



LAN-NET 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 three-month period from 1 January to 31 March 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 LAN-NET COMMUNICATIONS S.A. on 27 June 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](http://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*  
"LAN-NET COMMUNICATIONS S.A."

**LAN-NET COMMUNICATIONS S.A.**  
**Interim Financial Statements**  
**for the three-month period from 1 January to 31 March 2005**  
*(Amounts in Euro)*

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**1. INCOME STATEMENT**

	<b>Note</b>	<b>1/1-31/3/2005</b>	<b>1/1-31/3/2004</b>
Sales		13.278.060	16.390.452
Cost of sales		<u>(6.477.657)</u>	<u>(7.863.760)</u>
<b>Gross profit</b>		<b><u>6.800.403</u></b>	<b><u>8.526.692</u></b>
Selling, distribution expenses		(8.261.761)	(8.637.637)
Administrative expenses		<u>(2.045.265)</u>	<u>(1.394.097)</u>
<b>Operating Loss</b>		<b><u>(3.506.623)</u></b>	<b><u>(1.505.042)</u></b>
Finance costs (net)	6.4	<u>(375.461)</u>	<u>(320.910)</u>
<b>Loss before tax</b>		<b><u>(3.882.084)</u></b>	<b><u>(1.825.952)</u></b>
Less: Income tax expense		<u>-</u>	<u>-</u>
<b>Loss after tax</b>		<b><u>(3.882.084)</u></b>	<b><u>(1.825.952)</u></b>

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**2. Balance Sheet**

**BALANCE SHEET**

<b>ASSETS</b>	<b>Note</b>	<b>31/3/2005</b>	<b>31/12/2004</b>
<b>Fixed assets</b>			
Tangible assets	6.6	31.867.897	32.720.044
Intangible assets	6.7	3.420.124	3.569.124
<i>Total Fixed assets</i>		<u>35.288.021</u>	<u>36.289.168</u>
<b>Current Assets</b>			
Inventories	6.8	1.996.334	2.095.578
Trade receivables	6.9	24.041.142	24.794.893
Other assets	6.10	7.735.777	10.246.377
Cash and cash equivalents	6.11	4.572.253	2.850.171
<i>Total current assets</i>		<u>38.345.506</u>	<u>39.987.019</u>
<b>TOTAL ASSETS</b>		<b><u>73.633.527</u></b>	<b><u>76.276.187</u></b>
<b>LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	6.12	38.378.798	38.378.798
Share premium account	6.12	1.257.708	1.257.708
Reserves	6.13	6.463.756	6.463.756
Accumulated deficit		(26.056.210)	(22.174.126)
<b>Total equity</b>		<u>20.044.052</u>	<u>23.926.136</u>
<b>LIABILITIES</b>			
<b>Long-term liabilities</b>			
Loans	6.14	16.918.675	13.839.433
Obligations towards employees	6.15	209.902	209.902
<i>Total long-term liabilities</i>		<u>17.128.577</u>	<u>14.049.335</u>
<b>Short-term liabilities</b>			
Trade and other payables	6.16	28.297.711	26.443.595
Short-term borrowings	6.14	8.163.187	11.857.121
<i>Total short-term liabilities</i>		<u>36.460.898</u>	<u>38.300.716</u>
<b>Total Liabilities</b>		<b><u>53.589.475</u></b>	<b><u>52.350.051</u></b>
<b>Total Equity and Liabilities</b>		<b><u>73.633.527</u></b>	<b><u>76.276.187</u></b>

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**3. STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**

	Share Capital	Share premium	Legal reserve	Tax Law reserves	Retained earnings	Total
<b>Balance at 01/01/2004 (as previously appeared)</b>	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)
<b>Balance at 01/01/2004 under I.F.R.S.</b>	<b>38.378.798</b>	<b>1.257.708</b>	<b>1.223.193</b>	<b>5.240.563</b>	<b>(6.696.667)</b>	<b>(39.403.595)</b>
Loss 2004 after tax	0	0	0	0	(15.477.459)	(15.477.459)
<b>Balance at 31/12/2004 under I.F.R.S.</b>	<b>38.378.798</b>	<b>1.257.708</b>	<b>1.223.193</b>	<b>5.240.563</b>	<b>(22.174.126)</b>	<b>(23.926.136)</b>
Loss A´ trimester 2005 after tax	0	0	0	0	(3.882.084)	(3.882.084)
<b>Balance at 31/3/2005 under I.F.R.S.</b>	<b>38.378.798</b>	<b>1.257.708</b>	<b>1.223.193</b>	<b>5.240.563</b>	<b>(26.056.210)</b>	<b>(20.044.052)</b>

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**4. CASH FLOW STATEMENT**

	<b>1.1– 31.3.2005</b>	<b>1.1– 31.3.2004</b>
	<b>€</b>	<b>€</b>
<b><u>Cash flows from operating activities</u></b>		
Loss before tax	(3.882.084)	(1.825.952)
Plus/Less adjustments:		
Depreciation	1.149.255	1.150.179
Results of investing activities	56.792	149.079
Interest and similar expenses	<u>432.253</u>	<u>469.988</u>
Operating Loss before working capital changes	<u>(2.243.784)</u>	<u>(56.706)</u>
Decrease of inventories	99.244	41.753
Decrease of receivables	2.352.034	6.128.656
Increase of current liabilities (except from banks)	<u>1.822.966</u>	<u>(2.380.951)</u>
Cash generated from operations	4.274.244	3.789.458
Interest and similar expenses paid	<u>(432.253)</u>	<u>(469.988)</u>
Total cash flows from operating activities	<u>1.598.207</u>	<u>3.262.764</u>
<b><u>Total cash flows from investing activities</u></b>		
Purchase of property, plant and equipment and intangible fixed assets	(190.946)	(1.781.713)
Interest received	(56.792)	(149.079)
Decrease/(increase) of long-term receivables	912.317	<u>(3.248.655)</u>
Total cash flows from/ (used in) investing activities	<u>664.579</u>	<u>(5.179.447)</u>
<b><u>Cash flows from financing activities</u></b>		
Proceeds of borrowings	83.664	92.055
Repayments on borrowings	<u>(624.368)</u>	<u>(581.310)</u>
Total cash flows from/ (used in) financing activities	<u>(540.704)</u>	<u>(489.255)</u>
<b>Net increase / (decrease) in cash and cash equivalents of period</b>	<b>1.722.082</b>	<b>(2.405.938)</b>
<b>Cash and cash equivalents in the beginning of period</b>	<b><u>2.850.171</u></b>	<b><u>5.702.400</u></b>
<b>Cash and cash equivalents at the end of period</b>	<b><u>4.572.253</u></b>	<b><u>3.296.462</u></b>

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**5. ADJUSTMENT TABLE FOR RETAINED EARNINGS AT THE BEGINNING OF PERIOD (1.1.2005 and 1.1.2004 RELATIVELY) BETWEEN THE GREEK ACCOUNTING STANDARDS (G.A.S.) AND THE INTERNATIONAL ACCOUNTING STANDARDS (I.A.S.)**

	<b>1.1.2005</b>	<b>1.1.2004</b>
	<b>€</b>	<b>€</b>
<b>Retained earnings at the beginning of period (1.1.2005 and 1.1.2004) in accordance with G.A.S.</b>	<b>29.855.529</b>	<b>43.287.830</b>
Offsetting of the retirement benefit provision	131.887	125.308
Effect from tangible fixed assets' valuation	(982.971)	(74.904)
Effect from fixed assets' capitalization acquired by financial leasing	(295.952)	(1.423.184)
Write-off of other formation expenses	(3.282.357)	(1.011.455)
Recognition for doubtful debts provision	<u>(1.500.000)</u>	<u>(1.500.000)</u>
<b>Retained earnings at the beginning of period (1.1.2005 and 1.1.2004) in accordance with I.A.S.</b>	<b><u>23.926.136</u></b>	<b><u>39.403.595</u></b>

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**6.1 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 "LAN-NET COMMUNICATIONS S.A." (previous name "LAN-NET 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 17<sup>th</sup> 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 1/1-31/3/2005 have been prepared on the historical cost basis, with the exception of the evaluation of particular elements of assets and liabilities, which at the transmission date to the International Financial Reporting Standards (1/1/2004) were evaluated at the amortized cost of their replacement. The mentioned financial statements have also been prepared according to the principal of going concern.

The interim financial statements of period 1/1-31/3/2005 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. The above interim financial statements are the first ones prepared according to International Financial Reporting Standards (I.F.R.S.). 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 1/1-31/3/2005, 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 (in percentages multiply by 100%):

• Buildings	4%
• Machinery and buildings	10%
• Vehicles	11%
• Furniture and other equipment	5%-20%
• Tools	11%-33%

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 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 lives of them has as follows:

Computer Software	10 years
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#### ***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 receivables) are recognized when there is objective evidence that the Company will not be able to collect all amounts due 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.

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

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**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.

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.

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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.

#### **6.3.19 Expenses**

##### **Operating leases**

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

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**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)**

Finance revenues (costs) are analyzed as follows below:

	<b>31/3/2005</b>	<b>31/3/2004</b>
Interest income of bank liabilities	(432.253)	(469.988)
Interest and similar income	<u>56.792</u>	<u>149.078</u>
<b>Net finance revenues (costs)</b>	<b><u>(375.461)</u></b>	<b><u>(320.910)</u></b>

**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.

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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
<b>31/12/2004</b>	962.748	38.744.737	29.229	6.078.312	2.637.287	48.452.313
Additions A´ Semester 2005	0	0	0	0	154.669	154.669
Disposals A´ Semester 2005	0	0	(61)	0	0	(61)
<b>Total on 31/3/2005</b>	<b>962.748</b>	<b>38.744.737</b>	<b>29.168</b>	<b>6.078.312</b>	<b>2.791.956</b>	<b>48.606.921</b>
<b><u>Accumulated depreciation</u></b>						
<b>31/12/2004</b>	165.172	13.326.227	18.737	2.222.133	0	15.732.269
Additions A´ Semester 2005	20.057	820.461	866	165.432	0	1.006.816
Disposals A´ Semester 2005	0	0	(61)	0	0	(61)
<b>Total on 31/3/2005</b>	<b>185.229</b>	<b>14.146.688</b>	<b>19.542</b>	<b>2.387.565</b>	<b>0</b>	<b>16.739.024</b>
<b><u>Net book value</u></b>						
<b>31/12/2004</b>	<b>797.576</b>	<b>25.418.510</b>	<b>10.492</b>	<b>3.856.179</b>	<b>2.637.287</b>	<b>32.720.044</b>
<b>31/3/2005</b>	<b>777.519</b>	<b>24.598.049</b>	<b>9.687</b>	<b>3.690.747</b>	<b>2.791.956</b>	<b>31.867.897</b>

Fixed assets totalled to € 17.750.574 have been pledged by the Company for secure of borrowings.

**6.7 Intangible assets**

Intangible fixed assets of Company are analyzed as follows:

	<b>Goodwill LANTEC S.A.</b>
<b><u>Cost value or evaluation</u></b>	
31/12/2004	3.965.124
Additions A´ Semester 2005	0
Disposals A´ Semester 2005	0
<b>Total on 31/3/2005</b>	<b>3.965.124</b>
<b><u>Accumulated depreciation</u></b>	
31/12/2004	396.000
Additions A´ Semester 2005	149.000
Disposals A´ Semester 2005	0
<b>Total on 31/3/2005</b>	<b>545.000</b>
<b><u>Net Book Value</u></b>	
31/12/2004	<b>3.559.124</b>
31/3/2005	<b>3.420.124</b>

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The Company absorbed “LANTEC COMMUNICATIONS S.A.” which shares were listed on A.S.E., through transformed balance sheet on 31/7/2003 and an amount of goodwill € 3.965.124 arose which is examined for a possible evaluation loss every year.

**6.8 Inventories**

Company’ s inventories are analyzed as follows:

	<b>31/3/2005</b>	<b>31/12/2004</b>
Merchandise	1.996.126	2.095.424
Prepayments for purchases of inventories	208	124
	<b><u>1.996.334</u></b>	<b><u>2.095.578</u></b>

**6.9 Receivables**

Company’ s receivables are analyzed as follows:

	<b>31/3/2005</b>	<b>31/12/2004</b>
Trade receivable	24.294.622	24.983.543
Post-dated cheques	332.151	396.981
Post-dated cheques overdue	274.326	274.326
Doubtful – Contested Customers	640.043	640.043
	25.541.142	26.294.893
<b>Less: Provisions</b>	(1.500.000)	(1.500.000)
<b>Total</b>	<b><u>24.041.142</u></b>	<b><u>24.794.893</u></b>

All receivables are short-term and no prepayment is required at the balance sheet date.

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**6.10 Other assets**

Company's other Assets are analyzed as follows:

	<b>31/3/2005</b>	<b>31/12/2004</b>
Sundry debtors	979.200	1.295.403
Advances & other receivables	299.463	290.865
Securities	5.980.032	5.980.032
Deferred charges		148.657
Blocked deposit accounts	44.957	351.761
Other prepayments & accrued income		1.747.650
Other long-term receivables	432.125	432.009
	<b><u>7.735.777</u></b>	<b><u>10.246.377</u></b>

Investments totalled to € 980.039 represent, mainly, 980.000 shares of company "KLONATEX S.A.", which have been pledged for bank borrowings of "LAN-NET COMMUNICATIONS S.A.".

**6.11 Cash & cash equivalents**

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

**6.12 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.

On 31/3/2005, according to Company's Shareholders Register, the shareholders with a greater than 2% percentage of participation were the following ones:

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SHAREHOLDER	NUMBER OF SHARES	PARTICIPATION %
KLONATEX GROUP S.A.	2.778.000	7,53%
BANK HOFMANN AG	2.777.568	7,53%
DELAN INVESTMENTS LTD	1.800.000	4,88%
THEODOROS IOANNIS GIANNOUSIS	942.634	2,55%
<b>TOTAL</b>	<b><u>8.298.202</u></b>	<b><u>22,49%</u></b>

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.

### **6.13 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.

### **6.14 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	31/3/2005		31/12/2004	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
EFG EUROBANK ERGASIAS	729.247	2.005.431	2.916.990	
GENIKI BANK	323.794	761.553	1.084.992	
ALPHA BANK	668.995		720.235	
ELLINIKI BANK	340.000		640.000	
NATIONAL BANK OF GREECE	484.000		494.393	
AGROTIKI BANK	5.395.227	14.151.691	5.704.559	13.839.433
Finance Leases	221.964		295.952	
<b>Total bank borrowings</b>	<b><u>8.163.187</u></b>	<b><u>16.918.675</u></b>	<b><u>11.857.121</u></b>	<b><u>13.839.433</u></b>

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

Liabilities from financial leasing refer to the leased mechanical equipment of production and are analysed as follows:

- *Financial leasing liabilities – Minimum leasing payments:*

	31/3/2005	31/12/2004
Up to 1 year	221.964	295.952

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.

### **6.15 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 Greek Government bonds.

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**Persons employed and related costs**

	<b>31/3/2005</b>	<b>31/3/2004</b>
<b><u>Persons:</u></b>		
Permanent employment	<u>201</u>	<u>203</u>
<b><u>Analysis of cost employees:</u></b>		
Payroll	947.475	1.192.648
Employees' compensation	60.035	6.794
Insurance contribution	201.944	222.610
Personnel dismissal and retirement compensation provisions	209.902	209.902
<b>Total cost</b>	<b>1.419.356</b>	<b>1.631.954</b>

**6.16 Suppliers and other liabilities**

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

	<b>31/3/2005</b>	<b>31/12/2004</b>
Suppliers	26.868.474	25.241.749
Bills payable		
Advances from trade debtors	51.184	51.225
Insurance and pension fund dues	104.505	196.241
Long-term liabilities payable next year		
Dividends payable	101.571	101.755
Sundry creditors	361.825	391.344
Accrued expenses & interests payable	132.000	164.294
Other liabilities	678.152	296.987
<b>Total</b>	<b>28.297.711</b>	<b>26.443.595</b>

**6.17 Contingent liabilities from doubtful or under arbitrage differences**

Doubtful debt receivables occurred totalled to € 4.400.000 approximately, for which company believes that their outcome will not have serious effects on financial statements.

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**6.18 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.

**6.19 Post balance sheet events**

Beyond the already mentioned events, no other post balance sheet events on 31<sup>st</sup> March 2005 exist considering Company, so as to be mentioned in accordance with International Financial Reporting Standards.

**6.20 Adoption of the International Financial Reporting Standards**

These interim financial statements are the first financial statements that are compiled and published by the Company "LAN-NET 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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	Note	Amounts previously published	Transitions' result to I.F.R.S.		Amounts based on I.F.R.S.
			Adjustments	Reclassifications	
<b><u>BALANCE SHEET</u></b>					
<b>ASSETS</b>					
<b>Fixed assets</b>					
Tangible assets	1	29.312.704	(74.904)	4.365.999	32.667.248
Intangible assets	2	8.406.027	(1.011.455)	(4.365.999)	3.965.124
<b>Total fixed assets</b>		<b><u>37.718.731</u></b>	<b><u>(1.086.359)</u></b>	<b><u>0</u></b>	<b><u>36.632.372</u></b>
<b>Current assets</b>					
Inventories		2.563.153	-	-	2.563.153
Trade receivables and other assets	3	42.862.920	(1.500.000)	-	41.362.920
Cash and cash equivalents		5.702.400	-	-	5.702.400
<b>Total current assets</b>		<b><u>51.128.473</u></b>	<b><u>(1.500.000)</u></b>	<b><u>=</u></b>	<b><u>49.628.473</u></b>
<b>TOTAL ASSETS</b>		<b><u>88.847.204</u></b>	<b><u>(2.586.359)</u></b>	<b><u>0</u></b>	<b><u>86.260.845</u></b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
Share capital		38.378.798	-	-	38.378.798
Share premium account		1.257.708	-	-	1.257.708
Reserves		6.463.756	-	-	6.463.756
Retained earnings (loss)		(2.812.432)	(3.884.235)	-	(6.696.667)
<b>Total equity</b>		<b><u>43.287.830</u></b>	<b><u>(3.884.235)</u></b>	<b><u>-</u></b>	<b><u>39.403.595</u></b>
<b>LIABILITIES</b>					
<b>Long-term liabilities</b>					
Loans		15.000.000	-	-	15.000.000
Other long-term liabilities	4	295.741	(125.308)	-	170.433
<b>Total long-term liabilities</b>		<b><u>15.295.741</u></b>	<b><u>(125.308)</u></b>	<b><u>0</u></b>	<b><u>15.170.433</u></b>
<b>Short-term liabilities</b>					
Trade and other payables		16.352.777	-	-	16.352.777
Bank borrowings	5	13.910.856	1.423.184	-	15.334.040
<b>Total short-term liabilities</b>		<b><u>30.263.633</u></b>	<b><u>1.423.184</u></b>	<b><u>0</u></b>	<b><u>31.686.817</u></b>
<b>Total liabilities</b>		<b><u>45.559.374</u></b>	<b><u>1.297.876</u></b>	<b><u>0</u></b>	<b><u>46.857.250</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>88.847.204</u></b>	<b><u>(2.586.359)</u></b>	<b><u>0</u></b>	<b><u>86.260.845</u></b>

31 December 2004

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	Note	Amounts previously published	Transitions' result to IFRS		Amounts based on IFRS
			Adjustments	Reclassifications	
<b><u>BALANCE SHEET</u></b>					
<b>ASSETS</b>					
<b>Fixed assets</b>					
Tangible assets	1	29.535.470	(982.971)	4.167.545	32.720.044
Intangible assets	2	11.019.026	(3.282.357)	(4.167.545)	3.569.124
<b>Total fixed assets</b>		<b><u>40.554.496</u></b>	<b><u>(4.265.328)</u></b>	<b><u>0</u></b>	<b><u>36.289.168</u></b>
<b>Current assets</b>					
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
<b>Total current assets</b>		<b><u>41.487.019</u></b>	<b><u>(1.500.000)</u></b>	<b><u>-</u></b>	<b><u>39.987.019</u></b>
<b>TOTAL ASSETS</b>		<b><u>82.041.515</u></b>	<b><u>(5.765.328)</u></b>	<b><u>0</u></b>	<b><u>76.276.187</u></b>
<b>LIABILITIES</b>					
<b>EQUITY</b>					
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)
<b>Total equity</b>		<b><u>29.855.529</u></b>	<b><u>(5.929.393)</u></b>	<b><u>0</u></b>	<b><u>23.926.136</u></b>
<b>LIABILITIES</b>					
<b>Long-term liabilities</b>					
Loans		13.839.433	-	-	13.839.433
Other long-term liabilities	4	341.789	(131.887)	-	209.902
<b>Total long-term liabilities</b>		<b><u>14.181.222</u></b>	<b><u>(131.887)</u></b>	<b><u>0</u></b>	<b><u>14.049.335</u></b>
<b>Short-term liabilities</b>					
Trade and other payables		26.443.595	-	-	26.443.595
Bank borrowings	5	11.561.169	295.952	-	11.857.121
<b>Total short-term liabilities</b>		<b><u>38.004.764</u></b>	<b><u>295.952</u></b>	<b><u>0</u></b>	<b><u>38.300.716</u></b>
<b>Total liabilities</b>		<b><u>52.185.986</u></b>	<b><u>164.065</u></b>	<b><u>0</u></b>	<b><u>52.350.051</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>82.041.515</u></b>	<b><u>(5.765.328)</u></b>	<b><u>0</u></b>	<b><u>76.276.187</u></b>

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**6.20.1 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 31/12/2005 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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		<b>31 December 2004</b>			
		<b>Transitions' result to I.F.R.S.</b>			
<b><u>PROFIT AND LOSS ACCOUNT</u></b>	<b>Note</b>	<b>Amounts previously published</b>	<b>Adjustments</b>	<b>Reclassifications</b>	<b>Amounts based on I.F.R.S.</b>
Sales		16.390.451	-	-	16.390.452
Less: Cost of sales	1	(7.562.493)	(301.267)	-	(7.863.760)
Gross profit		8.827.959	(301.267)		8.526.692
Selling, distribution expenses	1	(1.346.976)	(47.121)	-	(1.394.097)
Administrative expenses	1,2	(8.197.322)	(318.694)	(121.621)	(8.637.637)
Operating results		(716.339)	(667.082)		(1.505.042)
Finance cost	2	(523.178)	-	202.268	(320.910)
Ordinary activities results		(1.239.517)	(667.082)		(1.825.952)
Extraordinary results	2	80.647	-	(80.647)	-
Results before taxes		(1.158.870)	(667.082)	-	(1.825.952)
Tax income		0	-	-	-
<b>Results after taxes</b>		<b>(1.158.870)</b>	<b>(667.082)</b>	<b>-</b>	<b>1.825.952</b>

**6.20.2 Notes on results adjustments of period 1/1-31/3/2004**

The adjustments on results of period 1/1-31/3/2004 analytically, are as follows:

1. Cost of sales, selling & distribution expenses and administrative expenses adjusted with a total amount of € (667.082) from which € (948.890) refers to decreases of fixed assets and € 281.808 concerns payments of finance leases for the period 1/1-31/3/2004. The other operating income adjusted for the amount of € 441 which is attributed to the reclassification of various extraordinary expenses in the operating results.
2. Administrative expenses and finance cost reclassified for the amount € (121.621) and € 202.268 relatively, which are attributed to the reclassification of various extraordinary income and expenses in the operating results.