

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(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 three-month period from 1st January to 31st March 2006
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 24th of May 2006 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."

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

	Page
1. Income Statement for the period 1.1-31.3.2006	4
2. Balance Sheet at 31.3.2006	5
3. Statement of changes in shareholder's equity for the period 1.1-31.3.2006	6
4. Cash flow statement at 31.3.2006	7
5. Notes to the Interim Financial Statements	8-29

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

2. INCOME STATEMENT FOR THE PERIOD 1.1-31.3.2006

	Note	1.1 - 31.3.2006	1.1 – 31.3.2005
Sales	5.14	11.477.271	13.278.060
Cost of sales		<u>(6.613.203)</u>	<u>(6.477.657)</u>
Gross profit		4.864.068	6.800.403
Other operational income		<u>63.147</u>	<u>56.792</u>
		4.927.215	6.857.195
Selling, distribution expenses		(6.141.555)	(8.226.151)
Administrative expenses		(1.669.173)	(1.945.569)
Research and development expenses		(70.458)	(99.696)
Other operational expenses		<u>(49.910)</u>	<u>(35.610)</u>
Operating Loss		(3.003.882)	(3.449.831)
Finance cost (net)		<u>(129.246)</u>	<u>(432.253)</u>
Loss before tax		(3.133.128)	(3.882.084)
Less: Taxes		-	-
Loss after tax		(3.133.128)	(3.882.084)

The notes on pages 7 to 14 form an integral part of these interim accounts which related on pages 3 to 6.

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

3. BALANCE SHEET AT 31.3.2006

ASSETS	Note	31.3.2006	31.12.2005
Fixed assets			
Tangible assets	5.4	26.158.335	27.064.913
Intangible assets	5.5	2.588.597	2.662.548
Goodwill		3.569.124	3.569.124
<i>Total Fixed assets</i>		<i>32.316.056</i>	<i>33.296.585</i>
Current Assets			
Inventories		156.085	228.096
Trade receivables	5.6	22.763.685	21.169.905
Other assets	5.7	7.940.379	9.162.670
Cash and cash equivalents	5.8	3.638.890	7.225.046
<i>Total current assets</i>		<i>34.499.039</i>	<i>37.785.717</i>
TOTAL ASSETS		<u>66.815.095</u>	<u>71.082.302</u>
LIABILITIES			
EQUITY			
Share capital	5.9	59.784.246	54.584.246
Share premium account		964.172	996.512
Reserves		6.463.756	6.463.756
Accumulated deficit		(31.891.707)	(28.758.579)
Total equity		35.320.467	33.285.935
LIABILITIES			
Long-term liabilities			
Loans	5.10	14.333.944	19.533.944
Obligations towards employees		209.902	209.902
<i>Total long-term liabilities</i>		<i>14.543.846</i>	<i>19.743.846</i>
Short-term liabilities			
Trade and other payables	5.12	9.073.119	9.560.302
Short-term borrowings	5.10	7.877.663	8.492.219
<i>Total short-term liabilities</i>		<i>16.950.782</i>	<i>18.052.521</i>
Total Liabilities		31.494.628	37.796.367
TOTAL LIABILITIES		66.815.095	71.082.302

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LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
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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 1/1/2005 as previously appeared	38.378.798	1.257.708	1.223.193	5.240.563	(22.174.126)	23.926.136
I.F.R.S. adjustments (1st adoption)	0	0	0	0	(3.882.084)	(3.882.084)
Balance at 31/3/2005 under I.F.R.S.	38.378.798	1.257.708	1.223.193	5.240.563	(26.056.210)	20.044.052
Loss 2005 after tax	0	0	0	0	0	
Balance at 1/1/2006 under I.F.R.S.	54.584.246	996.512	1.223.193	5.240.563	(28.758.579)	33.285.935
Share Capital increase	5.200.000	0	0	0	0	5.200.000
Expenses of Share Capital increase	0	(32.340)	0	0	0	(32.340)
Loss of the nine-month period from 1 st of January to 31 st of September 2006 after tax	0	0	0	0	(3.133.128)	(3.133.128)
Balance at 31/3/2006 under I.F.R.S.	38.378.798	964.172	1.223.193	5.240.563	(31.891.707)	35.320.467

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LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

5. CASH FLOW STATEMENT		
	1/1– 31/3/2006	1/1– 31/3/2005
	€	€
Cash flows from operating activities		
Loss before tax	(3.133.128)	(3.882.084)
Plus/Less adjustments:		
Depreciation	1.162.067	1.149.255
Results of investing activities	(127.083)	56.792
Interest and similar expenses	<u>551.448</u>	<u>432.253</u>
Operating Loss before working capital changes	<u>(1.546.696)</u>	<u>(2.243.784)</u>
Decrease of inventories	72.011	99.244
Decrease of receivables	(1.593.780)	2.352.034
Increase of current liabilities (except from banks)	<u>(487.183)</u>	<u>1.822.966</u>
Cash generated from operations	(2.008.952)	4.274.244
Interest and similar expenses paid	<u>(551.448)</u>	<u>(432.253)</u>
Profit from shares' sale	<u>97.933</u>	<u>0</u>
Total cash flows from operating activities	<u>(4.009.163)</u>	<u>1.598.207</u>
Total cash flows from investing activities		
Purchase of property, plan and equipment	(185.711)	(190.946)
Proceeds from fixed assets sales	4.173	-
Interest received	(6.537)	(56.792)
Decrease of long-term receivables	<u>1.222.291</u>	<u>912.317</u>
Total cash flows from investing activities	<u>1.034.216</u>	<u>664.579</u>
Cash flows from financing activities		
Repayments on liabilities from financial leases (sinking fund)	(152.470)	(73.988)
Proceeds of borrowings	-	83.664
Proceeds from Share Capital increase	<u>5.200.000</u>	-
Repayments on borrowings	<u>(5.658.739)</u>	<u>(550.380)</u>
Total cash flows from financing activities	<u>(611.209)</u>	<u>(540.704)</u>
Net increase /(decrease) in cash and cash equivalents of period	<u>(3.586.156)</u>	<u>1.722.082</u>
Cash and cash equivalents in the beginning of period	<u>7.225.046</u>	<u>2.850.171</u>
Cash and cash equivalents at the end of period	<u>3.638.890</u>	<u>4.572.253</u>

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LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

5. NOTES TO THE FINANCIAL STATEMENTS

5.1 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 company is activated to the provision of telecommunications services to the companies, banks, organizations and private industrials.

For that purpose the Company constructs a modern telecommunication network at ATM technology with 11 points of presences in Greece and Great Britain. Particularly, seven basic nodes have been placed in equal in number Greece towns (Athens, Thessaloniki, Iraklio, Rhodes, Larissa, Veria, Patra) four peripheral nodes in equal in number Greek towns (Chalkida, Tripoli, Kavala, Giannena) as well as one in London.

The Company is an alternative carrier for the provision of telecommunication services which operates in Greece and Great Britain, in the context of the relative release of telecommunication laws in Greece, Great Britain and European Union. Its operations are based on general and special licenses which have been received by the National Committee of Communication and Post (NCCP) as well as British Ministry of Trade.

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

The financial statements of the period 1.1 - 31.3.2006 are those which have been approved by the Board of Directors on 24th of May 2006.

5.2 Main Accounting Principles and Basis of Preparation of Financial Statements

The interim financial statements of period 1.1-31.3.2006 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 1/1-31/3/2006 have been prepared in accordance with the International Financial Reporting Standards (I.F.R.S.) that is 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 1/1-31/3/2006, no Standards have been implemented prior to the commencement date of their implementation.

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

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.

These interim financial statements prepared with the same Accounting Principles in accordance with the Annual Financial Statements for the year ended 31.12.2005.

5.3. Tax income and deferred taxes

No deferred taxes have been calculated because the Company performs losses through its ordinary activities from the fiscal periods 2002-2005.

5.4 Property, plan and equipment

Tangible fixed assets of Company are analyzed as follows:

	Total Fixed Assets
<u>Fixed Assets at cost</u>	
At 1.1.2006	47.093.664
Additions for the period from 1 January to 31 March 2006	185.711
Disposals for the period from 1 January to 31 March 2006	<u>(4.173)</u>
Fixed Assets at cost 31.3.2006	<u>47.275.202</u>
<u>Accumulated depreciation</u>	
At 1.1.2006	20.028.751
Additions for the period from 1 January to 31 March 2006	1.088.115
Disposals for the period from 1 January to 31 March 2006	<u>-</u>
Accumulated depreciation at 31.3.2006	<u>21.116.866</u>
<u>Net book value at 31.3.2006</u>	<u>26.158.335</u>

Fixed assets (machinery equipment) amounted to € 11.271.956 have been pledged by the Company for secure of borrowings.

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

5.5 Intangible Assets

<u>Fixed Assets at cost</u>	<u>Soft wear</u>
At 1.1.2006	2.958.075
Additions for the period from 1 January to 31 March 2006	-
Disposals for the period from 1 January to 31 March 2006	-
Fixed Assets at cost 31.3.2006	<u>2.958.075</u>
<u>Accumulated depreciation</u>	
At 1.1.2006	295.527
Additions for the period from 1 January to 31 March 2006	73.952
Disposals for the period from 1 January to 31 March 2006	-
Accumulated depreciation at 31.3.2006	<u>369.479</u>
<u>Net book value at 31.3.2006</u>	<u>2.588.597</u>

5.6 Receivables from customers

Company's receivables from customers are analysed as follows:

<u>Receivables</u>	<u>31.3.2006</u>	<u>31.12.2005</u>
Customers	25.471.582	23.895.306
Notes and checks receivable	182.064	164.560
Checks receivable overdue	248.709	248.709
Doubtful – contested customers	641.330	641.330
	<u>26.543.685</u>	<u>24.949.905</u>
Minus: Provisions for bad debts	<u>(3.780.000)</u>	<u>(3.780.000)</u>
Receivable from customers	<u>22.763.685</u>	<u>21.169.905</u>

All receivables are short term and no discount at the balance sheet date is required. There is no concentration of credit risk concerning the receivables from customers as the company has a great number of customers and thus the credit risk is spread.

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

5.7 Other Assets

Company's other Assets are analyzed as follows:

	<u>31.03.2006</u>	<u>31.12.2005</u>
Sundry debtors	1.041.909	1.449.760
Advances & other receivables	748.067	748.067
Securities	1.402.100	1.311.436
Prepayments for purchases of securities	4.000.000	4.000.000
Prepaid expenses	17.625	944.645
Blocked deposit accounts	43.648	21.048
Other long-term receivables	<u>687.030</u>	<u>687.714</u>
Total	<u>7.940.379</u>	<u>9.162.670</u>

Investments amounted to € 1.092.000 represent 600.000 shares of the company "KLONATEX S.A." and 2.000.000 shares of the company "KLOSTHRIA NAOUSIS A.E.", which have been pledged for bank borrowings of "LANNET COMMUNICATIONS S.A.".

5.8 Cash & cash equivalents

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

5.9 Share Capital and Share premium

Company's share capital consists of 57.484.852 common nominal shares with nominal value of € 1,04 each and sum of € 59.784.246. The shares of the Company are listed in the Main Market of Athens Stock Exchange.

During the period 1.1 - 31.3.2006 two increases of Share Capital were of total amount €5.200.000, from which amount of € 2.080.000 emanated from the transformation of 2000 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) and amount of € 3.120.000 emanated 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). After the above increases, the share capital of the company at 31.03.2006 was an amount of € 59.784.246 divided to €57.484.852 shares of nominal value 1,04 each.

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

5.10 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:

Company's loans are analysed as follows, based on the main moneylender:

BANK	31.3.2006		31.12.2005	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
Banks' Loans	7.508.239	14.333.944	7.970.325	14.333.944
Finance Leases	369.424	-	521.894	-
Convertible bond loan	-	-	-	5.200.000
Total bank borrowings	<u>7.877.663</u>	<u>14.333.944</u>	<u>8.492.219</u>	<u>19.533.944</u>

Company is making provisions for the accrued bank interests and charges 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.

5.11 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.

Persons employed and related costs:

	<u>31.3.2006</u>	<u>31.3.2005</u>
Persons:		
Permanent employment	<u>183</u>	<u>201</u>
Analysis of cost employees:	<u>1.1 - 31.3.2006</u>	<u>1.1 - 31.3.2005</u>
Payroll	973.139	947.475
Employees' compensation	113.747	60.035
Insurance contribution	199.896	201.944
Total cost	<u>1.286.782</u>	<u>1.209.454</u>

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

5.12 Suppliers and other liabilities

Company's suppliers and other liabilities are analyzed:

	31.3.2006	2005
Suppliers	8.179.615	8.691.990
Advances from trade debtors	58.322	59.990
Insurance and pension fund dues	116.581	213.578
Taxes and duties	184.460	223.205
Dividends payable	101.570	101.570
Sundry creditors	86.163	137.095
Accrued expenses & interests payable	346.408	70.914
Other liabilities	-	61.960
Total	9.073.119	9.560.302

5.13 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. Fees of the Board's of director's members for the period 1.1-31.3.2006 are € 61.826 and for the period 1.1-31.3.2005 are € 64.756.

5.14 Turnover

<u>Turnover</u>	1.1 – 31.3.2006	1.1 – 31.3.2005
Telecommunications	11.308.500	12.640.457
Wholesale trade of other electronic elements and equipment	114.423	115.247
Other activities relevant with the information technology	<u>54.348</u>	<u>522.356</u>
Total	<u>11.477.271</u>	<u>13.278.060</u>

5.15 Potential obligations from judicial or under arbitration differences

There are contested (judicial) receivables of total sum of € 4.400.000 roughly for which the company has shaped provision the 31/03/2006 amount € 3.780.000 (take into consideration paragraph 5.6). For the remainder contested (judicial) receivable of total sum of € 620.000 the company believes that their result will not have important effects on the financial statements.

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

5.16 Other Contingent liabilities

1. 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 the future audit of the unaudited years from the responsible tax authorities will be registered within the year the amounts will be finalized.

2. Issue of convertible to shares bond loan

At the 30/6/2005 2nd repetitive extraordinary General Assembly of Shareholders of the Company (subject 5) 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 LANNET 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.

The Board of Directors of the Company has decided the issue of the next rows of the already approved convertible to shares bond loan and their disposal through an investment to the company MEDITERRANEAN TELECOM Ltd in the form of a 9 year convertible to shares, mortgage free, bond loan.

The bond loan will be issued in three rows .The first and the second row at a value of € 5.200.000,00 each and the third row at a value of €10.400.000,00.

The bond loan consists of 40 bonds, convertible to shares , of nominal and disposal value of € 520.000,00 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. The issue of the rows, has not taken place until the date of issue of the interim Financial Statements for the three month period from 1st January to 31st March 2006. The issue of the rows can take place from the date of the signing until the 31st December of 2007.

LANNET COMMUNICATIONS S.A.
Interim Financial Statements
for the three-month period from 1st January to 31st March 2006
(Amounts in Euro)

5.17. Post Balance Sheet events

There are no post balance sheet events of March 31, 2006 have occurred considering the Company, so as to be mentioned in accordance with International Financial Reporting Standards.

Peristeri, 24th of May 2006

The Chairman and
Managing director

The director

Director of Finance

The Accountant

Thomas H. Lanaras
I.D.number
X 085877/03

Vasilios N. Tsilibaris
I.D.number
N 055127/84

Georgios H. Karaplis
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