

6.3.12 Income taxes (current and deferred)

Current and deferred income tax are calculated using the relevant accounts of the financial statements in accordance with tax laws applicable in Greece. The current tax is a tax on taxable profits of the Company, as they were readjusted in accordance with the provisions of the tax law and it was calculated on the basis of the effective tax rate.

The deferred tax charge is calculated with the liability method in all temporary tax differences as of the balance sheet date occurring between the tax base and the carrying amount of assets and liabilities.

The expected tax consequences from the temporary tax differences are defined and appear either as future (deferred) tax liabilities or as deferred tax receivables.

Deferred tax assets are recognised for all the deductible temporary differences and the transferred tax losses to the extent that is likely that taxable profits will be generated against of which the deductible temporary difference can be utilized.

The carrying amount of the deferred tax assets is readjusted at each balance sheet date and it is reduced to the extent that is not likely that enough taxable profits will be generated and against of them a part or the total of the deferred tax assets can be used.

The current tax assets and liabilities for the current and the previous years are valued to the amount that is expected to be paid to the tax authorities

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(or to retrieved by them) by using instituted or basically instituted until the balance sheet date tax rates (and tax laws).

6.3.13 Dividends

Payable dividends are recognised as a liability in the period in which they are approved by the General Assembly of the Shareholders.

6.3.14 Obligations towards employees

The obligation of the Company towards its employees to provide them future benefits depending on their length of service is quantified and reported on the basis of the accrued entitlement, as at the balance sheet date, that is anticipated to be paid, discounted to its present value by reference to the anticipated time of payment. The discount rate used is equal to the yield, as at the balance sheet date, of long-term Greek Government bonds.

Company calculates obligations towards employees according to an actuarial research which fulfilled every three (3) years.

6.3.15 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events and it is more likely that an outflow of resources will be required to settle the obligation and also the amount has been reliably estimated.

Provisions are estimated in the end of each year and are adjusted in order to present the best possible estimates and in any case that is necessary, are discounted on the basis of a pre-tax discounted interest rate. Contingent liabilities are not recognized in the financial statements but they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but they are disclosed in the financial statements unless the inflow of economic benefits is probable.

6.3.16 Grants

Government grants are, initially, recognised at their fair value when there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

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Government grants relating to current costs are recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and they are recognized as a revenue and are credited to the income statement over the useful life of the related granted asset.

6.3.17 Financial instruments

The basic financial instruments of the Company comprises cash, bank deposits and short term assets and liabilities. Based on the short term nature of these instruments, the management of the Company believes that their fair value is substantially identified with their book value. Furthermore, the management of the Company believes that the paid interest rates in relevance with the occurred loans are equal with the current market interest rates and consequently, the appropriate conditions of any value adjustment are not met to picture these liabilities. The Company does not use derivatives.

6.3.18 Revenues Recognition

Revenues from the sale of goods are recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Revenues from rendering of services are based on the stage of completion determined by reference to services performed to date as a percentage of total services to be performed.

Revenues arising from royalties (or own use rights) are recognised on an accrual basis in accordance with the substance of the relevant agreements. Interest income are recognised on a time-proportion basis, taking into account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will be accrued to the Company.

Dividends are recognised as revenue on the date of approval for their distribution.

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6.3.19 Expenses

Operating leases

Payments made under operating leases are charged to the income statement over the period of the lease.

Finance leases

Finance leases are met as loan contracts and consequently the leased assets are represented as Company's assets (and are depreciated) with a relevant recognition of the finance obligation to the lessor. The finance cost is charged to the income statement over the period of being accrued.

Finance Cost

Net finance cost comprises from the accrued interest of the relevant loans which are calculated on the effective interest rate method.

6.4 Finance cost (net)

Financial income and expenses are analyzed as follows below:

	30/9/2005	30/9/2004
Interest income of bank liabilities	(1.640.112)	(1.523.415)
Loss from securities sales'	(11.275)	(389.221)
Provisions from securities devaluation	(629.000)	-
<i>Total financial expenses</i>	(2.280.387)	(1.921.636)
Interest and similar income	12.942	4.755
	231	42.503
<i>Total financial revenues</i>	13.173	47.258
Net finance costs	(2.267.214)	(1.865.378)

6.5 Tax income and deferred taxes

No deferred taxes have been calculated because the Company performs losses through its ordinary activities from the fiscal periods 2002-2004 as well as the period from 1 January to 30 September 2005 of the year ending December 31, 2005.

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6.6 Property, plan and equipment

Tangible fixed assets of Company are analyzed as follows:

	Buildings	Machinery & Mechanical Installations	Vehicles	Furniture & other equipment	Assets under construction or installation	Total
31/12/2004	962.748	38.744.737	29.229	6.078.312	2.637.287	48.452.313
Additions for the period from 1 January to 30 September 2005	0	1.246.159	2.000	3.467	154.669	1.406.295
Disposals for the period from 1 January to 30 September 2005	0	0	(61)	0	(2.791.956)	(2.792.017)
Total on 30/9/2005	962.748	39.990.896	31.168	6.081.779	0	47.066.591
<u>Accumulated depreciation</u>						
31/12/2004	165.172	13.326.227	18.737	2.222.133	0	16.128.269
Additions for the period from 1 January to 30 September 2005	60.171	2.641.836	2.476	571.867	0	3.276.349
Disposals for the period from 1 January to 30 September 2005	0	0	(61)	0	0	(61)
Total on 30/9/2005	225.343	15.968.063	21.152	2.794.000	0	19.008.557
<u>Net book value</u>						
31/12/2004	797.576	25.418.510	10.492	3.856.179	2.637.287	32.720.044
30/9/2005	737.405	24.022.833	10.016	3.287.780	0	28.058.034

Fixed assets totalled to € 11.271.956 have been pledged by the Company for secure of borrowings.

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6.7 Intangible Assets

	Softwear
31/12/2004	-
Additions for the period from 1 January to 30 September 2005	2.839.694
Disposals for the period from 1 January to 30 September 2005	-
Total on 30/9/2005	2.839.694
<u>Accumulated depreciation</u>	
31/12/2004	-
Additions for the period from 1 January to 30 September 2005	189.313
Disposals for the period from 1 January to 30 September 2005	-
Total on 30/9/2005	189.313
<u>Net book value</u>	
31/12/2004	-
30/9/2005	2.650.381

6.8 Goodwill

The Company absorbed "LANTEC COMMUNICATIONS S.A." whose shares were listed in A.S.E., through a transformed balance sheet on 31/7/2003 and an amount of goodwill € 3.965.124 arose which until the 31/12/2004 presented accumulated depreciations amounted to € 396.000.

On 31/3/2005 an impairment audit of the company was operated and the recovered amount was higher than the outstanding balance of goodwill.

6.9 Inventories

Company' s inventories are analyzed as follows:

	30/9/2005	31/12/2004
Merchandise	1.947.458	2.095.424
Prepayments for purchases of inventories	163	154
	1.947.621	2.095.578

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6.10 Receivables

Company' s receivables are analyzed as follows:

	30/9/2005	31/12/2004
Trade receivable	27.001.401	25.245.305
Notes and post-dated cheques	122.744	396.981
Post-dated cheques overdue	248.708	274.326
Doubtful – Contested Customers	640.043	640.043
	<u>28.012.896</u>	<u>26.294.893</u>
Less: Provisions	(3.780.000)	(1.500.000)
Total	<u>24.232.896</u>	<u>25.146.655</u>

All receivables are short-term and no prepayment is required at the balance sheet date. There is no gathering of credit risk in comparison with receivables as the company has a great number of customers and credit risk is spreaded.

6.11 Other assets

Company' s other Assets are analyzed as follows:

	30/9/2005	31/12/2004
Sundry debtors	1.006.118	1.295.403
Advances & other receivables	702.280	290.865
Securities	1.273.722	980.030
Prepayments for purchases of securities	4.000.000	5.000.000
Deferred charges	43.465	148.657
Blocked deposit accounts	19.554	351.761
Other prepayments & accrued income	0	1.395.888
Other long-term receivables	483.968	432.009
	<u>7.529.107</u>	<u>9.894.613</u>

Investments totalled to € 1.064.732 represent 980.000 shares of company "KLONATEX S.A." and 2.000.000 shares of company "KLOSTHRIA NAOUSIS A.E.", which have been pledged for bank borrowings of "LANNET COMMUNICATIONS S.A.".

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6.12 Cash & cash equivalents

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

6.13 Share Capital and Share premium

Company's share capital consists of 36.902.690 common nominal shares with nominal value of € 1,04 each. Company's share capital does not change for the period from January 1, 2004 to the approval date of interim financial statements. Company's shares are listed in the Main Market of Athens Stock Exchange.

Based on the decision of the meeting of the 2nd repeated Extraordinary General Assembly of the shareholders, the share capital increased by the amount € 15.351.519 with the issue of 14.761.076 new shares in favour of the old Shareholders with the proportion of four (4) new shares for every ten (10) existed shares of nominal value € 1,04 and sale price € 1,04. Therefore, the share capital of the company will be formed to € 53.730.317 divided to 51.663.766 common nominal shares with nominal value € 1,04 each. The increase will be implemented according to the articles of L. 2190/1920 and the existed Stock Exchange legislation.

On 30/9/2005, according to Company's Shareholders Register, the shareholders with a percentage of participation greater than 2% were the following ones:

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SHAREHOLDER	NUMBER OF SHARES	PARTICIPATION %
KLONATEX GROUP S.A.	2.418.800	6,55%
BANK HOFMANN AG	4.975.078	13,48%
DELAN INVESTMENTS LTD	1.800.000	4,87%
THEODOROS IOANNIS GIANNOUSIS	942.634	2,57%
TOTAL	<u>10.136.512</u>	<u>27,47%</u>

No member exist from company' s management that held its own shares.

The share premium capital of Company totalled to € 1.257.708 arose from fiscal year 1998 € 451.800 and from fiscal year 2002 € 805.908 which is attributed to the absorbed company "LANTEC COMMUNICATIONS S.A." by the issue of shares against cash in a greater value than their nominal one.

6.14 Reserves

According to the provisions of Greek Commercial legislation, the formation of the "legal reserve" – with the every year transfer of an amount equal to 5% of the annual net profits (after taxes) - is obligatory when the balance of the legal reserve reaches the 1/3 (one third) of the share capital. The "legal reserve" is distributed only in case of Company' s resolution which can be offset with accumulated losses.

Taxed reserves created in accordance with the provisions of tax legislation which can serve either the possibility of transfer for tax income at the time of their appropriation to shareholders or tax relieves as a motivation for investments.

6.15 Loans

Company' s loans have been granted by Greek banks in Euro. The amounts which are payable within 1 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. Company' s loans are analyzed as follows, based on the main moneylender:

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BANK	30/9/2005		31/12/2004	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
EFG EUROBANK ERGASIAS	729.248	1.640.807	2.916.990	-
GENIKI BANK	377.869	559.280	1.084.992	-
ALPHA BANK	311.640	-	720.235	-
ELLINIKI BANK	40.500	-	640.000	-
NATIONAL BANK OF GREECE	0	-	494.393	-
AGROTIKI BANK	687.500	18.411.367	5.704.559	13.839.433
Finance Leases	692.550	-	295.952	-
Total bank borrowings	<u>2.839.307</u>	<u>20.611.454</u>	<u>11.857.121</u>	<u>13.839.433</u>

Company is making provisions for the accrued bank interests and charge the income statement of the respective period.

On 15/09/2005 the company regulates its mentioned loan liabilities with AGROTIKI BANK and two (2) new loans arose amounted to € 5.348.867 approximately, which expires on 31/12/2006 and another one amounted to € 13.750.000 which expires on 31/12/2015 (payment in semiannual annuity installments with the first one on 30/06/2006).

Liabilities from financial leasing refer to the leased mechanical equipment of production.

On the leased assets, a withholding of occupancy exists, which will remain valuable till the end of the leasing period and the full repayment of the leases.

No other guarantees and withholding of occupancy or use exist on the assets and other possessions of the Company.

6.16 Obligations towards employees

The obligation of the Company towards its employees in Greece to provide them future benefits depending on their length of service is quantified and reported on the basis of the accrued entitlement, as at the balance sheet date, that is anticipated to be paid, discounted to its present value by reference to the anticipated time of payment. The discount rate used (4,38%) is equal to the yield, as at the balance sheet date on 31/12/2003, of long-term German Government bonds.

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Persons employed and related costs

	30/9/2005	30/9/2004
<u>Persons:</u>		
Permanent employment	<u>185</u>	<u>214</u>
<u>Analysis of cost employees:</u>		
Payroll	3.124.795	3.548.606
Employees' compensation	170.838	44.446
Insurance contribution	630.134	669.887
Total cost	<u>3.925.767</u>	<u>4.262.939</u>

6.17 Suppliers and other liabilities

Company's total liabilities towards suppliers and other third parties are analyzed:

	30/9/2005	31/12/2004
Suppliers	28.812.937	25.241.749
Advances from trade debtors	61.363	51.225
Insurance and pension fund dues	98.784	196.241
Taxes and duties	360.073	244.093
Dividends payable	101.571	101.755
Sundry creditors	6.082.981	391.344
Accrued expenses & interests payable	867.918	164.294
Other liabilities	0	52.894
Total	<u>36.385.627</u>	<u>26.443.595</u>

6.18 Transactions and Outstanding balances with Affiliated Persons

Company consider as affiliated persons the members of the Board Of Directors (including their affiliated persons) as well the shareholders with a percentage greater than 5% of its share capital. The transactions and the balances of the Company concerning the period from 1 January to 30 September 2005 as of September 30, 2005, relatively, were as follows:

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AFFILIATED PERSONS	1/1-30/09/2005		30/09/2005	
	Sales to affiliated persons	Purchases from affiliated persons	Receivables from affiliated persons	Liabilities from affiliated persons
KLONATEX S.A.	53.155	-	68.126	535.935

6.19 Sales

On September 30, 2005 the revenues of the nine-month period from 1 January to 30 September 2005 from the telecommunication appeared to be decreased at 20% in relation with the relative period of year 2004. This decrease is due to, mainly, a loss of customers – specially in the category of private ones- on the order of 16% with a simultaneous reduction of 32% at its active connections. Secondly, the decline arose from the decrease of price – list services (up to 3% at calls to mobile phones), which fulfilled on February of the current year. Consequently, the number of the registered customers of the company as of September 30, 2005 overcome the number of 140.000 although the number of its active connections was arising to 210.000 with an average monthly revenue per line equal to € 18,50.

It is worth to be mentioned that even for the nine month period of the current year, the most important threat that the company faces with direct consequences to its customers was the offensive strategy of O.T.E., many points of which are disputed to its legitimate part. In the context of support of LANNET's competitiveness, specially in the mass market of private and individual companies, it occurs since the beginning of September in full force the project of a new trading structure whose target is the creation of conditions inside and outside of the company for the direct development of telecommunications' customers and the quick penetration in the market of wide Internet zone services.

6.20 Contingent liabilities from doubtful or under arbitrage differences

Doubtful debt receivables occurred totalled to € 4.400.000 approximately, for which company formed a provision on 30/09/2005 amounted to € 3.780.000. Concerning the other doubtful debt receivables totalling to € 620.000 the company believes that their outcome will not have serious effects on financial statements.

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6.21 Other Contingent liabilities

The company has been audited by tax authorities up to the year 2001 and the absorbed company "LANTEC COMMUNICATIONS S.A." up to the year 2002.

Due to weakness of proper estimation, the future amounts of taxes which will probably arise in a future audit of the unaudited years from the responsible tax authorities will be registered within the year the amounts will be finalized.

6.22 Post balance sheet events

Beyond the already mentioned events, no other post balance sheet events as of September 30, 2005 exist considering Company, so as to be mentioned in accordance with International Financial Reporting Standards.

6.23 Adoption of the International Financial Reporting Standards

These interim financial statements are the first financial statements that are compiled and published by the Company "LANNET COMMUNICATIONS S.A." in accordance with the International Financial Reporting Standards (I.F.R.S.) which have been adopted by the European Union. According to the law, the implementation of the International Financial Reporting Standards is obligatory from January 1, 2005 for all Companies whose shares are listed in A.S.E.. Due to the obligation to set out comparatives on the same basis for the past period, the valuation and adjustment of the individual assets and liabilities of the Company was performed on December 31, 2003, resulting in a restatement of the financial statements that have been previously compiled and published in accordance with the preexisting provisions of the Greek Companies' Act.

The most important adjustments attributed to financial statements on periods December 31, 2003 and December 31, 2004 that were deemed necessary concern the following:

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31 December 2003					
Transitions' result to I.F.R.S.					
<i>Note</i>	<i>Amounts previously published</i>	<i>Adjustments</i>	<i>Reclassifications</i>	<i>Amounts based on I.F.R.S.</i>	
BALANCE SHEET					
ASSETS					
Fixed assets					
	1	29.312.704	(74.904)	4.365.999	32.667.248
	2	8.406.027	(1.011.455)	(4.365.999)	3.965.124
		<u>37.718.731</u>	<u>(1.086.359)</u>	<u>0</u>	<u>36.632.372</u>
Total fixed assets					
Current assets					
		2.563.153	-	-	2.563.153
	3	42.862.920	(1.500.000)	-	41.362.920
		5.702.400	-	-	5.702.400
		<u>51.128.473</u>	<u>(1.500.000)</u>	<u>:</u>	<u>49.628.473</u>
		<u>88.847.204</u>	<u>(2.586.359)</u>	<u>0</u>	<u>86.260.845</u>
					<u>86.260.845</u>
TOTAL ASSETS					
LIABILITIES					
EQUITY					
		38.378.798	-	-	38.378.798
		1.257.708	-	-	1.257.708
		6.463.756	-	-	6.463.756
		(2.812.432)	(3.884.235)	-	(6.696.667)
		<u>43.287.830</u>	<u>(3.884.235)</u>	<u>-</u>	<u>39.403.595</u>
					<u>39.403.595</u>
Total equity					
LIABILITIES					
Long-term liabilities					
		15.000.000	-	-	15.000.000
	4	295.741	(125.308)	-	170.433
		<u>15.295.741</u>	<u>(125.308)</u>	<u>0</u>	<u>15.170.433</u>
					<u>15.170.433</u>
					<u>15.170.433</u>
Total long-term liabilities					
Short-term liabilities					

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Trade and other payables		16.352.777	-	-	16.352.777
Bank borrowings	5	13.910.856	1.423.184	-	15.334.040
Total short-term liabilities		30.263.633	1.423.184	0	31.686.817
Total liabilities		45.559.374	1.297.876	0	46.857.250
TOTAL EQUITY AND LIABILITIES		88.847.204	(2.586.359)	0	86.260.845

31 December 2004

		Transitions' result to IFRS			
	<i>Note</i>	<i>Amounts previously published</i>	<i>Adjustments</i>	<i>Reclassifications</i>	<i>Amounts based on IFRS</i>
<u>BALANCE SHEET</u>					
ASSETS					
Fixed assets					
Tangible assets	1	29.535.470	(982.971)	4.167.545	32.720.044
Intangible assets/Goodwill	2	11.019.026	(3.282.357)	(4.167.545)	3.569.124
Total fixed assets		<u>40.554.496</u>	<u>(4.265.328)</u>	<u>0</u>	<u>36.289.168</u>
Current assets					
Inventories		2.095.578	-	-	2.095.578
Trade receivables and other assets	3	36.541.270	(1.500.000)	-	35.041.270
Cash and cash equivalents		2.850.171	-	-	2.850.171
Total current assets		<u>41.487.019</u>	<u>(1.500.000)</u>	<u>-</u>	<u>39.987.019</u>
TOTAL ASSETS		<u>82.041.515</u>	<u>(5.765.328)</u>	<u>0</u>	<u>76.276.187</u>
LIABILITIES					
EQUITY					
Share capital		38.378.798	-	-	38.378.798
Share premium account		1.257.708	-	-	1.257.708
Reserves		4.078.256	-	2.385.500	6.463.756
Retained earnings (loss)		(13.859.233)	(5.929.393)	(2.385.500)	(22.174.126)
Total equity		<u>29.855.529</u>	<u>(5.929.393)</u>	<u>0</u>	<u>23.926.136</u>
LIABILITIES					
Long-term liabilities					
Loans		13.839.433	-	-	13.839.433
Other long-term liabilities	4	341.789	(131.887)	-	209.902
Total long-term liabilities		<u>14.181.222</u>	<u>(131.887)</u>	<u>0</u>	<u>14.049.335</u>
Short-term					

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liabilities					
Trade and other payables		26.443.595	-	-	26.443.595
Bank borrowings	5	11.561.169	295.952	-	11.857.121
Total short-term liabilities		38.004.764	295.952	0	38.300.716
Total liabilities		52.185.986	164.065	0	52.350.051
TOTAL EQUITY AND LIABILITIES		82.041.515	(5.765.328)	0	76.276.187

6.23.1 Notes on equity adjustments

The adjustments on the financial statements of periods December 31, 2003 and December 31, 2004 analytically, are as follows:

1. The cost value of machinery is adjusted at amortized cost of their replacement as well the depreciations of property, plan and equipment redefined in accordance with their useful life. On 31/12/2003 property, plan and equipment increased due to capitalization of financial leases for mechanical equipment for the amount of € 5.988.740. Connection fees of interface doors transferred in property, plan and equipment from intangible assets in effect their net increase on 31/12/2003 for the amount of € 4.365.999 and on 31/12/2004 to € 4.167.545.
2. Charges and expenses written – off from intangible assets category as they did not met the relevant recognition criteria. The total amount of written – off charges and expenses on 31/12/2003 arose to the amount of € 1.011.455 and on 31/12/2004 to € 3.282.357 with an equivalent decrease of Equity.
3. Company' s short-term receivables adjusted through the doubtful debts provision. On 31/12/2003 and 31/12/2004 relatively, the provision arose to the amount of € 1.500.000 with an equivalent decrease of Equity.
4. Bank borrowings on 31/12/2003 and 31/12/2004 increased by the amount of obligations from finance leases which are payable beyond one (1) year amounted to € 1.423.184 and € 295.952 relatively, with an equivalent increase of Company' s Equity.
5. The obligations of Company towards its employees adjusted in accordance with an actuarial research elaborated by a distinguished company of actuaries and a profit arose in comparison with the provision based on G.A.S. on 31/12/2003 and 31/12/2004 totalling to € 125.308 and € 131.887 with an equal increase of Company' s Equity.

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		1.1-30.9.2004		
		Transitions' result to I.F.R.S.		
Note	Amounts previously published	Adjustments	Reclassifications	Amounts based on I.F.R.S.
<u>PROFIT AND LOSS ACCOUNT</u>				
	53.468.007	-	-	53.468.007
Less: Cost of sales	1 (28.556.537)	(1.259.826)	-	(29.816.363)
Gross profit	24.911.470	(1.259.826)	-	23.651.644
Other operational income	2 2.702	-	551.978	554.680
	24.914.172	(1.259.826)	551.978	24.606.324
Selling, distribution expenses	1 (29.243.513)	(1.290.133)	-	(30.533.646)
Administrative expenses	1 (4.912.522)	(216.725)	-	(5.129.247)
Research & development expenses	1 (280.155)	(12.360)	-	(292.515)
Other operational expenses	2 -	-	(132.480)	(132.480)
Loss before taxes and financial results	(9.522.018)	(2.779.044)	419.498	(11.881.564)
Finance cost	(1.865.378)	-	-	(1.865.378)
Results	(11.387.396)	(2.779.044)	419.498	(13.746.942)
Extraordinary income	2 551.978	-	(551.978)	-
Extraordinary expenses	2 (132.480)	-	132.480	-
Loss before taxes	(10.967.898)	(2.779.044)	-	(13.746.942)
Less: Taxes	-	-	-	-
Results after taxes	(10.967.898)	(2.779.044)	-	(13.746.942)

6.23.2 Notes on results adjustments of period 1/1-30/9/2005

The adjustments and reclassifications on results of period 1/1-30/9/2005 analytically, are as follows:

1. Cost of sales, selling & distribution expenses, administrative expenses and research & development expenses adjusted with a total amount of € (2.779.044) from which € (3.624.468) refers to the effect from the adjustment of the acquisition cost and depreciation of fixed assets and an amount of € 845.424 concerns the recognition of capital payments of the liabilities from financial leases of mechanical equipment.

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2. Other operational income and expenses reclassified for the amount € 551.978 and € (132.480) relatively, which are attributed to the reclassification of various extraordinary income and expenses in the operating results.