

LAN-NET COMMUNICATIONS S.A.
Financial Statements for financial year 2005
(Amounts in Euro)



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

Financial Statements for financial year 2005
in accordance with the International Financial Reporting Standards

This is to certify that the attached Financial Statements are those which have been approved by the Board of Directors of LAN-NET COMMUNICATIONS S.A. on 8 February 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
"LAN-NET COMMUNICATIONS S.A."

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1. AUDIT REPORT

To the Shareholders of the Company

“LAN-NET COMMUNICATIONS S.A.”

We have audited the accompanying financial statements which are quoted on pages 4 to 7, of company “LAN-NET COMMUNICATIONS S.A.”, as of and for the year ended 31 December 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Greek Auditing Standards, which are based on the International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, evaluating the overall financial statement presentation as well as assessing the consistency of the Board of Directors' report with the aforementioned financial statements. We believe that our audit provides a reasonable basis for our opinion.

Without, expressing any reservation regarding the results of our review, we bring to your attention to the Note 6.21 which quoted to the notes of the financial statements, where it is mentioned that the tax returns of the company for the financial years 2002 up to the year 2005 and the absorbed company ‘LANTEC COMMUNICATIONS S.A.’ for the year 2003 have not been audited by Tax Authorities and as a consequence, there is the possibility of 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.

In our opinion, the aforementioned financial statements give a true and fair view of the financial position of the Company as of 31 December 2005 and of the results of its operations as well as its cash flows and the changes in shareholders' equity of the Company for the year then ended, in accordance with the International Financial Reporting Standards that have been adopted by the European Union and the Board of Directors' Report is consistent with the aforementioned financial statements.

Athens, February 8, 2006

The Certified Public Accountant

Theodoros G. Zervos

Soel R.N. 17591

BKR PROTYPOS ELEGKTIKI S.A.

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2. INCOME STATEMENT

	Note	1/1-31/12/2005	1/1-31/12/2004	1/10-31/12/2005	1/10-31/12/2004
Sales	6.19.1	55.094.754	68.638.437	14.659.633	15.170.430
Cost of sales	6.19.3	<u>(29.828.326)</u>	<u>(39.241.527)</u>	<u>(7.906.740)</u>	<u>(9.425.164)</u>
Gross profit		25.266.428	(29.396.910)	6.752.893	5.745.266
Other operational income	6.19.2	<u>9.543.335</u>	<u>610.500</u>	<u>9.481.595</u>	<u>55.820</u>
		34.809.763	30.007.410	16.234.488	5.801.086
Selling, distribution expenses		(33.191.921)	(33.517.653)	(8.309.721)	(2.984.007)
Administrative expenses		(4.957.264)	(6.436.750)	(596.215)	(1.307.503)
Research and development expenses		(312.372)	(491.150)	(92.946)	(198.635)
Other operational expenses		<u>(147.137)</u>	<u>(157.752)</u>	<u>(103.040)</u>	<u>(25.272)</u>
Operating Loss		(3.798.931)	(10.595.895)	7.132.566	1.285.669
Finance cost (net)	6.4	<u>(2.785.522)</u>	<u>(4.881.564)</u>	<u>(518.308)</u>	<u>(3.016.186)</u>
Loss before tax		(6.584.453)	(15.477.459)	6.614.258	(1.730.517)
Less: Taxes		-	-	-	-
Loss after tax		(6.584.453)	(15.477.459)	6.614.258	(1.730.517)

The notes on pages 8 to 33 comprise an integral part of the Financial Statements which are mentioned on pages 4 to 7.

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3. BALANCE SHEET

BALANCE SHEET

ASSETS	Note	31/12/2005	31/12/2004
Fixed assets			
Tangible assets	6.6	27.064.913	32.720.044
Intangible assets	6.7	2.662.548	-
Goodwill	6.8	3.569.124	3.569.124
<i>Total Fixed assets</i>		<u>33.296.585</u>	<u>36.289.168</u>
Current Assets			
Inventories	6.9	228.096	2.095.578
Trade receivables	6.10	21.169.905	25.146.655
Other assets	6.11	9.162.670	9.894.615
Cash and cash equivalents	6.12	7.225.046	2.850.171
<i>Total current assets</i>		<u>37.785.717</u>	<u>39.987.019</u>
TOTAL ASSETS		<u>71.082.302</u>	<u>76.276.187</u>
LIABILITIES			
EQUITY			
Share capital	6.13	54.584.246	38.378.798
Share premium account	6.13	996.512	1.257.708
Reserves	6.14	6.463.756	6.463.756
Accumulated deficit		(28.758.579)	(22.174.126)
Total equity		<u>33.285.935</u>	<u>23.926.136</u>
LIABILITIES			
Long-term liabilities			
Loans	6.15	19.533.944	17.044.835
Obligations towards employees	6.16	209.902	209.902
<i>Total long-term liabilities</i>		<u>19.743.846</u>	<u>17.254.737</u>
Short-term liabilities			
Trade and other payables	6.17	9.560.302	26.443.595
Short-term borrowings	6.15	8.492.219	8.651.719
<i>Total short-term liabilities</i>		<u>18.052.521</u>	<u>35.095.314</u>
Total Liabilities		<u>37.796.367</u>	<u>52.350.051</u>
Total Equity and Liabilities		<u>71.082.302</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)	-	-	-	-	(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	-	-	-	-	(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
Share Capital increase	16.205.448	32.108	-	-	-	16.237.556
Expenses of Share Capital increase	-	(293.304)	-	-	-	(293.304)
Loss of period from 1.1 up to 31.12.2005 after tax	-	-	-	-	(6.584.453)	(6.584.453)
Balance at 31/12/2005 under I.F.R.S.	54.584.246	996.512	1.223.193	5.240.563	(28.758.579)	(33.285.935)

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5. CASH FLOW STATEMENT

	1/1– 31/12/2005	1/1– 31/12/2004
	€	€
<u>Cash flows from operating activities</u>		
Loss before tax	(6.584.453)	(15.477.459)
Plus/Less adjustments:		
Depreciation	4.592.009	4.598.262
Provisions	-	39.469
Results of investing activities	23.230	(321.028)
Interest and similar expenses	<u>2.246.588</u>	<u>2.174.936</u>
Operating Profit/Loss before working capital changes	<u>277.374</u>	<u>(8.985.820)</u>
Decrease of inventories	1.867.482	467.575
Decrease of receivables	3.976.750	8.941.660
Increase/Decrease of current liabilities (except from banks)	<u>(16.883.293)</u>	<u>10.090.818</u>
Cash generated from operations	(11.039.061)	19.500.053
Interest and similar expenses paid	<u>(2.246.588)</u>	<u>(2.174.936)</u>
Total cash flows from operating activities	<u>(13.008.275)</u>	<u>8.339.297</u>
<u>Total cash flows from investing activities</u>		
Purchase of property, plan and equipment	(1.611.102)	(4.255.059)
Proceeds from fixed assets sales	6.256	-
Purchase of securities	(975.618)	-
Interest received	(46.704)	(68.196)
Increase/Decrease of long-term receivables	<u>731.944</u>	<u>(2.620.010)</u>
Total cash flows from investing activities	<u>(1.895.224)</u>	<u>(6.943.265)</u>
<u>Cash flows from financing activities</u>		
Proceeds of borrowings	5.720.000	-
Proceeds from Share Capital increase	16.205.448	-
Repayments on liabilities from financial leases (sinking fund)	(909.197)	(1.127.232)
Repayments on borrowings	<u>(1.737.877)</u>	<u>(3.121.029)</u>
Total cash flows from financing activities	<u>19.278.374</u>	<u>(4.248.261)</u>
Net increase /(decrease) in cash and cash equivalents of year	<u>4.374.875</u>	<u>(2.852.229)</u>
Cash and cash equivalents in the beginning of year	<u>2.850.171</u>	<u>5.702.400</u>
Cash and cash equivalents at the end of year	<u>7.225.046</u>	<u>2.850.171</u>

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6. NOTES TO THE FINANCIAL STATEMENTS

6.1 Description of the company

The company was established in 1976 (Government gazette 2755/1-11-1976) with a duration of 50 years and the initial brand name of "G. GIANNOUSIS A.B.E.E.". On 16.7.2002 the company "G. GIANNOUSIS A.B.E.E." absorbed the company "LANTEC COMMUNICATIONS S.A.", and simultaneously, its renamed to "LAN-NET A.E.B.E.T." Thereinafter, the company "LAN-NET A.E.B.E.T." absorbed the company "LANTEC COMMUNICATIONS S.A." and its renamed to "LAN-NET COMMUNICATIONS S.A.".

The Company is activated to the provision of telecommunications services to companies, banks, organisations and private individuals.

For that purpose the Company construct a modern telecommunication network of ATM technology with 11 points of presence in Greece and Great Britain. Particularly, seven basic nodes have been placed in equal in number Greek 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 operation is based on general and specific licenses which has been received by the National Committee of Communication and Post (NCCP) as well as British Ministry of Trade.

The Company's shares are negotiated in the category of the medium and low capital stock of the Stock Exchange.

6.2 Basis of Preparation of Financial Statements

The financial statements of year 2005 have been prepared on the historical cost basis. The mentioned financial statements have also been prepared according to the principal of going concern.

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The financial statements of year 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 1/1-31/3/2005, no Standards have been implemented prior to the commencement date of their implementation.

The above 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.

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	12-25 years
• Machinery and buildings	4-10 years
• Vehicles	9-12 years
• Furniture and other equipment	5-20 years
• Tools	3-9 years

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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.

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, plan 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.

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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.

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, buying at the same period with the purchase of machinery, 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

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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 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 valuable 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 (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

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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.

Government grants relating to the purchase of property, plant and equipment (fixed assets) 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.

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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. The convertible bonds recommend a loan liability with an embodied right of alteration. The element of liability is determined in accordance with the present value of the conventional prescribed future cash flows, discounted with the effective interest rate valid on that period in the market to similar credit products which provided the same cash flows, with the same conditions but with no right of alteration.

The remain part of product, if there is any, comprises an element of equity by representing the embodied right of alteration of liability to issuer's equity. After the allocation of security's value as it is mentioned above, whatever profit or loss related with the element of liability is recognized to the income statement, although the price related with Shareholders Equity is recognized as an element of Equity.

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 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 as a cost 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:

	31/12/2005	31/12/2004
Interest income of bank liabilities	(2.246.588)	(2.174.936)
Loss from securities sales´	(23.545)	(389.224)
Provisions from securities devaluation	(562.164)	(2.385.600)
<i>Total financial expenses</i>	(2.382.297)	(4.949.760)
Interest and similar income	46.543	25.693
Securities income	232	42.503
<i>Total financial revenues</i>	46.775	68.196
Net finance costs	(2.785.522)	(4.881.564)

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 2002-2005.

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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 2005	-	1.266.449	2.000	21.864	154.669	1.444.982
Disposals 2005	-	(2.134)	(4.812)	(4.729)	(2.791.956)	(2.803.631)
Total on 31/12/2005	962.748	40.009.052	26.417	6.095.447	-	47.093.664
<u>Accumulated depreciation</u>						
31/12/2004	165.172	13.326.227	18.737	2.222.133	-	15.732.269
Additions 2005	82.666	3.473.576	5.101	740.559	-	4.301.901
Disposals 2005	-	(278)	(1.881)	(3.260)	-	(5.419)
Total on 31/12/2005	247.838	16.799.525	21.957	2.959.432	-	20.028.751
<u>Net book value</u>						
31/12/2004	797.576	25.418.510	10.492	3.856.179	2.637.287	32.720.044
31/12/2005	714.910	23.209.527	4.460	3.136.016	-	27.064.913

The real estate of company on 31.12.2005 is comprised to mechanical and other equipment for the provision of services and its analysed as following:

The amount of € 962.748 refers to buildings in third parties real estate. The amount of € 40.009.052 concerns machinery, installations and other mechanical equipment which are established at the node of the Company's headquarters as well as to the rest of nodes in Greece and London, and there are used for the provision of Company's services to its customers. The amount of € 26.417 refers the value of company's vehicles. The amount of € 6.095.447 concerns furniture and other equipment which are established to the nodes and Company's headquarters.

For the secure of its banking loans, in AGROTIKI BANK, company has pledged its fixed assets (mechanical equipment) amounted to € 11.271.956.

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6.7 Intangible Assets

	<u>Software</u>
31/12/2004	-
Additions 2005	2.958.075
Disposals 2005	-
Total on 31/12/2005	<u>2.958.075</u>
<u>Accumulated depreciation</u>	
31/12/2004	-
Additions 2005	295.527
Disposals 2005	-
Total on 31/12/2005	<u>295.527</u>
<u>Net book value</u>	
31/12/2004	-
31/12/2005	<u>2.662.548</u>

6.8. Goodwill

The Company absorbed "LANTEC COMMUNICATIONS S.A." whose shares were listed in A.S.E., with balance-sheet of transformation on 31/7/2003 and resulted goodwill € 3.965.124 which emanates from the difference between the equity of the absorbed company according to the Balance-sheet of transformation (€17.328.969) and the nominal value of share capital that received the shareholders of absorbed LANTEC (20.475.090 shares * € 1,04 = € 21.294.093) at the exchange of their shares with shares of the absorbing company (LAN-NET). Up to the 31/12/2004 the goodwill mentioned above presented accumulated amortization of sum of € 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:

<u>Inventories</u>	<u>31/12/2005</u>	<u>31/12/2004</u>
Merchandise	228.046	2.095.424
Prepayments for purchases of inventories	50	154
Total	<u>228.096</u>	<u>2.095.578</u>

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6.10 Receivables

Company's receivables are analyzed as follows:

<u>Receivables</u>	<u>31/12/2005</u>	<u>31/12/2004</u>
Customers	23.895.306	25.335.305
Notes and checks receivable	164.560	396.381
Checks receivable overdue	248.709	274.326
Doubtful – contested customers	<u>641.330</u>	<u>640.043</u>
	24.949.905	26.646.655
Minus : Provisions	(3.780.000)	(1.500.000)
Total	<u>21.169.905</u>	<u>25.146.655</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.

Customers

The outstanding balance of the account customers is presented decreased by sum of € 25.245.305 on the 31/12/2004 in sum of € 23.895.306 on the 31/12/2005. The relatively high outstanding balance of customers in the previous year is mainly due to the outstanding balances of customers of the absorbed company LANTEC COMMUNICATIONS S.A. and the outstanding balances of the sector of dye works.

In the following table the maturity of the outstanding balance of customers is presented

<u>Days</u>	Customers 31.12.2005 €	31.12.2005 %	Customers 31.12.2004 €	31.12.2004 %
0-30	10.843.010	45%	7.102.143	28%
31-60	2.890.217	12%	5.273.424	21%
61-90	1.119.095	5%	3.832.251	15%
91-120	857.847	4%	1.121.483	4%
121-150	1.644.213	7%	642.124	3%
>150	<u>6.540.924</u>	<u>27%</u>	<u>7.363.880</u>	<u>29%</u>
ΣΥΝΟΛΟ	<u>23.895.306</u>	<u>100%</u>	<u>25.335.305</u>	<u>100%</u>

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6.11 Other assets

Company's other Assets are analyzed as follows:

<u>Other assets</u>	<u>31/12/2005</u>	<u>31/12/2004</u>
Sundry debtors	1.449.760	1.295.403
Advances & other receivables	748.067	290.865
Securities	1.311.436	980.030
Prepayments for purchases of securities	4.000.000	5.000.000
Prepaid expenses	944.645	148.657
Blocked deposit accounts	21.048	351.761
Other transit debit accounts	-	1.395.888
Other long-term receivables	<u>687.714</u>	<u>432.011</u>
Total	<u>9.162.670</u>	<u>9.894.615</u>

6.11.1. Securities

Securities, the 31/12/2005 and the 31/12/2004 are analyzed as follows:

<u>Securities</u>	<u>Pieces</u>	<u>31.12.2005</u> <u>€</u>	<u>31.12.2004</u> <u>€</u>
KLONATEX S.A.	980.000	980.000	3.365.600
KLOSTHRIA NAOYSIS S.A.	2.975.640	892.693	-
OTE S.A.	100	30	-
INTPAKOM S.A.	10	<u>877</u>	<u>30</u>
		1.873.600	3.365.630
Minus: Provisions for depreciation of securities		<u>(562.164)</u>	<u>(2.385.600)</u>
Total		<u>1.311.436</u>	<u>980.030</u>

Investments totalled € 838.000 represent 600.000 shares of company "KLONATEX S.A." and 2.000.000 shares of company KLOSTHRIA NAOYSIS S.A., which have been pledged to ATE BANK for bank borrowings of LAN-NET COMMUNICATIONS S.A..

6.11.2. Prepayments for purchases of securities

The advances for purchase of securities, the 31/12/2005, sum of € 4.000.000 concern the capitalisation from transformation of the larger part of debt of previous years of company FANCO S.A. whose shares are listed in A.S.E., to the Company as well as of its participation in the imminent increase of share capital of FANCO. It is marked however that, according to from 20/9/2005 decision of FANCOs Board of Directors, the increase of share capital is not going to occur and the Board of Directors will examine in later stage alternative solutions for the capital aid of FANCO S.A., not excluding even the repetition of process of increase depending on the conditions of Stock Exchange market.

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6.11.3. Prepaid expenses

The prepaid expenses, the 31/12/2005 of € 944.645 mainly refer to an amount of € 685.000 approximately, that concerns telecommunications prepaid expenses.

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

The share capital of Company is constituted by 52.484.852 common nominal action, nominal value € 1,04 each and sum of € 54.584.246. The shares of the Company are listed in the Main Market of Athens Stock Exchange.

According to the meeting the 2nd repetitive extraordinary General Assembly of Shareholders of company, the 30/6/2005, it has been decided the increase of the share capital for an amount of € 15.351.519 with the issue of 14.761.076 new shares in favour the old Shareholders at proportion of four new action for each ten existing shares of nominal value € 1,04 and price of disposal € 1,04. Consequently the share capital of the Company was shaped the 30.11.2005 in sum of € 53.730.317 divided in 51.663.766 common nominal action of nominal value €1,04 each. The increase was materialised according to the provisions of Law 2190/1920 and existing Stock Exchange legislation.

In addition, in December 2005, two increases of share capital were realised of total sum of € 853.929, from which sum of € 520.000 emanated from the transformation of 500 bonds in 500.000 new shares (according to the decision of the 13/12/2005 meeting of the Board of Directors of the Company) and sum of € 333.929 emanated from the payment of stock option rights (according to the decision of the 31/12/2005 meeting of the Board of Directors of the Company).

According to the 27/12/2002 decision the Board of Directors the application of the program of disposal of shares began with the form of stock option rights that was established with the decision of Extraordinary General Assembly of Shareholders on the 27/12/2002. The Company taking into account the already decided increase of share capital, and concretisation of her new operational program, modified, in accordance with the decision of Extraordinary General Assembly of shareholders of the 30/6/2005, the existing program of disposal of shares in the form of stock option rights, that was established with the decision of Extraordinary General Assembly of Shareholders the 27/12/2002.

More particularly, it was modified the program of disposal of shares in the members of the Board of Directors and in the personnel of the Company at exercise price the being in effect, at the date of exercise, nominal price of action plus 10%. As it was reported above the sum of € 333.929 increase of share capital emanated from the application of program of disposal of shares.

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According to the Registration of Shareholders of the Company, on the 31/12/2005, the shareholders with rate of participation in the Company greater than 2% were the following:

<u>SHAREHOLDER</u>	<u>NUMBER OF SHARES</u>	<u>PARTICIPATION % 31/12/2005</u>
KLONATEX GROUP S.A.	2.865.000	5,4587%
BANK HOFMANN AG	<u>9.840.786</u>	<u>18,7498%</u>
Total	<u>12.705.786</u>	<u>24,2085%</u>

There is no member from company's management that holds Company's shares.

The share premium capital of Company totalled to € 996.512 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 as well as an amount of € 293.304 from fiscal year 2005 that refers to issuing expenses concerning the increase of share capital of the Company. The total capitalisation of the Company the 31/12/2005 amounted to € 77.677.581.

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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<u>BANK</u>	<u>31/12/2005</u>		<u>31/12/2004</u>	
	Short-term liabilities	Long-term liabilities	Short-term liabilities	Long-term liabilities
EFG EUROBANK				
ERGASIAS	729.247	1.458.495	729.247	2.187.742
GENIKI BANK	360.297	500.449	224.246	860.746
ALPHA BANK	156.913	-	563.322	156.913
ELLINIKI BANK	-	-	640.000	-
NATIONAL BANK OF GREECE	-	-	494.393	-
AGROTIKI BANK	6.723.868	12.375.000	5.704.559	13.839.434
Finance Leases	521.894	-	295.952	-
Convertible bond loan	-	<u>5.200.000</u>	-	-
Total	<u>8.492.219</u>	<u>19.533.944</u>	<u>8.651.719</u>	<u>17.044.835</u>

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

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.

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 LAN-NET Communications S.A. 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 (sum of € 4.000.000 with date of issuing the 28/5/2005 and sum of € 1.500.000 with date of issuing the 26/8/2005), the total of interest up to the date of publication bonds, that is to say up to the 11/11/2005, sum of € 163.230 and deposit in account of company of an amount of € 56.770.

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There were published 5.500 bonds of duration of nine years with date of settlement on its expiry date the 11/01/2014, total sum of capital € 5.720.000, nominal value of sum € 1.040 each, and according to the terms of convertible bond loan, the transformation of bonds in common shares can become each monthly anniversary of date of publication from and including first monthly anniversary (11/12/2005) up to including the monthly anniversary which precedes the date of expiry (11/12/2013). The interest payment period is annual with continuous time periods of duration of 6 months and interest-rate 7,5% annually.

Aim of the bond loan is the settlement of short-term borrowing.

It is marked that according to the 23/1/2006 meeting of the Board of Directors of the Company it was certified the payment of increase of the Company's share capital at sum € 2.080.000 as a result of the transformation of 2.000 bonds in 2.000.000 common nominal shares.

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. On the 31/12/2003 an actuarial study that concerned the calculation of obligations of the Company took place.

The actuarial method of assessment used is the method of Project Unit Credit Method.

The basic admissions of this study include application of N. 2112/20, the mobility of personnel, the new Greek table of mortality for men and women of 1990, the ages of retirement per institution of main insurance, the average annual rate of long-lasting increase of inflation 2,5%, the average long - term annual increase of GNP 3%, the increase of the annual payroll (inflation + 1/6 of GNP), the monthly payroll, the demographic elements of workers of Company with the admission that are not used assets for the compensation of N. 2112/20.

The above study has force for 3 years. 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>31/12/2005</u>	<u>31/12/2004</u>
<u>Persons:</u>		
Permanent employment	<u>183</u>	<u>194</u>
<u>Analysis of cost employees:</u>	<u>2005</u>	<u>2004</u>
Payroll	4.171.023	4.598.191
Employees' compensation	212.291	72.996
Insurance contribution	<u>889.140</u>	<u>922.842</u>
Total	<u>5.272.454</u>	<u>5.594.029</u>

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6.17 Suppliers and other liabilities

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

<u>Suppliers and other liabilities</u>	<u>31/12/2005</u>	<u>31/12/2004</u>
Suppliers	8.691.990	25.241.749
Advances from trade debtors	59.990	51.225
Insurance and pension fund dues	213.578	196.241
Taxes and duties	223.205	244.093
Dividends payable	-	101.755
Sundry creditors	137.095	391.344
Accrued expense liability	70.914	164.294
Other liabilities	<u>163.530</u>	<u>52.894</u>
Τοτάλ	<u>9.560.302</u>	<u>26.443.595</u>

Suppliers

The reduction of suppliers the 31/12/2005 (sum of € 8.691.990) in relation to the 31/12/2004 (sum of € 25.241.749) is owed mainly in the reduction of supplier OTE S.A. which presented outstanding balance the 31/12/2005 of € 1.592.192 while respectively the 31.12.2004 it presented outstanding balance of € 9.444.760 (also take into account paragraph 6.19.2).

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 31 December 2005 as of December 31, 2005, relatively, were as follows:

	<u>During period</u> <u>1/1-31/12/2005</u>		<u>On the 31/12/2005</u>	
	Sales to affiliated persons	Purchases from affiliated persons	Receivables from affiliated persons	Liabilities to affiliated persons
KLONATEX S.A.	<u>67.506</u>	<u>531.341</u>	<u>3.532</u>	<u>1.117</u>

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6.19. INCOME FROM SALES AND COST OF SALES

6.19.1. Turnover

<u>Turnover</u>	2005	2004
Telecommunications	50.372.819	65.607.510
Wholesale trade of other electronic elements and equipment	3.397.946	1.024.508
Other activities relevant with the information technology	1.323.989	2.006.419
Total	55.094.754	68.638.437

Income from Telecommunications

The reduction of turnover by telecommunications at 23% in the year 2005 in relation to year 2004 is owed mainly to the following reasons:

During the period from 1/1/2005 until 30/9/2005 the income from Telephony of the year 2005 presented a decrease of 24% in relation to that of year 2004. This reduction it is emanated substantially from a loss of customers, particularly in the category of private individuals at a percentage of 16%, with simultaneous reduction of price list of services (up to 3% in the calls to mobile), which was realised in February 2005. Consequently the number of registered customers of company on 30 September 2005 approached the 133.000, while the number of active connections amounted in the 200.000, with an average monthly income per line €18,5. In the frame of supporting its competitiveness, LAN-NET S.A., especially in the mass market of private individuals and individual enterprises, there is, by the beginning September 2005, in complete force the project of new commercial structure, that aims at the creation of conditions, inside and except company, for the direct growth of its number of customers concerning Telephony and the fast infiltration in the market of broadband services Internet. During the period from 1/10/2005 until 31/12/2005 there was an increase of registered customers of the Company, from 133.000 to 142.000 customers and a corresponding increase of active connections from 200.000 in 213.000 connections. In addition, it was created and developed a market of S.M.S from constant telephone in Greece with cliental base of roughly 10.000 users the same period.

6.19.2. Other income

The other income of year 2005 € 9.543.335 mainly refers to sum of € 3.300.000 that concerns cession of rights and obligations of services of maintenance and technical support of telecommunications and informative equipment of guaranteed cliental relations as well as to sum of € 6.100.000 which concerns income from the Organism of Telecommunications of Greece (O.T.E. S.A.) which emanated from the offsetting (according to articles 439,440 and 441 Urban Law and according to extrajudicial statement of offsetting of 23/12/2005 of LAN-NET S.A.) and refers to penal clauses because of a delay in the delivery of lines (clauses that have been stipulated with number 269/73-Official Journal of the Hellenic Republic 17/14.1.2003-decision of EETT)

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It is marked that the Organism of Telecommunications of Greece (O.T.E. S.A). with its extrajudicial statement to the company, on the 31/1/2006, does not recognize the offsetting of the sum of € 6.100.000 because it considers that there is an offsetting that refers to debts due and liquidated and holds its legal right.

6.19.3 Cost of Sales

The cost of sales of the year 2005 € 29.828.326 and the year 2004 € 39.241.527 is analyzed as follows:

<u>Cost of Sales</u>	<u>2005</u>	<u>2004</u>
Telecommunications	27.843.072	35.980.600
Employee compensation	556.300	573.400
Charges for outside services	626.321	686.200
Other cost	<u>802.633</u>	<u>2.001.327</u>
Total	<u>29.828.326</u>	<u>39.241.527</u>

The decrease in the cost of telecommunications by 22% in the year 2005 concerning in relation to 2004 is due to the corresponding reduction of turnover by telecommunications by roughly 23% (take into consideration paragraph 6.19.1).

6.20. 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 31/12/2005 amounting € 3.780.000 (take into consideration paragraph 6.10). For the remainder contested (judicial) receivables of total sum of € 620.000 the company believes that their result will not have important effects on the financial statements.

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, especially those mentioned in paragraph 6.15 concerning the increase in share capital of year 2006, no other post balance sheet events of December 31, 2005 have occurred considering the Company, so as to be mentioned in accordance with International Financial Reporting Standards.

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6.23 Adoption of the International Financial Reporting Standards

These annual 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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31 December 2003								
			Effect of converting to I.F.R.S.					
	<u>Note</u>	<u>Amounts previously published</u>	-	<u>Adjustments</u>	-	<u>Reclassifications</u>	-	<u>Amounts based on I.F.R.S.</u>
BALANCE SHEET								
ASSETS								
Fixed Assets								
Tangible assets	1	29.312.704		(74.904)		4.365.999		33.603.799
Intangible assets/Goodwill	2	<u>8.406.027</u>		<u>(1.011.455)</u>		<u>(4.365.999)</u>		<u>3.028.573</u>
Total fixed assets		<u>37.718.731</u>		<u>(1.086.359)</u>		=		<u>36.632.372</u>
Current assets								
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		<u>5.702.400</u>		=		=		<u>5.702.400</u>
Total current assets		<u>51.128.473</u>		<u>(1.500.000)</u>		=		<u>49.628.473</u>
TOTAL ASSETS		<u>88.847.204</u>		<u>(2.586.359)</u>		=		<u>86.260.845</u>
LIABILITIES								
EQUITY								
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)		<u>(2.812.432)</u>		<u>(3.884.235)</u>		=		<u>(6.696.667)</u>
Total equity		<u>43.287.830</u>		<u>(3.884.235)</u>		=		<u>39.403.595</u>
LIABILITIES								
Long-term liabilities								
Loans		15.000.000		-		-		15.000.000
Other long-term liabilities	4	<u>295.741</u>		<u>(125.308)</u>		=		<u>170.433</u>
Total long-term liabilities		<u>15.295.741</u>		<u>(125.308)</u>		=		<u>15.170.433</u>
Short-term liabilities								
Trade and other payables		16.352.777		-		-		16.352.777
Bank borrowings	5	<u>13.910.856</u>		<u>1.423.184</u>		=		<u>15.334.040</u>
Total short-term liabilities		<u>30.263.633</u>		1.423.184		=		<u>31.686.817</u>
Total liabilities		<u>45.559.374</u>		<u>1.297.876</u>		=		<u>46.857.250</u>
TOTAL EQUITY AND LIABILITIES		<u>88.847.204</u>		<u>(2.586.359)</u>		=		<u>86.260.845</u>

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		31 December 2004				
		Effect of converting to I.F.R.S.				
	<u>Note</u>	<u>Amounts previously published</u>	<u>Adjustments</u>	-	<u>Reclassifications</u>	<u>Amounts based on I.F.R.S.</u>
BALANCE SHEET						
ASSETS						
Fixed Assets						
Tangible assets	1	29.535.470	(982.971)		4.167.545	32.720.044
Intangible assets/Goodwill	2	<u>11.019.026</u>	<u>(3.282.357)</u>		<u>(4.167.545)</u>	<u>3.569.124</u>
Total fixed assets		<u>40.554.496</u>	<u>(4.265.328)</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		<u>2.850.171</u>	=		=	<u>2.850.171</u>
Total current assets		<u>41.487.019</u>	<u>(1.500.000)</u>		=	<u>39.987.019</u>
TOTAL ASSETS		<u>82.041.515</u>	<u>(5.765.328)</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)		<u>(13.859.233)</u>	<u>(5.929.393)</u>		<u>(2.385.500)</u>	<u>(22.174.126)</u>
Total equity		<u>29.855.529</u>	<u>(5.929.393)</u>		=	<u>23.926.136</u>
LIABILITIES						
Long-term liabilities						
Loans		17.044.835	-		-	17.044.835
Other long-term liabilities	4	<u>341.789</u>	<u>(131.887)</u>		=	<u>209.902</u>
Total long-term liabilities		<u>17.386.624</u>	<u>(131.887)</u>		=	<u>17.254.737</u>
Short-term liabilities						
Trade and other payables		26.443.595	-		-	26.443.595
Bank borrowings	5	<u>8.355.767</u>	<u>295.952</u>		=	<u>8.651.719</u>
Total short-term liabilities		<u>34.799.362</u>	<u>295.952</u>		=	<u>35.095.314</u>
Total liabilities		<u>52.185.986</u>	<u>164.065</u>		=	<u>52.350.051</u>
TOTAL EQUITY AND LIABILITIES		<u>82.041.515</u>	<u>(5.765.328)</u>		=	<u>76.276.187</u>

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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 Greek Accounting Standards 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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<u>1.1-31.12.2004</u>			Effect of converting to I.F.R.S.	Effect of converting to I.F.R.S.	
	<u>Note</u>	<u>Amounts previously published</u>	<u>Adjustments</u>	<u>Reclassifications</u>	<u>Amounts based on I.F.R.S.</u>
<u>INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31ST 2005</u>					
Turnover (sales)		68.638.437	-	-	68.638.437
Cost of sales	1	<u>(38.229.882)</u>	<u>(1.011.645)</u>	-	<u>(39.241.527)</u>
Gross trading profit		30.408.555	(1.011.645)	-	29.396.910
Other operating income	2	<u>2.700</u>	-	<u>607.800</u>	<u>610.500</u>
		30.411.255	(1.011.645)	607.800	30.007.410
Selling expenses	1	(32.653.570)	(864.083)	-	(33.517.653)
Administrative expenses	1	(6.270.811)	(165.939)	-	(6.436.750)
Research and development expenses	1	(478.488)	(12.662)	-	(491.150)
Other operating expenses	2	-	-	<u>(157.752)</u>	<u>(157.752)</u>
Loss before tax and financial results		(8.991.614)	(2.054.329)	450.048	(10.595.895)
Cost of financing	3	<u>(2.495.964)</u>	<u>(2.385.600)</u>	-	<u>(4.881.564)</u>
Net result		(11.487.578)	(4.439.929)	450.048	(15.477.459)
Extraordinary income	2	607.800	-	(607.800)	-
Extraordinary and non operating expenses	2	<u>(157.752)</u>	-	<u>157.752</u>	-
Loss before tax		(11.037.530)	(4.439.929)	-	(15.477.459)
Minus: Tax		-	-	-	-
Loss after tax		<u>(11.037.530)</u>	<u>(4.439.929)</u>	-	<u>(15.477.459)</u>

6.23.2 Notes on results adjustments of year 2004

The adjustments and reclassifications on results of year 2004 are presented as follows:

1. Cost of sales, selling & distribution expenses, administrative expenses and research & development expenses adjusted with a total amount of € (2.054.329) from which € (3.188.140) refers to the effect from the adjustment of the acquisition cost and depreciation of fixed assets, an amount of € 1.127.232 concerns the recognition of capital payments of the liabilities from financial leases of mechanical equipment and an amount of € 6.579 concerns rights of personnel.

2. The cost of finance adjusted with an amount of € 2.385.600 that concerns the provision for depreciation of securities that did not have an effect on the results of the period from 1.1-31.12.2004 and was carried directly in reduction of equity.

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3. Other operational income and expenses reclassified for an amount of € 607.800 and € 157.752 relatively, which are attributed to the reclassification of various extraordinary income and expenses in the operating results

Peristeri, 8th of February 2006

The Chairman and
Managing director

The director

Director of Finance

The Accountant

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

Per G. Dahl
Passport number 34522534
Sweden

Georgios H. Karaplis
I.D.number
P 551771/97

Stamatis K.
Tsardakas
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