INTRACOM HOLDINGS

(previously INTRACOM S.A. Hellenic Telecommunications and Electronics Industry)

Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU

31 December 2005

Contents

(All amounts in €'000)

Balance Sheet

		Group		Company	
ASSETS	**Note**	**31/12/2005**	**31/12/2004**	**31/12/2005**	**31/12/2004**
Non-current assets					
Property, plant and equipment	7	284.024	323.114	80.464	257.381
Goodwill	8	11.361	-	-	-
Intangible assets	9	55.091	51.022	6.897	43.893
Investment property	10	38.664	6.106	19.235	4.843
Investments in subsidiaries	11	-	-	376.308	34.995
Investments in associates and joint ventures	12	3.438	1.387	276	319
Other investments	13	-	10.619	-	13.647
Available - for - sale financial assets	14	12.044	-	8.528	-
Deferred income tax assets	15	9.434	12.543	6.037	11.210
Trade and other receivables	16	94.458	64.340	5.703	51.955
		508.513	**469.131**	**503.448**	**418.243**
Current assets					
Inventories	17	157.193	149.801	-	129.399
Trade and other receivables	16	470.239	509.178	96.586	449.437
Construction contracts	18	29.169	28.983	-	-
Available - for - sale financial assets	14	1.852	-	-	-
Financial assets at fair value through profit or loss	19	3.441	-	-	-
Other investments	13	-	11.530	-	3.899
Current income tax assets		4.112	-	4.112	-
Cash and cash equivalents	20	95.832	139.516	66.862	108.836
		761.838	839.008	167.561	691.571
Assets classified as held for sale	21	37.882	3.493	22.883	-
		799.720	**842.501**	**190.444**	**691.571**
Total assets		**1.308.233**	**1.311.633**	**693.892**	**1.109.814**
EQUITY					
Capital and reserves attributable to the Company's equity holders					
Share capital	22	472.205	455.395	472.205	455.395
Reserves		161.318	196.915	66.806	153.267
		633.523	652.311	539.011	608.662
Minority interest		27.810	31.053	-	-
Total equity		**661.333**	**683.364**	**539.011**	**608.662**
LIABILITIES					
Non-current liabilities					
Borrowings	24	21.416	144.805	-	120.943
Deferred income tax liabilities	15	-	5.605	-	4.560
Retirement benefit obligations	25	6.811	4.922	1.133	4.266
Grants	26	564	569	-	413
Provisions for other liabilities and charges	27	2.801	3.491	-	1.912
		31.592	**159.392**	**1.133**	**132.094**
Current liabilities					
Trade and other payables	28	240.482	243.504	49.614	203.135
Current income tax liabilities		5.285	5.303	1.379	958
Construction contracts	18	5.626	3.529	-	-
Borrowings	24	318.757	202.855	91.675	154.771
Derivative financial instruments	29	26.801	-	10.939	-
Provisions for other liabilities and charges	27	6.518	10.928	142	10.193
		603.468	**466.119**	**153.748**	**369.057**
Liabilities directly associated with non-current assets classified as held for sale	21	**11.840**	**2.758**	**-**	**-**
		615.308	**468.877**	**153.748**	**369.057**
Total liabilities		**646.900**	**628.269**	**154.881**	**501.151**
Total equity and liabilities		**1.308.233**	**1.311.633**	**693.892**	**1.109.814**

The notes on pages 9 to 74 are an integral part of these financial statements.

(All amounts in €’000)

Income Statement

	Note	Group		Company	
		1/1 - 31/12/2005	1/1 - 31/12/2004	1/1 - 31/12/2005	1/1 - 31/12/2004
Continued operations					
Sales		535.387	615.905	253.137	483.566
Cost of goods sold	30	(393.864)	(411.939)	(179.449)	(335.824)
Gross profit		**141.523**	**203.966**	**73.688**	**147.742**
Other operating income - net	32	4.690	4.508	7.228	10.381
Selling and research costs	30	(56.368)	(79.336)	(37.843)	(67.940)
Administrative expenses	30	(75.193)	(68.917)	(31.888)	(38.278)
Operating profit		14.652	60.221	11.185	51.904
Finance costs - net	33	(8.267)	(19.148)	(1.420)	(16.650)
Share of profit of associates and joint ventures	12	871	3.826	-	-
Profit before income tax		**7.256**	**44.900**	**9.766**	**35.254**
Income tax expense	34	(4.681)	(18.231)	(1.884)	(13.459)
Profit for the year from continued operations		**2.575**	**26.668**	**7.881**	**21.795**
Discontinued operations					
Loss for the year from discontinued operations		(224)	(592)	-	-
Profit for the year		**2.351**	**26.076**	**7.881**	**21.795**
Attributable to:					
Equity holders of the Company		3.226	22.686	7.881	21.795
Minority interest		(875)	3.390	-	-
		2.351	**26.076**	**7.881**	**21.795**
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in € per share)					
Basic	36	0,02	0,18	0,06	0,17
Diluted	36	0,02	0,18	0,06	0,17

The notes on pages 9 to 74 are an integral part of these financial statements.

(All amounts in €'000)

Statement of changes in equity

Group

	Note	Attributable to equity holders of the Company			Minority interest	Total equity
		Share capital	Other reserves	Retained earnings		
Balance at 1 January 2004		**455.182**	**227.130**	**(37.637)**	**28.636**	**673.311**
Restatement as per IAS 8	43	-	88.699	(90.330)	-	**(1.631)**
Balance at 31 December 2004 - Restated		**455.182**	**315.829**	**(127.967)**	**28.636**	**671.681**
Profit for the year		-	-	22.686	3.390	26.076
Issue of share capital	22	234	-	-	-	234
Expenses on issue of share capital	22	(43)	-	-	-	(43)
Transfer between reserves		-	19.216	(18.525)	(691)	-
Treasury shares	22	(1.419)	-	-	-	(1.419)
Employees share option scheme:						
- value of employee services	22	428	-	-	-	428
- proceeds from shares issued	22	1.013	-	-	-	1.013
Change in share in subsidiary due to increase in share capital		-	(3.062)	2.018	923	(121)
Dividend relating to 2003		-	-	(13.280)	(1.206)	(14.486)
Balance at 31 December 2004		**455.395**	**331.982**	**(135.067)**	**31.053**	**683.363**
Balance at 31 December 2004		**455.395**	**331.982**	**(135.067)**	**31.053**	**683.363**
Adoption of IAS 32 and IAS 39		-	(912)	(24.408)	(89)	(25.409)
Balance at 1 January 2005		**455.395**	**331.071**	**(159.475)**	**30.964**	**657.954**
Profit for the year		-	-	3.226	(875)	2.351
Valuation / Disposal of available - for - sale financial assets		-	269	-	112	381
Expenses on issue of share capital of the parent Company	22	(111)	-	-	-	(111)
Expenses on issue of share capital of subsidiaries		-	-	(2.961)	-	(2.961)
Acquisition of subsidiaries		-	-	(114)	-	(114)
Transfer between reserves		-	(69.917)	69.917	-	-
Treasury shares	22	12.186	1.452	-	-	13.638
Employees share option scheme:						
- value of employee services	22	1.392	-	-	-	1.392
- proceeds from shares issued	22	3.342	-	-	-	3.342
Currency translation differences due to consolidation		-	560	(40)	518	1.038
Effect of changes in the group structure		-	(42)	498	(1.502)	(1.046)
Dividends paid to Company's shareholders		-	-	(13.126)	-	(13.126)
Dividends paid to minority interests		-	-	-	(1.407)	(1.407)
Balance at 31 December 2005		**472.205**	**263.392**	**(102.075)**	**27.810**	**661.332**

Analysis of other reserves is presented in note 23.

The notes on pages 9 to 74 are an integral part of these financial statements.

(All amounts in €'000)

Statement of changes in equity

Company

	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2004		**455.182**	**207.755**	**(63.002)**	**599.934**
Profit for the year		-	-	21.795	21.795
Issue of share capital	22	234	-	-	234
Expenses on issue of share capital	22	(43)	-	-	(43)
Transfer between reserves		-	11.540	(11.540)	-
Treasury shares	22	(1.419)	-	-	(1.419)
Employees share option scheme:					-
- value of employee services	22	428	-	-	428
- proceeds from shares issued	22	1.013	-	-	1.013
Dividend relating to 2003		-	-	(13.280)	(13.280)
Balance at 31 December 2004		**455.395**	**219.295**	**(66.028)**	**608.662**
Balance at 31 December 2004		**455.395**	**219.295**	**(66.028)**	**608.662**
Adoption of IAS 32 and IAS 39		-	(667)	(23.778)	(24.445)
Balance at 1 January 2005		**455.395**	**218.628**	**(89.806)**	**584.218**
Profit for the year		-	-	7.881	7.881
Valuation / Disposal of available - for - sale financial assets		-	(40)	-	(40)
Transfer between reserves		-	(2.293)	2.293	-
Treasury shares	22	12.186	1.452	-	13.638
Expenses on issue of share capital	22	(111)	-	-	(111)
Transfer between reserves due to transfer of segments to subsidiaries	38	-	(58.184)	-	(58.184)
Employees share option scheme:					-
- value of employee services	22	1.392	-	-	1.392
- proceeds from shares issued	22	3.342	-	-	3.342
Dividend relating to 2004		-	-	(13.126)	(13.126)
Balance at 31 December 2005		**472.205**	**159.563**	**(92.758)**	**539.011**

Analysis of other reserves is presented in note 23.

The notes on pages 9 to 74 are an integral part of these financial statements.

(All amounts in €'000)

Cash Flow Statement

	Note	Group		Company	
		1/1 - 31/12/2005	1/1 - 31/12/2004	1/1 - 31/12/2005	1/1 - 31/12/2004
Cash flows from operating activities					
Cash generated from operations	35	41.824	71.528	(53.072)	47.279
Interest paid		(19.040)	(21.688)	(12.738)	(18.106)
Income tax paid		(10.414)	(17.093)	(8.817)	(8.401)
Net cash generated from operating activities		**12.370**	**32.746**	**(74.627)**	**20.771**
Cash flows from investing activities					
Purchase of property, plant and equipment (PPE) / investment property	7, 10	(22.574)	(25.230)	(5.557)	(5.589)
Purchase of intangible assets	9	(20.249)	(23.651)	(11.428)	(21.039)
Proceeds from sale of PPE	7	914	8.507	136	91
Acquisition of financial assets at fair value through profit or loss		(3.585)	-	-	-
Acquisition of other investments / available - for - sale financial assets		(2.304)	(11.682)	(329)	(645)
Sale of other financial assets at fair value through profit or loss		2.740	-	-	-
Sale of other investments / available - for - sale financial assets		5.692	7.536	5.878	7.663
Acquisition of subsidiary, net of cash acquired		(12.458)	-	-	-
Proceeds from sale of subsidiaries		450	-	200	-
Investments in associates and joint ventures		(22.883)	-	(22.883)	-
Dividends received		-	1.720	3.502	9.373
Increase in share capital of subsidiaries		-	-	(19.581)	(596)
Interest received		1.285	939	254	300
Cash transferred to segments due to spin-off		-	-	142.107	-
Net cash used in investing activities		**(72.972)**	**(41.861)**	**92.299**	**(10.443)**
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	22	3.342	9.667	3.342	1.204
Disposal / (Purchase) of treasury shares	22	13.638	(1.419)	13.638	(1.419)
Expenses on issue of share capital		(3.072)	-	(111)	-
Dividends paid to Company's shareholders		(13.749)	(14.431)	(13.749)	(13.280)
Dividends paid to minority interests		(1.407)	-	-	-
Proceeds from borrowings		36.338	20.694	-	-
Repayments of borrowings		(38.645)	(40.187)	-	(35.500)
Grants received		419	-	87	-
Repayments of finance leases		(2.080)	(1.652)	(883)	(1.126)
Other		-	(743)	-	-
Net cash used in financing activities		**(5.215)**	**(28.072)**	**2.325**	**(50.121)**
Net decrease in cah and cash equivalents		**(65.817)**	**(37.186)**	**19.996**	**(39.792)**
Cash and cash equivalents at beginning of year		(19.304)	17.882	(44.809)	(5.017)
Exchange gains on cash and cash equivalents		81	-	-	-
Cash and cash equivalents at end of year	20	**(85.040)**	**(19.304)**	**(24.812)**	**(44.809)**

The notes on pages 9 to 74 are an integral part of these financial statements.

Notes to the financial statements in accordance with International Financial Reporting Standards

1. General information

At the Extraordinary General Meeting of the Shareholders of Intracom S.A. Hellenic Telecommunications and Electronics Industry on 15.12.2005 the Company's name changed to "INTRACOM HOLDINGS S.A." with the distinctive title "INTRACOM HOLDINGS". The change of the Company's name followed the reorganisation of the Company during 2005 and its transformation to a holding company (see note 38).

Intracom Holdings was founded in Greece and the Company's shares are traded in Athens Stock Exchange.

Intracom Group develops products, provides services and undertakes complex, integrated and advanced technology projects in the telecommunications, defence, public administration, and banking & finance industries and has also activities in the construction sector.

The Group operates in Greece, U.S.A, Bulgaria, Romania, as well as in other foreign countries.

The Company's registered office is at 19,5 km Markopoulou Ave., Peania Attikis, Greece. Its website address is ***www.intracom.gr*****.**

The financial statements have been approved for issue by the Board of Directors on 30 March 2006 and 14 April 2006 and are subject to approval by the Annual General Meeting of the Shareholders.

2. Summary of significant accounting policies

Basis of preparation

These financial statements consist of the stand alone financial statements of Intracom Holdings S.A. (the "Company") and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2005, in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and Interpretations issued by the International Financial Reporting Interpretations Committee, as adopted by the European Union (EU), and IFRS that have been issued by the International Accounting Standards Board ("IASB").

All IFRS issued by the IASB, which apply to the preparation of these financial statements have been adopted by the European Council following an approval process undertaken by European Commission ("EC"), except for IAS 39 "Financial Instruments: Recognition and Measurement". Following this process and as a result of representations made by the Accounting Regulatory Committee, the European Council adopted Directives 2086/2004 and 1864/2005 that require the application of IAS 39 by all listed companies with effect from the 1st January 2005, except for specific provisions that relate to hedging of deposit portfolios.

As the Group is not impacted by these provisions, these financial statements have been prepared in compliance with IFRS that have been adopted by the EU and IFRS that have been issued by the IASB.

IFRS 1 "First-time Adoption of International Financial Reporting Standards", has been applied in preparing these financial statements, since they constitute the first IFRS financial statements. Until 31 December 2004, the financial statements were prepared in accordance with Greek Generally Accepted Accounting Policies (Greek GAAP). Greek GAAP differ in some areas from IFRS. In preparing these financial statements, management has amended certain accounting, valuation and consolidation methods applied in the Greek GAAP financial statements to comply with IFRS. The comparative figures in respect of 2004 are restated to reflect these adjustments.

The Group has taken the exemption available under IFRS 1 to only apply IAS 32 and IAS 39 from 1 January 2005. As a result, it applies Greek GAAP rules to derivatives, financial assets and financial liabilities and to hedging relationships for the 2004 comparative information.

Reconciliations and descriptions of the effect of the transition from Greek GAAP to IFRS on the Group's equity and its net income are given in Note 5.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments in shares listed in the Athens Stock Exchange and from 1 January 2005 of the available-for-sale financial assets, financial assets at fair value through profit or loss and derivatives.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Moreover, the use of estimates and assumptions is required that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of preparation of financial statements and the reported income and expense amounts during the reporting period. Although these estimates are based on the best possible knowledge of management with respect to the current conditions and activities, the actual results can eventually differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Accounting policies used in the preparation of the financial statement of subsidiaries, associates and joint ventures are consistent with those applied by the parent company.

New standards, interpretations and amendments to published standards

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Group's current or subsequent accounting periods. Management's estimation of the impact of these new standards, interpretations and amendments is as follows:

- **IAS 19 (Amendment), Employee Benefits (effective from 1 January 2006)**

  This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and as the Group does not participate in any multi-employer plans, the adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Group and the Company will apply this amendment from annual periods beginning 1 January 2006.

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

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

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

  This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group and the Company believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group will be able to adopt the new criteria for the assessment of the financial instruments at their present value through profit or loss. The Group will apply this amendment from annual periods beginning 1 January 2006.

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

  This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value, and subsequently measured at the higher of (a) the unamortised balance of the related fees received and deferred, and (b) the expenditure required to settle the commitment at the balance sheet date. Management considered this amendment to IAS 39 and concluded that it is not relevant to the Group and the Company.

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

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

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

  IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. Management is of the view that this IFRIC will not impact the current accounting treatment of relevant arrangements.

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

  IFRIC 7 is not relevant to the Group's or the Company's operations.

- ***IFRIC 8, Scope of IFRS 2 (effective from 1 May 2006)***

  The Group will examine the effect of IFRIC 8 on its financial statements.

- ***IFRIC 9, Reassessment of embedded derivatives (effective from 1June 2006)***

IFRIC 9 is not relevant to the Group's operations and will have no effect on the financial statements.

Consolidated financial statements

(a) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the sum of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued by the Group, in exchange for control of the acquiree plus any costs directly attributable to the acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. Where the cost of the acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Purchases of minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered.

The Company accounts for investments in subsidiaries in its stand alone financial statements at cost less impairment.

(b) Joint ventures

The Group's interest in jointly controlled entities is accounted for by the equity method of accounting.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realizable value of current assets or an impairment loss, the loss is recognised immediately.

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Company accounts for investments in joint ventures in its stand alone financial statements at cost less impairment.

(c) Associates

Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any cumulative impairments losses) identified in acquisition.

Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Group's investment in associates includes goodwill (net of accumulated amortisation) on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

The Company accounts for investments in associates in its stand alone financial statements at cost less impairment.

Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

The Group prepares primary segmental reporting on a business basis and secondary segmental reporting on a geographical basis.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Investment property

Investment property, principally comprising land and buildings, is held by the Group for long-term rental yields. Investment property is measured at cost less depreciation. When the carrying amounts of the investment property exceed their recoverable amounts, the difference (impairment) is charged directly in the income statement.

The Company classifies all land and buildings rented to subsidiaries as investment property in its stand alone financial statements.

Property, plant and equipment

All property, plant and equipment ("PPE") is shown at cost less subsequent depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group higher than the initially expected according to the initial return of the financial asset and under the assumption that the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on PPE is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, in order to write down the cost in its residual value. The expected useful life of property, plant and equipment is as follows:

- Buildings	33 - 34	Years
- Machinery, installations and equipment	10	Years
- Motor vehicles	5 - 7	Years
- Other equipment	5 - 10	Years
- Airplane	12	Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

When the carrying amount of the asset is higher than its recoverable amount, the resulting difference (impairment loss) is recognized immediately as an expense in the income statement.

In case of sale of property, plant and equipment, the difference between the sale proceeds and the carrying amount is recognized as profit or loss in the income statement.

Finance costs are recognised in the income statement in the period in which they arise.

Leases

(a) Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

(b) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Intangible assets

(a) Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary, joint venture and associate at the date of acquisition. Goodwill on acquisitions of subsidiaries are included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses are charged to the income statement in the period in which they occur.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each territory of operation by each primary reporting segment.

Negative goodwill is recognised where the fair value of the Group's interest in the net assets of the acquired entity exceeds the cost of acquisition and is taken to income immediately.

(b) Computer software

Software licenses are stated at historical cost less subsequent amortisation. Amortisation is calculated using the straight-line method over the useful economic lives, not exceeding a period of 3-5 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Group, are recognised as part of intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 5-10 years.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually and whenever events indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment at each balance sheet date and are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognised, as an expense immediately, for the amount by which the asset's carrying amount exceeds its recoverable amount.

Financial assets

Accounting policies from 1 January 2004 to 31 January 2004

Investments in companies other than subsidiaries, associates and joint ventures, over which the Group does not have significant influence, are recorded at cost less impairment. Derivatives are not recognized on balance sheet.

Accounting policies from 1 January 2005

The Group classifies its investments in the following categories. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category refers to financial assets acquired principally for the purpose of selling in the short term or if so designated by Management. Derivatives are also categorised as held for trading unless they are designated as hedges. If these assets are either held for trading or are expected to be realised within 12 months of the balance sheet date these assets are classified as current assets.

(b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

(d) Available-for-sale financial assets

These are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade date, which is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in equity. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

The fair values of quoted investments are based on year-end bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Derivative financial instruments and hedging accounting

Derivative financial instruments include forward exchange contracts, currency and interest-rate swaps.

Derivatives are initially recognised on balance sheet at cost (including transaction costs) and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices and discounted cash flow models.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The gains and losses on derivative financial instruments held for trading are included in the income statement.

The Group uses derivatives to hedge foreign currency and interest rate risks. The Group designates derivatives as either fair value hedges or cash flow hedges when the required criteria are met. For derivatives that do not meet the conditions for hedge accounting, gains or losses from changes in the fair value are included in the income statement.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity in relation to cash flow hedges are recycled in the income statement in the periods when the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished and semi-finished goods, by-products and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Write-downs to net realisable value and inventory losses are expensed in the period in which the write-downs or losses occur.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

Factoring

Trade and other receivables are reduced by the amounts that have been received in advance under factoring agreements without recourse.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. For the purposes of the cash flow statement, cash and cash equivalents include bank overdrafts as well.

Non-current assets held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown after the reduction of the relative income tax in reduction to the product of issue. Incremental costs directly attributable to the issue of new shares for the acquisition of other entities are included in the cost of acquisition of the new company.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs

All borrowing costs are recognized in the income statement as incurred.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date.

Employee benefits

(a) Pension obligations

The Group contributes to both defined benefit and defined contribution plans.

The regular contributions for defined contribution plans constitute net periodic costs for the year in which they are due and as such are included in staff costs.

The liability in respect of defined benefit pension or retirement plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets (where funded) together with adjustments for actuarial gains/ losses and past service cost. Independent actuaries using the projected unit credit method calculate the defined benefit obligation annually.

Cumulative actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are spread to income over the employees' expected average remaining working lives. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(b) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Where there is uncertainty about the number of employees who will accept an offer of termination benefits, the Group discloses information about the contingent liability.

(c) Share-based plans

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Provisions

Provisions are recognized when:

i. There is present legal or constructive obligation as a result of past events

ii. It is probable that an outflow of resources will be required to settle the obligation

iii. The amount can be reliably estimated.

(a) Warranties

The Group recognizes a provision that represents the present value of the estimated liability for the repair or replacement of guaranteed products or concerning the delivery of projects / rendering of services at the balance sheet date. This provision is calculated on the basis of historical facts over repairs and replacements.

(b) Compensated absences

The claims over compensated absences are recognised as incurred. The Group recognises the expected cost of short-term employee benefits in the form of compensated absences based on their unused entitlement at the balance sheet date.

(c) Loss-making contracts

The Group recognizes a provision for loss-making long-term contracts concerning the rendering of services when the expected revenues are lower than the unavoidable expenses which are estimated to arise in order that the contract commitments are met.

Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value-added tax, rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(a) Sales of goods

Sales of goods are recognized when a Group entity has delivered products to the customer; the customer has accepted the products; and collectibility of the related receivables is reasonably assured.

(b) Sales of services

Sales of services are recognized in the accounting period in which the services are rendered, by reference to the stage of completion of the specific service. The stage of completion is assessed on the basis of the costs of the actual services provided until the balance sheet date as a proportion of the costs of the total estimated services to be provided under each contract. Costs of services are recognized in the period incurred. When the services to be provided under a contract cannot be reliably estimated, revenue is recognized only to the extent of costs incurred that are possibly recoverable.

(c) Construction contracts

Revenue from fixed price contracts are recognized on the percentage of completion method, measured by reference to the percentage of labour hours incurred to date to estimated total labour hours for each contract.

Revenue from cost plus contracts is recognized by reference to the recoverable costs incurred during the period plus the fee earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

(d) Interest

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate. Subsequently, interest is recognized on the impaired value.

(e) Dividends

Dividends are recognized when the right to receive payment is established.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

Comparative figures and rounding

Certain balance sheet and income statement amounts for 2004 have been reclassified compared to the interim financial statements to conform to the current year's presentation.

Differences between amounts presented in the financial statements and corresponding amounts in the notes result from rounding differences.

3. Financial risk management

Financial risk factors

INTRACOM S.A., being a Greek multinational company, is exposed to a variety of financial risks, including market risk (the effects of changes in foreign currency exchange rates, interest rates and debt and equity market prices), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group as a whole. The Company makes use of derivative financial instruments, such as futures, forwards and interest rate swaps for hedging purposes.

Risk management is carried out by a Treasury Department under policies approved by the Board of Directors.

(a) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Company trades mainly in EUR and USD. The foreign exchange risk management is achieved partly through the maximization of natural hedge of assets-liabilities and inflow-outflow denominated in USD and partly through the use of derivative financial instruments to hedge net foreign currency position.

In addition, on a cash flow level, the Group identifies possible exposure risk to currencies other than the USD, using the 18monthly cash flow projections. In such cases, the exposure is dealt with on a case-by-case basis. The Company's policy is to maintain only such amounts in foreign currency as necessary to carry on its normal trading activities.

Price risk

The Company has limited exposure to share price risk on available-for-sale investments held. The Company is also exposed to changes in the value of raw materials. The transfer of costs to the final price of products manages part of this risk.

(b) Credit risk

The Company has no significant concentrations of credit risk. Sales of products and services are made to customers with an appropriate credit history. In cases credit is given to customers with unassessed credit history, the Company obtains bank guarantees or other form of insurance.

(c) Liquidity risk

Liquidity risk is kept low, by maintaining sufficient cash and marketable securities and unused credit facilities.

(d) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates, as cash held for investment purposes and interest-bearing assets are dependent on the EURO, which shows historically low fluctuations.

The Company's policy on borrowing is to maintain approximately 1/3 of its borrowings in fixed rate instruments. At the year-end, approximately 1/3 of borrowings were at fixed rates through the use of interest rate swaps that have the economic effect of converting borrowings from floating rates to fixed rates.

Under the interest-rate swaps, the Group agrees with the credit institutions to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group's interest-rate risk arises mainly from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrwings issued at fixed rates expose the Group to fair value interest-rate risk. Group policy is to maintain substantially all of its borrowings in floating rate instruments and manage the risk using interest-rate swaps.

Fair value estimation

The fair value of financial instruments traded in active markets (stock exchange) (i.e. derivatives, stocks, bonds) is based on quoted market rates at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

In assessing the fair value of non-traded financial instruments, the Group uses a variety of valuation methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The nominal values less any estimated credit adjustments of financial assets are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

4. Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

- Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims.

5. Transition to IFRS

According to the provisions of IFRS 1, the Group has applied the accounting policies described above retrospectively to prepare its opening IFRS balance sheet at the date of transition (1 January 2004).

In preparing these consolidated financial information in accordance with IFRS 1, the Group has applied certain of the optional exemptions, as well as the mandatory exceptions from full retrospective application of IFRS.

5.1 Optional exemptions from full retrospective application applied by the Group

Business combinations (IFRS 3)

INTRACOM has applied the business combinations exemption in IFRS and has not restated business combinations that took place prior to the 1 January 2004 transition date. As a result, no goodwill is shown on the opening balance sheet, since this had been written off to shareholder's equity by 31 December 2003.

Fair value as deemed cost (IAS 16)

INTRACOM has elected to measure its land at fair value and use it as deemed cost as at 1 January 2004. The Company applied the "comparatives approach" for the determination of the fair value. The land is shown on Note 7 "Property, Plant and Equipment ".

Employee benefits (IAS 19)

INTRACOM has elected to recognise all cumulative actuarial gains and losses as at 1 January 2004.

Cumulative translation differences (IAS 21)

The Group has elected to set the previously accumulated cumulative translation to zero at 1 January 2004. As a result the gain or loss on a subsequent disposal of any foreign operation shall exclude translation differences that arose before 1 January 2004 and shall include translation differences that arose subsequently to this date.

Financial instruments(IAS 32and IAS 39)

INTRACOM elected to apply the exemption from restatement of comparatives for IAS 32 and IAS 39. As a result, it applies Greek GAAP rules to derivatives, financial assets and financial liabilities and to hedging relationships for the 2004 comparative information.

The adjustments required for differences between Greek GAAP and IAS 32 and IAS 39 will be determined and recognized at 1 January 2005.

Share-based payment transaction (IFRS 2)

The Group has elected to apply the share-based payment exemption. It applied IFRS 2 from 1 January 2004 to those options that were issued after 7 November 2002 but that have not vested by 1 January 2005.

5.2 Exceptions from full retrospective application followed by the Group

Derecognition of financial assets and liabilities

Financial assets and liabilities derecognised before 1 January 2004 are not re-recognised under IFRS. The application of the exemption from restating comparatives for IAS 32 and IAS 39 means that the Group recognised from 1 January 2005 any financial assets and financial liabilities derecognised since 1 January 2004 that do not meet the IAS 39 derecognition criteria. Management did not chose to apply the IAS 39 derecognition criteria to an earlier date.

Hedge accounting

Management has claimed hedge accounting from 1 January 2005 only if the hedge relationship meets all the hedge accounting criteria under IAS 39.

Estimates

Estimates under IFRS 1 at 1 January 2004 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error

Assets held for sale and discontinued operations

Management applies IFRS 5 prospectively from 1 January 2005, unless the valuations and other information needed to apply the IFRS were obtained at the time the criteria were originally met.

5.3 Reconciliations between Greek GAAP and IFRS

Group

- Reconciliation of equity at 1 January 2004 and 31 December 2004
- Consolidated balance sheet at 1 January 2004, 1 January 2005 and 31 December 2004
- Consolidated income statement and reconciliation of net income for the year 2004

Company

- Reconciliation of equity at 1 January 2004 and 31 December 2004
- Company balance sheet at 1 January 2004, 1 January 2005 and 31 December 2004
- Company income statement and reconciliation of net income for the year 2004

(All amounts in €'000)

Reconciliation of equity at 1 January and 31 December 2004 - Group

	1/1/2004	31/12/2004
Total equity under local GAAP	**765.673**	**788.300**
Write-off of intangible assets that do not meet the IFRS definition	(30.519)	(37.073)
Recognition of other provisions	(38.332)	(38.636)
Restatement of accumulated depreciation to reflect PPE's and intangibles' useful lives rather than their tax lives	32.300	42.093
Impairement of investments	(8.340)	(6.353)
Deferred tax adjustments	9.226	8.010
Effect of adjustments to work in progress under IFRS	(17.324)	(19.304)
Adjustment to value of trade and other receivables	(39.355)	(39.355)
Write-off of income tax receivable	(5.397)	(6.675)
Transfer of treasury shares to equity	(10.767)	(13.161)
Provision for employee termination benefits	2.355	(6.310)
Warranty provision	(5.712)	(4.844)
Provision for income tax	-	
Reversal of proposed dividend payable	16.922	16.227
Change in the composition of the Group and translation differences on consolidation	(408)	(4.275)
Other adjustments	2.988	4.720
Total adjustments	**(92.361)**	**(104.936)**
Total equity under IFRS	**673.311**	**683.364**

(All amounts in €'000)

Consolidated balance sheet at 1 January 2004

	GREEK GAAP	EFFECT OF TRANSITION	IFRS
ASSETS			
Non-current assets			
Property, plant and equipment	314.126	4.290	318.416
Intangible assets	54.470	(12.170)	42.301
Investments in associates and joint ventures	1.840	6.733	8.573
Other investments	15.878	2.691	18.569
Investment property	-	6.134	6.134
Deferred income tax assets	-	14.741	14.741
Trade and other receivables	116.257	(55.913)	60.344
	502.572	**(33.494)**	**469.078**
Current assets			
Inventories	186.618	(33.199)	153.420
Trade and other receivables	527.643	(30.211)	497.432
Construction contracts	-	21.172	21.172
Other investments	21.345	(10.720)	10.625
Cash and cash equivalents	289.572	(6.738)	282.833
	1.025.179	**(59.696)**	**965.482**
Total assets	**1.527.750**	**(93.191)**	**1.434.560**
EQUITY			
Share capital	466.619	(11.437)	455.182
Reserves	266.690	(77.197)	189.493
	733.309	(88.634)	644.675
Minority interest	32.364	(3.727)	28.636
Total equity	**765.673**	**(92.361)**	**673.311**
LIABILITIES			
Non-current liabilities			
Borrowings	161.965	(344)	161.621
Deferred income tax liabilities	-	5.524	5.524
Retirement benefit obligations	8.000	(3.478)	4.523
Grants	-	580	580
Provisions for other liabilities and charges	5.676	(1.809)	3.868
	175.642	**473**	**176.115**
Current liabilities			
Trade and other payables	272.004	(11.273)	260.730
Current income tax liabilities	-	3.712	3.712
Construction contracts	-	1.286	1.286
Borrowings	314.432	852	315.284
Provisions for other liabilities and charges	-	4.121	4.121
	586.436	**(1.302)**	**585.133**
Total liabilities	**762.078**	**(829)**	**761.248**
Total equity and liabilities	**1.527.750**	**(93.191)**	**1.434.560**

(All amounts in €'000)

Consolidated balance sheet at 31 December 2004 – Group

ASSETS	GREEK GAAP	Adjustments	IFRS
Non-current assets			
Property, plant and equipment	319.103	4.011	323.114
Intangible assets	57.647	(6.626)	51.022
Investments in associates and joint ventures	1.796	(409)	1.387
Other investments	12.330	(1.711)	10.619
Investment property	-	6.106	6.106
Deferred income tax assets	-	12.543	12.543
Trade and other receivables	124.952	(60.612)	64.340
	515.829	**(46.697)**	**469.132**
Current assets			
Inventories	183.004	(33.203)	149.801
Trade and other receivables	551.627	(42.449)	509.178
Construction contracts	-	28.983	28.983
Other investments	24.321	(12.791)	11.530
Cash and cash equivalents	137.723	1.793	139.516
Assets classified as held for sale	-	3.493	3.493
	896.676	**(54.175)**	**842.501**
Total assets	**1.412.505**	**(100.872)**	**1.311.633**
EQUITY			
Share capital	467.866	(12.471)	455.395
Reserves	282.203	(85.287)	196.916
	750.069	(97.758)	652.311
Minority interest	38.231	(7.178)	31.053
Total equity	**788.300**	**(104.936)**	**683.364**
LIABILITIES			
Non-current liabilities			
Borrowings	137.658	7.147	144.805
Deferred income tax liabilities	-	5.605	5.605
Retirement benefit obligations	5.619	(697)	4.922
Grants	-	569	569
Provisions for other liabilities and charges	4.596	(1.106)	3.491
	147.873	**11.518**	**159.391**
Current liabilities			
Trade and other payables	274.098	(30.594)	243.504
Current income tax liabilities	5.303	(0)	5.303
Construction contracts	-	3.529	3.529
Borrowings	196.932	5.924	202.855
Provisions for other liabilities and charges	-	10.928	10.928
Liabilities directly associated with non-current assets classified as held for sale	-	2.758	2.758
	476.332	**(7.455)**	**468.877**
Total liabilities	**624.205**	**4.064**	**628.269**
Total equity and liabilities	**1.412.505**	**(100.872)**	**1.311.633**

(All amounts in €'000)

Consolidated balance sheet at 1 January 2005

	IFRS	Effect of adoption of	IFRS
ASSETS	**31/12/2004**	**IAS 32 and IAS 39**	**1/1/2005**
Non-current assets			
Property, plant and equipment	323.114	-	323.114
Intangible assets	51.022	-	51.022
Investments in subsidiaries	-	-	-
Investments in associates	1.387	-	1.387
Other investments	10.619	(10.619)	-
Available - for - sale financial assets	-	19.009	19.009
Investment property	6.106	-	6.106
Deferred income tax assets	12.543	-	12.543
Trade and other receivables	64.340	(971)	63.369
	469.132	**7.419**	**476.550**
Current assets			
Inventories	149.801	-	149.801
Trade and other receivables	509.178	-	509.178
Construction contracts	28.983	-	28.983
Other financial assets at fair value through profit or loss	-	2.526	2.526
Other investments	11.530	(11.530)	
Cash and cash equivalents	139.516	-	139.516
Assets classified as held for sale	3.493	-	3.493
	842.501	**(9.005)**	**833.497**
Total assets	**1.311.633**	**(1.586)**	**1.310.047**
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	455.395	-	455.395
Reserves	196.916	(25.359)	171.557
	652.311	(25.359)	626.952
Minority interest	**31.053**	**-**	**31.053**
Total equity	**683.364**	**(25.359)**	**658.005**
LIABILITIES			
Non-current liabilities			
Borrowings	144.805	(28.476)	116.329
Deferred income tax liabilities	5.605	-	5.605
Retirement benefit obligations	4.922	-	4.922
Grants	569	-	569
Provisions for other liabilities and charges	3.491	-	3.491
Derivative financial instruments	-	52.250	52.250
	159.391	**23.773**	**183.165**
Current liabilities			
Trade and other payables	243.504	-	243.504
Current income tax liabilities	5.303	-	5.303
Construction contracts	3.529	-	3.529
Borrowings	202.855	-	202.855
Provisions for other liabilities and charges	10.928	-	10.928
Liabilities directly associated with non-current assets classified as held for sale	2.758	-	2.758
	468.877	**-**	**468.877**
Total liabilities	**628.269**	**23.773**	**652.042**
Total equity and liabilities	**1.311.633**	**(1.586)**	**1.310.047**

(All amounts in €'000)

Consolidated income statement for 2004

Profit before tax under Greek GAAP	**42.617**
Write off of intangible assets and reversal of depreciation of assets written off	(5.369)
Effect of change in depreciation rates of tangible and intangible assets	11.957
Provision for employee termination benefits	(8.726)
Other	4.420
Profit before income tax under IFRS	**44.900**
Income tax expense	(15.839)
Deferred tax	(2.392)
Profit for the year under IFRS from continued operations	**26.669**
Loss for the year from discontinued operations	(592)
Profit for the year under IFRS	**26.077**

Reconciliation of consolidated net income for 2004

	GREEK GAAP	Adjustments	IFRS
Sales	622.593	(6.688)	615.905
Cost of goods sold	(419.512)	7.572	(411.939)
Gross profit	**203.081**	**885**	**203.966**
Selling and research costs	(68.614)	(10.722)	(79.336)
Administrative expenses	(69.106)	189	(68.917)
Other operating income - net	(1.663)	6.171	4.508
Operating profit	**63.699**	**(3.477)**	**60.222**
Finance costs - net	(21.082)	1.934	(19.148)
Share of profit of associates and joint ventures	-	3.826	3.826
Profit before income tax	**42.617**	**2.283**	**44.900**
Income tax expense	(16.175)	(2.056)	(18.231)
Profit for the year from continued operations	**26.442**	**227**	**26.669**
Discontinued operations	-	-	-
Loss for the year from discontinued operations	-	(592)	(592)
Profit for the year	**26.442**	**(366)**	**26.077**
Attributable to:			
Equity holders of the Company	24.831	(2.145)	22.687
Minority interest	1.611	1.779	3.390
	26.442	**(366)**	**26.077**

(All amounts in €'000)

Reconciliation of equity at 1 January and 31 December 2004 - Company

	1/1/2004	31/12/2004
Total equity under local GAAP	**686.511**	**695.730**
Write-off of intangible assets that do not meet the IFRS definition	(25.826)	(30.990)
Recognition of other provisions	(38.057)	(38.057)
Restatement of accumulated depreciation to reflect PPE's and intangibles' useful lives rather than their tax lives	20.483	30.931
Impairement of investments	(6.998)	(2.883)
Deferred tax adjustments	10.750	6.650
Effect of adjustments to work in progress under IFRS	(14.528)	(16.755)
Adjustment to value of trade and other receivables	(28.500)	(28.500)
Write-off of income tax receivable	(5.397)	(5.397)
Transfer of equity shares to equity	(10.767)	(12.186)
Write-off of income tax receivable	2.198	(6.456)
Transfer of equity shares to equity	(5.712)	(4.844)
Reversal of proposed dividend payable	12.820	13.126
Other adjustments	2.958	8.293
Total adjustments	**(86.577)**	**(87.068)**
Total equity under IFRS	**599.934**	**608.662**

(All amounts in €'000)

Balance sheet at 1 January 2004 - Company

	GREEK GAAP	Adjustments	IFRS
ASSETS			
Non-current assets			
Property, plant and equipment	248.800	14.577	263.377
Intangible assets	55.907	(20.175)	35.732
Investments in subsidiaries	39.451	(4.985)	34.466
Investments in associates and joint ventures	357	(38)	319
Other investments	13.521	3.067	16.588
Investment property	-	5.103	5.103
Deferred income tax assets	-	12.080	12.080
Trade and other receivables	79.334	(28.500)	50.834
	437.370	**(18.871)**	**418.499**
Current assets			
Inventories	163.541	(27.357)	136.184
Trade and other receivables	442.464	(23.807)	418.657
Other investments	19.500	(10.767)	8.732
Current income tax assets	5.397	(5.397)	-
Cash and cash equivalents	265.793	(5.858)	259.935
	896.694	**(73.186)**	**823.508**
Total assets	**1.334.064**	**(92.057)**	**1.242.007**
EQUITY			
Share capital	466.619	(11.437)	455.182
Reserves	219.892	(75.140)	144.752
Total equity	**686.511**	**(86.577)**	**599.934**
LIABILITIES			
Non-current liabilities			
Borrowings	153.500	4.068	157.568
Deferred income tax liabilities	-	1.330	1.330
Retirement benefit obligations	6.239	(2.198)	4.040
Grants	-	413	413
Provisions for other liabilities and charges	3.764	(1.788)	1.976
	163.502	**1.826**	**165.328**
Current liabilities			
Trade and other payables	206.279	267	206.546
Borrowings	264.952	1.126	266.077
Dividends payable	12.820	(12.820)	-
Provisions for other liabilities and charges	-	4.121	4.121
	484.050	**(7.305)**	**476.745**
Total liabilities	**647.553**	**(5.480)**	**642.073**
Total equity and liabilities	**1.334.064**	**(92.057)**	**1.242.007**

Balance sheet at 31 December 2004 - Company

(All amounts in €'000)

	GREEK GAAP	Adjustments	IFRS
ASSETS			
Non-current assets			
Property, plant and equipment	241.376	16.004	257.381
Intangible assets	61.198	(17.305)	43.893
Investments in subsidiaries	36.276	(1.281)	34.995
Investments in associates and joint ventures	319	-	319
Other investments	10.206	3.441	13.647
Investment property	-	4.843	4.843
Deferred income tax assets	-	11.210	11.210
Trade and other receivables	86.313	(34.358)	51.955
	435.689	**(17.446)**	**418.243**
Current assets			
Inventories	158.286	(28.888)	129.399
Trade and other receivables	475.475	(26.038)	449.437
Other investments	16.086	(12.186)	3.899
Cash and cash equivalents	108.836	-	108.836
	758.683	**(67.112)**	**691.571**
Total assets	**1.194.372**	**(84.558)**	**1.109.814**
EQUITY			
Share capital	467.866	(12.471)	455.395
Reserves	227.864	(74.597)	153.267
Total equity	**695.730**	**(87.068)**	**608.662**
LIABILITIES			
Non-current liabilities			
Borrowings	118.000	2.943	120.943
Deferred income tax liabilities	-	4.560	4.560
Retirement benefit obligations	4.266	-	4.266
Grants	-	413	413
Provisions for other liabilities and charges	3.774	(1.862)	1.912
	126.040	**6.054**	**132.094**
Current liabilities			
Trade and other payables	204.873	(1.738)	203.135
Current income tax liabilities	958	-	958
Borrowings	153.645	1.126	154.771
Dividends payable	13.126	(13.126)	-
Provisions for other liabilities and charges	-	10.193	10.193
	372.602	**(3.544)**	**369.057**
Total liabilities	**498.642**	**2.510**	**501.151**
Total equity and liabilities	**1.194.372**	**(84.558)**	**1.109.814**

(All amounts in €'000)

Balance sheet at 1 January 2005 - Company

	IFRS 31/12/2004	Effect of adoption of IAS 32 and IAS 39	IFRS 1/1/2005
ASSETS			
Non-current assets			
Property, plant and equipment	257.381	-	257.381
Intangible assets	43.893	-	43.893
Investments in subsidiaries	34.995	-	34.995
Investments in associates	319	-	319
Other investments	13.647	(13.647)	-
Available - for - sale financial assets	-	16.880	16.880
Investment property	4.843	-	4.843
Deferred income tax assets	11.210	-	11.210
Trade and other receivables	51.955	-	51.955
	418.243	**3.233**	**421.476**
Current assets			
Inventories	129.399	-	129.399
Trade and other receivables	449.437	-	449.437
Other investments	3.899	(3.899)	-
Cash and cash equivalents	108.836	-	108.836
	691.571	**(3.899)**	**687.671**
Total assets	**1.109.814**	**(667)**	**1.109.147**
EQUITY			
Capital and reserves			
Share capital	455.395	-	455.395
Reserves	153.267	(24.445)	128.822
	608.662	**(24.445)**	**584.218**
LIABILITIES			
Non-current liabilities			
Borrowings	120.943	(28.471)	92.471
Deferred income tax liabilities	4.560	-	4.560
Retirement benefit obligations	4.266	-	4.266
Grants	413	-	413
Provisions for other liabilities and charges	1.912	-	1.912
Derivative financial instruments	-	52.249	52.249
	132.094	**23.778**	**155.872**
Current liabilities			
Trade and other payables	203.135	-	203.135
Current income tax liabilities	958	-	958
Borrowings	154.771	-	154.771
Provisions for other liabilities and charges	10.193	-	10.193
	369.057	**-**	**369.057**
Total liabilities	**501.151**	**23.778**	**524.929**
Total equity and liabilities	**1.109.814**	**(667)**	**1.109.147**

(All amounts in €'000)

Income statement for 2004 - Company

	GREEK GAAP	TRANSITION	IFRS
Sales	478.017	5.549	483.566
Cost of goods sold	(333.013)	(2.811)	(335.824)
Gross profit	**145.004**	**2.738**	**147.742**
Other operating gains/ (expenses) - net	987	9.693	10.681
Selling expenses	(30.714)	(1.306)	(32.021)
Administrative expenses	(38.245)	(33)	(38.278)
Research and development	(26.512)	(8.088)	(34.600)
Other operating expenses	-	(1.319)	(1.319)
Operating profit	**50.519**	**1.685**	**52.204**
Finance costs - net	(7.993)	(8.957)	(16.950)
Extraordinary gains and non-operating income	6.870	(6.870)	-
Prior year's income	2.143	(2.143)	-
Extraordinary losses and non-operating expenses	(11.345)	11.345	-
Prior year's expenses	(3.011)	3.011	-
Depreciation expense not included in operating cost	(1.070)	1.070	-
Profit before income tax	**36.113**	**(859)**	**35.254**
Income tax expense	(9.359)	(4.100)	(13.459)
Profit for the year	**26.754**	**(4.959)**	**21.795**

Reconciliation of net income for 2004 - Company

Profit before income tax under Greek GAAP	36.113
Write off of intangible assets and reversal of depreciation of assets written off	(5.164)
Effect of change in depreciation rates of tangible and intangible assets	10.448
Employee termination benefits	(8.654)
Other	2.511
Profit before income tax under IFRS	**35.254**
Income tax expense	(9.359)
Deffered income tax expense	(4.100)
Profit for the year under IFRS	**21.795**

(All amounts in €'000)

6. Segment information

Primary reporting format – business segments

At 31 December 2005, the Group is organised into four business segments:

(1) Telecommunications systems

(2) Information Technology solutions for government and banking sector

(3) Defence systems

(4) Construction

The segment results for the year ended 31 December 2005 were as follows:

	Telecommunications systems	Technology solutions for government and banking sector	Defence systems	Construction	Other	Unallocated	Total
Total gross segment sales	288.821	107.395	70.129	59.034	332	(145)	525.566
Inter-segment sales	647	9.175					9.822
Sales	**289.468**	**116.570**	**70.129**	**59.034**	**332**	**(145)**	**535.388**
Operating profit	11.258	1.422	7.978	(4.789)	(5.611)	4.394	14.652
Finance costs							(8.267)
Share of profit of associates and joint ventures				734	137		871
Profit before income tax from continued operations							**7.256**
Loss for the year from discontinued operations		(224)					(224)
Profit before income tax							**7.032**
Income tax expense							(4.681)
Profit for the year							**2.351**

Other segment items included in the income statement are as follows:

	Telecommunications systems	Technology solutions for government and banking sector	Defence systems	Construction	Other	Unallocated	Total
Depreciation of tangible assets (note 7)	8.275	2.535	2.457	2.083	1.869	6	17.225
Amortization of intangible assets (note 9)	10.484	2.517	1.069	451	1.562	-	16.083
Impairment of trade receivables	5.395	1.213	3.662	231	814	-	11.315

(All amounts in €'000)

The segment assets and liabilities at 31 December 2005 and the capital expenditure for the year ended 31 December 2005 are as follows:

	Telecommunications systems	Technology solutions for government and banking sector	Defence systems	Construction	Other	Unallocated	Total
Assets	575.649	183.132	137.611	113.921	290.629	3.853	1.304.795
Associates and joint ventures	-	-	-	389	3.049	-	3.438
Total assets	575.649	183.132	137.611	114.310	293.678	3.853	1.308.233
Total liabilities	346.800	50.508	44.076	52.817	152.673	26	646.900
Capital expenditure (notes 7 and 9)	**1.214**	**2.737**	**-**	**6.005**	**25.498**	**-**	**35.454**

The segment results for the year ended 31 December 2004 were as follows:

	Telecommunications systems	Technology solutions for government and banking sector	Defence systems	Construction	Other	Unallocated	Total
Total gross segment sales	480.006	98.817	75.871	67.670	3.087	-	725.451
Inter-segment sales	(100.209)	(2.489)	(794)	(5.810)	(243)	-	(109.545)
Sales	**379.797**	**96.328**	**75.077**	**61.860**	**2.844**	**-**	**615.905**
Operating profit	35.324	6.340	10.101	9.419	(23)	-	61.161
Finance costs	-	-	-	-	-	(20.087)	(20.087)
Share of profit of associates and joint ventures	860	95	-	2.871	-	-	3.826
Profit before income tax from continued operations	**36.184**	**6.435**	**10.101**	**12.290**	**(23)**	**(20.087)**	**44.900**
Loss for the year from discontinued operations	(592)	-	-	-	-	-	(592)
Profit before income tax	**35.591**	**6.435**	**10.101**	**12.290**	**(23)**	**(20.087)**	**44.307**
Income tax expense							(18.231)
Profit for the year							**26.076**

Other segment items included in the income statement are as follows:

	Telecommunications systems	Technology solutions for government and banking sector	Defence systems	Construction	Other	Unallocated	Total
Depreciation of tangible assets (note 7)	7.498	1.061	844	1.758	8	7.235	18.404
Amortization of intangible assets (note 9)	11.109	860	838	475	-	1.622	14.902

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

(All amounts in €'000)

Secondary reporting format – geographical segments

The main business segments of the Group operate in four geographical areas. The home-country of the Company – which is also the main operating country – is Greece.

	1/1 - 31/12/2005	**1/1 - 31/12/2004**
Greece	244.133	346.997
Eurozone	98.854	111.181
Other european countries	151.835	127.779
Other countries	40.565	29.948
Total	**535.387**	**615.905**

Sales are allocated based on the country in which the customer is located. Property, plant and equipment is allocated based on their geographical location. Capital expenditure is allocated based on where the assets are located.

(All amounts in €'000)

7. Property, plant and equipment

Group

	Land - buildings	Machinery	Vehicles	Airplane	Furniture & other equipment	Prepayments for the acquisition of assets and assets under construction	Total
Cost							
Balance at 1 January 2004	283.694	64.767	4.953	7.968	47.973	1.918	411.273
Exchange differences	369	136	27	(580)	85		38
Additions	947	4.984	870	14.390	3.133	1.151	25.474
Disposals	(135)	(339)	(607)	(7.389)	(35)	-	(8.505)
Balance at 31 December 2004	284.874	69.548	5.243	14.390	51.156	3.069	428.281
Balance at 1 January 2005	284.874	69.548	5.243	14.390	51.156	3.069	428.281
Exchange differences	1.600	1.450	366	2.227	280		5.923
Additions	2.761	4.775	1.088	-	3.995	2.586	15.205
Disposals	(318)	(1.419)	(988)	-	(154)	(31)	(2.911)
Transfer to investment property	(28.008)	-	-	-	-	-	(28.008)
Transfers	4.148	(876)	4	-	927	(4.203)	
Disposal of subsidiaries	(5)	-	-	-	(405)	-	(410)
Transfer to assets held for sale	-	-	-	(16.616)	-	-	(16.616)
Balance at 31 December 2005	265.052	73.477	5.713		55.799	1.422	401.463
Accumulated depreciation							
Balance at 1 January 2004	23.865	30.416	2.419	4.220	31.935	-	92.857
Exchange differences	49	28	50	(307)	63	-	(117)
Depreciation charge	4.007	6.726	695	1.561	5.415	-	18.404
Disposals	(9)	(239)	(487)	(5.215)	(27)	-	(5.978)
Transfers	(50)	50	-	-	-	-	-
Balance at 31 December 2004	27.863	36.981	2.677	259	37.387	-	105.166
Balance at 1 January 2005	27.863	36.981	2.677	259	37.387	-	105.166
Exchange differences	423	1.039	279	40	263	-	2.044
Depreciation charge	3.948	6.561	741	1.319	4.656	-	17.225
Disposals	(165)	(1.247)	(583)	-	(118)	-	(2.113)
Transfers	19	(745)	13	-	714	-	
Transfer to investment property	(2.928)	-	-	-	-	-	(2.928)
Disposal of subsidiaries	(2)	-	-	-	(336)	-	(338)
Transfer to assets held for sale	-	-	-	(1.617)	-	-	(1.617)
Balance at 31 December 2005	29.157	42.589	3.127	-	42.565	-	117.439
Net book amount at 31 December 2004	**257.012**	**32.567**	**2.566**	**14.131**	**13.770**	**3.069**	**323.114**
Net book amount at 31 December 2005	**235.895**	**30.888**	**2.586**		**13.234**	**1.422**	**284.024**

The airplane which was leased under a finance lease for the year 2004, has been transferred to assets classified as held for sale.

(All amounts in €'000)

Company

	Land - buildings	Machinery	Vehicles	Furniture & other equipment	Prepayments for the acquisition of assets and assets under construction	Total
Cost						
Balance at 1 January 2004	243.860	39.404	1.278	40.327	1.912	326.781
Additions	-	2.652	111	2.529	296	5.589
Disposals	(35)	-	(261)	-	-	(296)
Transfers	218	-	-	-	(218)	-
Balance at 31 December 2004	244.043	42.057	1.128	42.856	1.990	332.074
Balance at 1 January 2005	244.043	42.057	1.128	42.856	1.990	332.074
Additions	165	660	107	2.929	1.696	5.557
Disposals	-	-	(242)	-	-	(242)
Transfers due to spin - off	(140.905)	(41.848)	(679)	(37.930)	(2.083)	(223.444)
Transfer to investment property	(18.572)	-	-	-	(1.604)	(20.176)
Balance at 31 December 2005	84.731	868	315	7.855	-	93.769
Accumulated depreciation						
Balance at 1 January 2004	15.992	19.243	983	27.186	-	63.404
Depreciation charge	2.933	4.125	125	4.345	-	11.527
Disposals	-	-	(238)	-	-	(238)
Balance at 31 December 2004	18.924	23.368	870	31.531	-	74.694
Balance at 1 January 2005	18.924	23.368	870	31.531	-	74.694
Depreciation charge	2.413	3.112	144	3.022	-	8.691
Disposals	-	-	(186)	-	-	(186)
Transfers due to spin - off	(13.330)	(25.885)	(593)	(30.790)	-	(70.598)
Transfer from investment property	704	-	-	-	-	704
Balance at 31 December 2005	8.711	595	235	3.763	-	13.305
Net book amount at 31 December 2004	**225.119**	**18.688**	**258**	**11.326**	**1.990**	**257.381**
Net book amount at 31 December 2005	**76.020**	**272**	**80**	**4.092**	**-**	**80.464**

Leased machinery with net book value at 31 December 2004 of €3.852.817 (cost €9.348.205 and accumulated depreciation €5.495.389) is included in the above under finance lease. During the year 2005, the machinery has been transferred to the segments.

(All amounts in €'000)

8. Goodwill

During the year, the Company acquired the minority interest in its subsidiary Intrasoft International SA, which has its head office at Luxembourg, increasing its shareholding from 69,73% to 100%. The Company paid the amount of €12.410.724, which exceeds by €11.361 thousand the fair value of the share acquired at the date of acquisition. Based on valuations from international firms and the constant growth of the company, the Group expects strong cash flows over the next years.

9. Intangible assets

Group

	Development costs	Trademarks and licences	Software	Internally-generated software	Other	Total
Cost						
Balance at 1 January 2004	4.388	1.993	60.208	25.885	617	93.090
Exchange differences	(242)	-	22	-	52	(168)
Additions	1.061	343	13.080	8.883	285	23.651
Disposals	-	-	-	-	(270)	(270)
Balance at 31 December 2004	**5.207**	**2.336**	**73.309**	**34.768**	**684**	**116.304**
Balance at 1 January 2005	5.207	2.336	73.309	34.768	684	116.304
Exchange differences	438	-	84	-	9	531
Additions	197	79	12.052	7.244	678	20.249
Disposals	(91)	-	(161)	-	(141)	(394)
Balance at 31 December 2005	**5.750**	**2.414**	**85.284**	**42.012**	**1.229**	**136.690**
Accumulated depreciation						
Balance at 1 January 2004	1.619	971	36.089	11.738	372	50.789
Exchange differences	(117)	-	(39)	0	16	(140)
Depreciation charge	926	298	9.473	4.038	168	14.902
Disposals	-	-	-	-	(270)	(270)
Balance at 31 December 2004	**2.427**	**1.269**	**45.523**	**15.776**	**285**	**65.282**
Balance at 1 January 2005	2.427	1.269	45.523	15.776	285	65.282
Exchange differences	372	-	88	-	12	471
Depreciation charge	1.209	412	10.007	4.326	129	16.083
Disposals	-	-	(158)	-	(78)	(237)
Balance at 31 December 2005	**4.009**	**1.681**	**55.460**	**20.102**	**347**	**81.599**
Net book amount at 31 December 2004	**2.779**	**1.067**	**27.786**	**18.992**	**398**	**51.022**
Net book amount at 31 December 2005	**1.742**	**734**	**29.824**	**21.910**	**882**	**55.091**

(All amounts in €'000)

Company

	Development costs	Trademarks and licences	Software	Internally-generated software	Other	Total
Cost						
Balance at 1 January 2004	-	1.128	56.611	25.885	-	83.624
Additions	-	-	12.187	8.851	-	21.039
Balance at 31 December 2004	**-**	**1.128**	**68.799**	**34.737**	**-**	**104.663**
Balance at 1 January 2005	-	1.128	68.799	34.737	-	104.663
Additions	-	-	6.328	5.100	-	11.428
Transfers due to spin-off	-	(1.128)	(67.072)	(35.771)	-	(103.971)
Balance at 31 December 2005	**-**	**(0)**	**8.055**	**4.065**	**-**	**12.120**
Accumulated depreciation						
Balance at 1 January 2004	-	639	35.515	11.738	-	47.892
Depreciation charge	-	56	8.787	4.034	-	12.877
Balance at 31 December 2004	**-**	**695**	**44.302**	**15.772**	**-**	**60.769**
Balance at 1 January 2005	-	695	44.302	15.772	-	60.769
Depreciation charge	-	169	7.120	3.268	-	10.557
Transfers due to spin-off	-	(864)	(47.364)	(17.875)	-	(66.104)
Balance at 3 1December 2005	-		**4.057**	**1.166**	-	**5.223**
Net book amount at 31 December 2004	**-**	**432**	**24.497**	**18.964**	**-**	**43.893**
Net book amount at 31 December 2005	**-**	**(0)**	**3.999**	**2.899**	**-**	**6.897**

(All amounts in €'000)

10. Investment property

	Group	Company
Cost		
Balance at 1 January 2004 and 2005	6.232	8.700
Exchange differences	435	-
Additions	7.369	-
Transfer from property, plant and equipment	28.008	20.176
Transfer due to spin-off	-	(6.902)
Balance at 31 December 2005	42.044	21.975
Accumulated depreciation		
Balance at 1 January 2004	81	3.597
Depreciation charge	45	260
Balance at 31 December 2004	126	3.858
Balance at 1 January 2005	126	3.858
Exchange differences	19	-
Transfer from property, plant and equipment	2.928	(704)
Depreciation charge	306	303
Transfer due to spin-off	-	(717)
Balance at 31 December 2005	3.380	2.740
Net book amount at 31 December 2004	**6.106**	**4.843**
Net book amount at 31 December 2005	**38.664**	**19.235**

Rental income from investment properties for 2005 amounted to €401.100 and €1.000.609 for the Group and the Company respectively (2004: €1.026.668 and € 1.178.939 for the Group and the Company respectively).

(All amounts in €'000)

11. Investments in subsidiaries

Investments in subsidiaries are analyzed as follows:

	Group		Company	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
Balance at the beginning of the year	-	-	34.995	34.466
Additions / Share capital increase	-	-	19.581	596
Disposals	-	-	(254)	-
Transfer from other investments	-	-	178	-
Reversal of impairment	-	-	1.425	
Impairment charge	-	-	-	(67)
Increase due to spin-off (note 38)			343.701	
Transfer due to spin-off	-	-	(23.318)	-
Balance at the end of the year	-	-	**376.308**	**34.995**

The interests held in subsidiaries and their carrying amounts at 31 December are as follows:

Subsidiaries 2005

Name	Country of incorporation	% interest held	Carrying value
Intracom SA Information Technology	Greece	99%	64.442
Intradevelopment SA	Greece	48%	950
Intrarom SA	Romania	63%	7.620
Intracom Technologies Ltd	Cyprus	100%	2
Intracom SA Telecom Solutions	Greece	100%	211.393
Intracom SA Defence Electronic Systems	Greece	100%	70.860
Intrakat SA	Greece	74%	9.923
Intracom Holdings International Ltd	Cyprus	100%	6.726
Intracom Exports Ltd	Cyprus	100%	4.391
		Total	**376.308**

(All amounts in €'000)

Subsidiaries 2004

Name	Country of incorporation	% interest held	Carrying amount
Intramet SA	Greece	73%	3.938
Databank	Greece	69%	1.318
Galanis Sports - Data SA	Greece	60%	254
Dialogos SA	Greece	51%	378
Intradevelopment SA	Greece	48%	950
Intracom Holdings International Ltd	Cyprus	100%	9.601
Intracom Svyaz	Russia	100%	81
Intracom Jordan Ltd	Jordan	80%	314
Intracom Bulgaria SA	Bulgaria	70%	210
Intracom doo Skopje	F.Y.R.O.M.	70%	140
Intrasoft International SA	Luxemburg	99%	4.012
Intrarom SA	Romania	63%	7.614
Global Net Solutions Ltd	Bulgaria	100%	200
Intrakat SA	Greece	71%	5.985
		Total	**34.995**

The above list contains direct investment in subsidiaries only. A list of all the direct and indirect interests in subsidiaries is presented in note 44.

On 11 August 2005, the subsidiaries Intrakat S.A. and Intramet S.A. announced that they entered into a Merger Agreement, according to which the two companies would merge by acquisition of Intramet S.A. by Intrakat S.A. On 30 December 2005, Intrakat announced the approval of the above merger. Following the merger, the share capital of Intrakat amounts to €14.581.875, divided in 48.606.250 ordinary shares with nominal value of €0,30 each.

(All amounts in €'000)

12. Investments in associates and joint ventures

Investments in associates and joint ventures are analyzed as follows:

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Balance at the beginning of the year	**1.387**	**4.084**	**319**	**319**
Additions	22.819	236	22.813	-
Transfer to assets held for sale	(22.813)	-	(22.813)	-
Transfer from other investments	1.157	-	2.360	-
Share of profit / loss	871	3.826	-	-
Effect of tax, dividends and exchange differences	16	(6.758)	-	-
Transfer due to spin-off	-	-	(2.404)	-
Blance at the end of the year	**3.438**	**1.387**	**276**	**319**

Information regarding associates and joint ventures of the Group at 31st December 2005 is given below:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit / (Loss)	% interest held
GANTEK	TURKEY	8.420	6.101	28.798	30	20%
MOLDOVAN LOTTERY	MOLDOVA	2.044	1.341	1.847	21	32,90%
UNIBRAIN (GROUP)	GREECE	6.165	943	4.625	414	29,98%
J/V ELTER - INTRAKAT	GREECE	7.669	8.148	14.008	-497	45%
J/V MOHLOS - INTRAKAT (SWIMMING)	GREECE	1.267	1.252	182	166	50%
J/V OLYMP. - MOHLOS - CYBARCO - ATH. - I.K.(PANTHESSALIAN STADIUM N. IONIAS VOLOY)	GREECE	5.298	5.381	1.544	-733	15%
J/V INTRAKAT - GANTZOULAS (DEPA)	GREECE	153	493	17	-237	50%
J/V PINS (OLYMPIC WORKS)	GREECE	443	433	239	-295	30%
J/V MOHLOS - INTRAKAT (TENNIS)	GREECE	9.866	9.788	2.351	1.706	50%
J/V ELTER - INTRAKAT - ENERGY	GREECE	59	56	199	1	40%
J/V "ATH. TECHNIKI-PRISMA DOMI" - INTRAKAT	GREECE	2.476	2.226	3.604	240	50%
J/V INTRAKAT - ERGAS - ALGAS	GREECE	174	171	182	3	33,33%
		44.035	36.332	57.597	819	

(All amounts in €'000)

13. Other investments

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Balance at 31 December 2004	22.149	25.138	17.546	25.320
Adoption of IAS 32 and IAS 39	(22.149)	-	(17.546)	-
Balance at 1 January 2005	**-**	**25.138**	**-**	**25.320**
Additions	-	11.682	-	645
Disposals	-	(14.111)	-	(7.395)
Fair value adjustment	-	(560)	-	(1.024)
Balance at 31 December 2005	**-**	**22.149**	**-**	**17.546**
Non-current assets	-	10.619	-	13.647
Current assets	-	11.530	-	3.899
	-	**22.149**	**-**	**17.546**

Other investments include the following:

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Listed securities:				
- equity securities	-	16.202	-	11.688
Unlisted securities:				
- equity securities	-	89	-	-
- bonds	-	5.858	-	5.858
	-	**22.149**	**-**	**17.546**

Other investments of the Group and the Company are classified and measured in accordance with IAS 32 and IAS 39 from 1 January 2005.

(All amounts in €'000)

14. Available-for-sale financial assets

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Balance at 31 December 2004	-	-	-	-
Adoption of IAS 32 and IAS 39	19.009	-	16.880	-
Balance at 1 January 2005	19.009	-	16.880	-
Additions	2.304	-	329	-
Disposals	(4.622)	-	(5.010)	-
Fair value gains / (losses)	95	-	(329)	-
Impairment	(352)	-	(23)	-
Transfer to associates / subsidiaries	(2.538)	-	(2.538)	-
Transfer due to spin-off	-	-	(781)	-
Balance at 31 December 2005	**13.896**	**-**	**8.528**	**-**

Non-current assets	12.044	-	8.528	-
Current assets	1.852	-	-	-
	13.896	**-**	**8.528**	**-**

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Listed securities:				
- equity securities	1.576	-	31	-
Unlisted securities:				
- equity securities	6.973	-	3.149	-
- bonds	5.348	-	5.348	-
	13.896	**-**	**8.528**	**-**

(All amounts in €'000)

15. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Deferred tax assets:				
To be recovered after more than 12 months	(7.606)	(8.690)	(3.266)	(8.234)
To be recovered within 12 months	(9.384)	(3.853)	(3.339)	(2.976)
	(16.990)	**(12.543)**	**(6.605)**	**(11.210)**
Deferred tax liabilities				
To be paid after more than 12 months	3.804	896	-	-
To be paid within 12 months	3.753	4.709	568	4.560
	7.556	**5.605**	**568**	**4.560**
	(9.434)	**(6.938)**	**(6.037)**	**(6.650)**

The gross movement on the deferred income tax account is as follows:

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Balance at the beginning of the year	(6.938)	(9.216)	(6.650)	(10.750)
Exchange differences	(177)	(114)	-	-
Charged to the income statement (note 34)	(2.319)	2.393	168	4.100
Transfer due to spin-off	-	-	445	-
Balance at the end of the year	**(9.434)**	**(6.938)**	**(6.037)**	**(6.650)**

(All amounts in €'000)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdictions, is as follows:

Group

Deferred tax assets:

	Provisions / Impairment losses	Tax losses	Other	Total
Balance at 1 January 2004	(4.311)	(124)	(7.097)	(11.532)
Charged / (credited) to the income statement	(1.165)	(6)	180	(991)
Exchange differences	-	-	(20)	(20)
Balance at 31 December 2004	**(5.477)**	**(129)**	**(6.937)**	**(12.543)**
Balance at 1 January 2005	(5.477)	(129)	(6.937)	(12.543)
Charged / (credited) to the income statement	(1.019)	(8.478)	5.207	(4.290)
Exchange differences	-	(177)	20	(157)
Balance at 31 December 2005	**(6.496)**	**(8.785)**	**(1.710)**	**(16.990)**

Deferred tax liabilities:

	Accelerated tax depreciation	Other	Total
Balance at 1 January 2004	1.099	1.367	2.465
Charged / (credited) to the income statement	(62)	3.297	3.235
Exchange differences	(114)	-	(114)
Balance at 31 December 2004	**923**	**4.663**	**5.586**
Balance at 1 January 2005	923	4.663	5.586
Charged / (credited) to the income statement	2.935	(964)	1.971
Balance at 31 December 2005	**3.858**	**3.699**	**7.557**

The Group has unused tax losses of approximately €45,5 million, for which no deferred tax asset is recognized on the balance sheet. These tax losses expire at various dates, up to 2025 the latest.

(All amounts in €'000)

Company

Deferred tax assets:

	Accelerated tax depreciation	Provisions	Tax losses	Inventory / debtors	Other	Total
Balance at 1 January 2004	(1.958)	(3.413)	-	(6.432)	(278)	(12.081)
Charged / (credited) to the income statement	1.939	(1.366)	-	526	(227)	871
Balance at 31 December 2004	**(19)**	**(4.779)**	**-**	**(5.907)**	**(505)**	**(11.210)**
Balance at 1 January 2005	(19)	(4.779)	-	(5.907)	(505)	(11.210)
Charged / (credited) to the income statement	(843)	4.205	(5.610)	5.907	501	4.160
Contribution due to spin-off	241	204	-	-	-	445
Balance at 31 December 2005	**(621)**	**(370)**	**(5.610)**	**-**	**(4)**	**(6.605)**

Deferred tax liabilities:

	Other	Accrued income	Total
Balance at 1 January 2004	-	1.331	1.331
Charged to the income statement	1.200	2.029	3.229
Balance at 31 December 2004	**1.200**	**3.360**	**4.560**
Balance at 1 January 2005	1.200	3.360	4.560
Credited to the income statement	(632)	(3.360)	(3.992)
Balance at 31 December 2005	**568**	**-**	**568**

16. Trade and other receivables

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Trade receivables	475.770	536.507	5.804	462.448
Less: provision for impairment	(38.962)	(74.803)	-	(65.498)
Trade receivables - net	436.808	461.704	5.804	396.950
Prepayments	14.710	31.482	586	18.242
Receivables from related parties (note 41)	56.975	56.241	78.607	65.046
Loans to related parties (note 41)	2.000	-	2.250	-
Other receivables	54.203	24.092	15.043	21.153
Total	**564.696**	**573.518**	**102.290**	**501.391**
Non-current assets	94.458	64.340	5.703	51.955
Current assets	470.239	509.178	96.586	449.437
	564.696	**573.518**	**102.290**	**501.391**

(All amounts in €'000)

The fair values are based on future cash flows discounted using an average interest rate of 4,26%.

A receivable of €111.506 thousand, which was in arbitration, was settled through a Settlement Agreement that was signed on 27 May 2005. Pursuant to the terms of the Settlement Agreement, the Group (in particular the companies Intracom and Intrarom) will receive €78.200 thousand in three instalments. The first instalment was paid on 8 July 2005, while the second and third are to be paid on 7 July 2006 and 7 July 2007 respectively. A provision for the balance had already been made in previous years.

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of dispersed customers.

The Company made an additional provision for doubtful debts of €9.303.153 during 2005. Unused provisions of €12.426.962 were reversed. The change of the provision for impairment is due to its transfer to subsidiary companies (see note 38).

17. Inventories

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Raw materials	84.009	78.735	-	69.637
Work in progress	25.279	26.713	-	20.011
Finished goods	41.058	38.546	-	34.106
Merchandise	9.647	8.983	-	8.987
Other	4.091	999	-	-
Total	**164.085**	**153.977**	**-**	**132.741**
Less: Provisions for obsolete inventories				
Raw materials	3.746	2.302	-	2.085
Work in progress	1.048	588	-	181
Finished goods	1.615	980	-	777
Other	484	305	-	300
	6.892	**4.176**	**-**	**3.343**
Net realisable value	**157.193**	**149.801**	**-**	**129.399**

(All amounts in €'000)

18. Construction contracts

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Contracts in progress at the balance sheet date	6.550	10.996	-	-
Receivables from customers	22.619	17.987	-	-
Total:	**29.169**	**28.983**	-	-

Contracts in progress at the balance sheet date	1.548	2.831	-	-
Payables to customers	4.078	698	-	-
Total:	**5.626**	**3.529**	-	-

Accumulated contract costs plus accumulated recognised profits less accumulated recognised losses	44.757	8.672	-	-
Less: Progress billings	39.755	7.963	-	-
Construction contracts	**5.002**	**709**	-	-

19. Financial assets at fair value through profit or loss

	Group	Company
Balance at 31 December 2004	-	-
Adoption of IAS 32 and IAS 39	2.526	-
Balance at 1 January 2005	**2.526**	-
Additions	3.585	-
Disposals	(3.015)	-
Fair value adjustments	345	-
Balance at 31 December 2005	**3.441**	-

	Group	Company
Listed securities		
- Equity securities - home country	2.879	-
- Equity securities - abroad	561	-
	3.441	-

(All amounts in €'000)

20. Cash and cash equivalents

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Cash at bank and in hand	43.160	12.161	28.404	19.670
Short-term bank deposits	52.672	127.346	38.458	89.166
Other	-	8	-	-
Total	**95.832**	**139.516**	**66.862**	**108.836**

The effective interest rate on short-term bank deposits was 2,6% (2004: 2,1%).

Cash and bank overdrafts include the following for the purposes of the cash flow statement:

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Cash and cash equivalents	95.832	139.516	66.862	108.836
Bank overdrafts (note 24)	(180.874)	(158.821)	(91.675)	(153.645)
Total	**(85.041)**	**(19.305)**	**(24.812)**	**(44.809)**

The parent company's cash and borrowings included in the financial statements relate to bank accounts which on 31 December 2005 were held in the name of the parent company. The difference between the balances shown in the financial statements and those arising from the spin-off is included in inter-company balances (see note 41).

(All amounts in €'000)

21. Assets classified as held for sale

(a) During August and September 2005, the Company purchased 24,8% of the share capital of FORTHnet S.A., for the amount of €22.882.917. On 31 December 2005, the management was in the process of selling its investment in Forthnet according to a particular time-schedule and plan. For this reason, this investment has been classified as held for sale.

On 1 February 2006, the Company announced the sale of its entire shareholding in FORTHnet S.A., which represents 24,8% of the share capital and voting rights of FORTHnet S.A., for €34.865.094. The profit for the Group amounts to €11.982.177.

(b) During the year, the Group's management decided to proceed to the sale of the airplane owned by the subsidiary Conclin Corporation, along with the related finance lease liability, to a related party of the Group. At the date of transfer to assets classified as held for sale, the airplane had a net book value of €14.999.107, while the liability amounted to €11.839.521. The management expects that the sale of the airplane and the transfer of the related liability will not result in any significant gain. The net book value of the asset and the finance lease liability for year 2004 are included in property, plant and equipment and borrowings respectively.

22. Share capital

	Number of shares	**Ordinary shares**	**Share premium**	**Treasury shares**	**Total**
Balance at 1 January 2004	130.826.005	276.043	189.906	(10.767)	455.182
Employee share option scheme					
Value of services provided	-	-	428	-	428
Proceeds from shares issued	345.850	730	284	-	1.013
Treasury shares purchased	(406.000)	-	-	(1.419)	(1.419)
Expenses on issue of share capital	-	-	(43)	-	(43)
Issue of share capital	86.917	183	50	-	234
Balance at 31 December 2004	**130.852.772**	**276.956**	**190.625**	**(12.186)**	**455.395**
Balance at 1 January 2005	130.852.772	276.956	190.625	-12.186	455.395
Employee share option scheme					
Value of services provided	-	-	1.392	-	1.392
Proceeds from shares issued	1.154.811	2.437	906	-	3.342
Treasury shares sold	406.000	-	-	12.186	12.186
Expenses on issue of share capital	-	-	(111)	-	(111)
Balance at 31 December 2005	**132.413.583**	**279.393**	**192.812**		**472.205**

The Company's share capital increased by 1.154.811 new shares with nominal value of €2,11 each, due to the exercise of stock options during December 2005 (1.025.541 stock options for €2,93 each and 129.270 options for €2,61 each).

(All amounts in €'000)

Treasury shares

During the year, the Company acquired 406.000 of its own shares through purchases on the Athens Stock Exchange. The total amount paid to acquire the shares, net of income tax, was €1.418.810 and has been deducted from shareholders' equity.

During 2005, the Company sold its own shares for €13.637.959.

On 31 December 2005, subsidiary companies held shares of the Company with total cost of €1.784.073.

Stock options

During December 2005, 1.025.541 stock options were exercised for €2,93 each and 129.270 for €2,61 each.

Stock options are granted to directors, management and employees of the Company.

The outstanding stock options can be exercised wholly or partly within a period of 5 years beginning at the end of the year, from December 2005 until December 2009, during the first 15 days of December of each respective year. The outstanding stock options at 31 December 2005 were 314.360.

During the exercise of the stock options, the amounts received net of any transaction costs are included in the share capital (nominal value) and in the share premium.

The charge in the income statement for the year 2005 amounted to €1.392 thousand (2004: €428 thousand).

23. Other reserves

Group

	Statutory reserve	Special reserve	Tax free reserve	Extraordinary reserve	Other reserve	Fair value reserve	Total
Balance at 1 January 2004	29.513	8.116	121.724	65.466	2.310	-	227.130
Restatement as per IAS 8	-	-	88.699	-	-	-	88.699
Balance at 1 January 2004 - Restated	29.513	8.116	210.423	65.466	2.310	-	315.829
Changes during the year	-	-	-	-	(3.062)	-	(3.062)
Transfer from profits	1.866	-21	6.037	4.640	6.693	-	19.216
Balance at 31 December 2004	**31.379**	**8.096**	**216.460**	**70.106**	**5.941**	**-**	**331.982**
Balance at 1 January 2005	31.379	8.096	216.460	70.106	5.941	-	331.982
Adoption of IAS 32 and IAS 39	-	-	-	-	-	(912)	(912)
Balance at 1 January 2005	**31.379**	**8.096**	**216.460**	**70.106**	**5.941**	**(912)**	**331.070**
Fair value loss of available - for - sale financial assets	-	-	-	-	-	(19)	(19)
Sale of available - for - sale financial assets	-	-	-	-	-	(39)	(39)
Impairment of investment	-	-	-	-	-	327	327
Other changes during the year	(108)	3	(60.828)	-	(7.015)	-	(67.948)
Balance at 31 December 2005	**31.271**	**8.099**	**155.633**	**70.106**	**(1.074)**	**(642)**	**263.392**

(All amounts in €'000)

Company

	Statutory reserve	Special reserve	Tax free reserve	Extraordinary reserve	Other reserve	Fair value reserve	Total
Balance at 1 January 2004	25.519	8.069	108.700	65.466	-	-	207.755
Transfer from profits	1.200	-	5.700	4.640	-	-	11.540
Balance at 31 December 2004	**26.719**	**8.069**	**114.400**	**70.106**	**-**	**-**	**219.295**
Balance at 1 January 2005	26.719	8.069	114.400	70.106	-	-	219.295
Adoption of IAS 32 and IAS 39	-	-	-	-	-	(667)	(667)
Balance at 1 January 2005	**26.719**	**8.069**	**114.400**	**70.106**	**-**	**(667)**	**218.628**
Fair value loss of available - for - sale financial assets	-	-	-	-	-	(329)	(329)
Sale of available - for - sale financial assets	-	-	-	-	-	(39)	(39)
Impairment of investment	-	-	-	-	-	327	327
Other changes during the year	-	-	(841)	-	-	-	(841)
Transfer due to spin-off (note 38)	-	-	(58.184)	-	-	-	(58.184)
Balance at 31 December 2005	**26.719**	**8.069**	**55.376**	**70.106**	**-**	**(707)**	**159.563**

(a) Statutory reserve

A legal reserve is created under the provisions of Greek law (Law 2190/20, articles 44 and 45) according to which, an amount of at least 5% of the profit (after tax) for the year must be transferred to the reserve until it reaches one third of the paid share capital. The legal reserve can only be used, after approval of the Annual General meeting of the shareholders, to offset accumulated losses and therefore cannot be used for any other purpose.

(b) Special reserve

The special reserve includes amounts that were created following resolutions of the Annual General meetings, have no specific purpose and can therefore be used for any reason following approval from the Annual General meeting, as well as amounts, which were created under the provisions of Greek law. These reserves have been created from after tax profits and are therefore not subject to any additional taxation in case of their distribution or capitalisation.

(c) Tax free reserve

<u>Tax-free reserves under special laws</u>

This account includes reserves created from profits, which were used for the acquisition of new fixed assets employed in the production process and are therefore regarded as tax-free under special provisions of development laws in force each time. In other words, this reserve is created from profits for which no tax is calculated or paid.

<u>Reserves created under the provisions of tax law from tax free income or from income taxed under special provisions</u>

This reserve includes the portion of the net income carried forward every year that comes from tax-free profits and profits taxed under special provisions by using up the tax liability.

The above-mentioned reserves can be capitalised or distributed, following the approval of the Annual General meeting, after taking into consideration the restrictions that may apply. In case of capitalisation or distribution, tax is calculated at the current tax rate.

(All amounts in €'000)

24. Borrowings

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Non-current borrowings				
Bank loans	7.630	119.450	-	118.000
Finance lease liabilities	1.806	13.197	-	2.943
Convertible bond	11.980	12.143	-	-
Other	-	15	-	-
Total non-current borrowings	**21.416**	**144.805**	**-**	**120.943**
Current borrowings				
Bank overdrafts (note 20)	180.874	158.821	91.675	153.645
Bank loans	131.541	42.141	-	-
Finance lease liabilities	1.372	1.893	-	1.126
Other	2.013	-	-	-
Total current borrowings	**318.757**	**202.855**	**91.675**	**154.771**
Total borrowings	**340.173**	**347.661**	**91.675**	**275.713**

The carrying amounts of the Group's and the Company's borrowings are denominated in the following currencies:

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Euro	330.116	339.016	91.675	275.713
US dollar	10.057	8.112	-	-
Other	-	532	-	-
	340.173	**347.661**	**91.675**	**275.713**

The maturity of non-current borrowings is as follows:

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Between 1 and 2 years	6.269	121.090	-	118.000
Between 2 and 5 years	13.342	10.518	-	-
	19.610	**131.608**	**-**	**118.000**

Loan of USD120.926.400 (carrying amount at 31.12.2005 €102.506.000) that was payable on January 2006, has been renewed until 23/1/2007. The interest rate swap (see note 29) connected to the loan has also been renewed.

(All amounts in €'000)

The loan has been transferred during the spin-off to Telecom Solutions segment, while Intracom Holdings S.A. has guaranteed the relevant agreement (note 40).

The average effective interest rate for 2005 was 4,3% (2004:4%).

Leases

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Finance lease liabilities- minimum lease payments				
Not later than 1 year	1.499	2.500	-	1.296
Later than 1 year but not later than 5 years	1.869	15.012	-	3.109
Total	3.368	17.511	-	4.405
Less: Future finance charges on finance leases	(190)	(2.421)	-	(337)
Present value of finance lease liabilities	**3.178**	**15.090**	**-**	**4.068**

25. Retirement benefit obligations

Pension benefits

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Balance sheet obligations for:				
Pension benefits	6.811	4.922	1.133	4.266
Total	**6.811**	**4.922**	**1.133**	**4.266**
Income statement charge (note 31)				
Pension benefits	10.612	2.374	3.549	1.908
Total	**10.612**	**2.374**	**3.549**	**1.908**

(All amounts in €'000)

The amounts recognized in the balance sheet are determined as follows:

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Present value of funded obligations	99	393	-	-
	99	393	-	-
Present value of unfunded obligations	7.878	5.751	1.493	5.323
Unrecognised actuarial losses	(1.166)	(1.223)	(360)	(1.057)
Liability on the balance sheet	**6.811**	**4.922**	**1.133**	**4.266**

The amounts recognised in the income statement are as follows:

	Group		Company	
	1/1-31/12/2005	**1/1-31/12/2004**	**1/1-31/12/2005**	**1/1-31/12/2004**
Current service cost	989	1.961	467	1.732
Interest cost	191	198	127	177
Termination liabilities	6.204	-	6.204	-
Net actuarial (gains) / losses recognised during the year	1.929	299	131	-
Losses on curtailment	1.300	(84)	(3.379)	
Total, included in staff costs (note 31)	**10.612**	**2.374**	**3.549**	**1.908**

Total charge is allocated as follows:	Group		Company	
	1/1-31/12/2005	**1/1-31/12/2004**	**1/1-31/12/2005**	**1/1-31/12/2004**
Cost of goods sold	138	1.087	1.568	843
Selling costs	8.714	469	833	448
Administrative expenses	1.760	818	1.148	617
	10.612	**2.374**	**3.549**	**1.908**

The movement in the liability recognised in the balance sheet is as follows:	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Balance at the beginning of the year	4.922	4.784	4.266	4.040
Exchange differences	(6)	-	-	-
Total expense charged in the income statement	10.612	2.374	3.549	1.908
Contributions paid	(8.717)	(2.236)	(6.682)	(1.683)
Balance at the end of the year	**6.811**	**4.922**	**1.133**	**4.266**

The principal actuarial assumptions used were as follows:

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Discount rate	3,70%	2,69%	3,70%	2,69%
Future salary increases	4,50%	3,00%	4,50%	3,00%

(All amounts in €'000)

26. Grants

	Group		Company	
	31/12/2005	31/12/2004	31/12/2005	31/12/2004
Balance at the beginning of the year	569	580	413	413
Additions	419	-	87	-
Depreciation charge	(424)	(11)	(413)	-
Transfer due to spin-off	-	-	(87)	-
Balance at the end of the year	**564**	**569**	**-**	**413**

27. Provisions for other liabilities and charges

Group

	Warranties	Voluntary redundancy	Other	Total
Balance at 1 January 2004	5.866	-	2.123	7.989
Additional provisions	4.092	6.456	1.089	11.637
Unused amounts reversed	(62)	-	202	140
Exchange differences	-	-	1	1
Provisions used during the year	(4.960)	-	(388)	(5.348)
Balance at 31 December 2004	**4.936**	**6.456**	**3.027**	**14.419**
Balance at 1 January 2005	4.936	6.456	3.027	14.419
Additional provisions	2.167	-	2.119	4.286
Due to acquisition of subsidiary	-	-	283	283
Exchange differences	13	-	-	13
Provisions used during the year	(2.994)	(6.456)	(231)	(9.682)
Balance at 31 December 2005	**4.121**	**-**	**5.198**	**9.319**

Company

	Warranties	Unused compensated absences	Voluntary redundancy	Other	Total
Balance at 1 January 2004	5.712	385	-	-	6.097
Additional provisions	4.092	-	6.456	420	10.967
Provisions used during the year	(4.960)	-	-	-	(4.960)
Balance at 31 December 2004	**4.844**	**385**	**6.456**	**420**	**12.105**
Balance at 1 January 2005	4.844	385	6.456	420	12.105
Additional provisions	-	-	-	-	0
Provisions used during the year	(634)	-	(6.456)	(198)	(7.288)
Transfer due to spin-off	(4.210)	(318)	-	(148)	(4.675)
Balance at 31 December 2005	**-**	**68**	**-**	**74**	**142**

(All amounts in €'000)

Analysis of total provisions:

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Current assets	6.518	10.928	142	10.193
Non- current assets	2.801	3.491	-	1.912
Total	**9.319**	**14.419**	**142**	**12.105**

According to management's decision, which was announced to the employees on 1/11/2004, a voluntary redundancy compensation programme took place. The total cost of this programme has been included in the results for 2004.

28. Trade and other payables

	Group		Company	
	31/12/2005	**31/12/2004**	**31/12/2005**	**31/12/2004**
Trade payables	97.253	104.338	11.993	80.652
Prepayments from customers	47.339	66.281	-	66.281
Amounts due to related parties (note 41)	42.200	20.190	25.432	32.873
Accrued expenses	8.465	7.875	757	2.699
Social security and other taxes	17.139	26.408	8.987	14.479
Other liabilities	28.086	18.411	2.444	6.152
Total	**240.482**	**243.504**	**49.614**	**203.135**

29. Derivative financial instruments

		Group	Company	
		31/12/2005	**31/12/2005**	
		Liabilities	**Liabilities**	**Nominal value (in thousands)**
Interest-rate swaps	(1)	3.377	3.377	€100.000
Forward foreign exchange contracgts	(2)	7.561	7.561	$29.963
Cross-currency swaps	(3)	15.862	-	€118.000
Total		26.801	10.939	
Current liabilities		26.801	10.939	
Non-current liabilities		-	-	
		26.801	**10.939**	

(1) Quarterly interest with maturity on 17/10/2009.
(2) 19 forward currency contracts of $1.577 thousand each, with monthly maturities from 20/10/2006 until 20/4/2008.
(3) The contract matured on 23/1/2006 and has been renewed for a year (see note 24).

Due to the fact that the Company did not use cash flow hedge accounting for the cross-currency swap, net gains from the revaluation of the derivative and the hedged loan of €5.260 thousand and €5.211 thousand, for the Group and the Company respectively, have been recognized in the income statement for the current period.

In total, gains from derivatives of €9.467 thousand and €9.418 thousand have been recognized for the Group and the Company respectively in 2005.

(All amounts in €'000)

30. Expenses by nature

	Note	Group		Company	
		1/1 - 31/12/2005	1/1 - 31/12/2004	1/1 - 31/12/2005	1/1 - 31/12/2004
Employee benefit expense	31	177.790	159.601	82.255	128.992
Inventory cost recognised in cost of goods sold		152.414	244.270	99.114	217.699
Depreciation of tangible and intangible assets	7,9,10	33.614	33.316	19.551	24.665
Impaiment of inventory		2.467	1.319	1.310	1.319
Repairs and maintenance		4.667	4.838	2.650	3.653
Operating lease payments		4.912	4.574	2.487	3.773
Advertising costs		2.318	3.755	698	2.698
Write-off of credit balances		-	(1.300)	-	(1.220)
Research costs		1.018	399	-	-
Other		146.225	109.420	41.193	60.463
Total		**525.425**	**560.192**	**249.260**	**442.042**
Split by function:					
Cost of goods sold		393.864	411.939	179.449	335.824
Selling costs		56.368	79.336	37.843	67.940
Administrative expenses		75.193	68.917	31.888	38.278
		525.425	**560.192**	**249.180**	**442.042**
Split of depreciation by function:					
Cost of goods sold		19.448	19.952	12.989	16.673
Selling costs		3.844	4.730	2.694	4.634
Administrative expenses		10.322	8.634	3.868	3.358
		33.614	**33.316**	**19.551**	**24.665**

31. Employee benefits

	Group		Company	
	1/1 - 31/12/2005	1/1 - 31/12/2004	1/1 - 31/12/2005	1/1 - 31/12/2004
Wages and salaries	137.339	107.625	61.265	89.917
Social security costs	17.934	16.841	10.144	13.767
Other employers' social security contribution and expenses	10.512	19.456	5.905	10.095
Voluntary redundancy compensation	-	12.877	-	12.877
Share options granted to employees	1.392	428	1.392	428
Pension costs - defined benefit plans	10.612	2.374	3.549	1.908
Total	**177.790**	**159.601**	**82.255**	**128.992**

(All amounts in €'000)

32. Other operating income - net

	Group		Company	
	1/1 - 31/12/2005	**1/1 - 31/12/2004**	**1/1 - 31/12/2005**	**1/1 - 31/12/2004**
(Losses) / gains from sale of fixed assets	(166)	35	80	32
Gains from sale of other investments	-	374	900	374
Fair value gains / gains from sale of other financial assets at fair value through profit or loss	70	-	-	-
Gains from sale of available - for - sale financial assets	1.070	-	55	-
Fair value losses of other investments	-	(1.024)	-	(1.024)
Dividend income	100	1.720	3.502	9.373
Rental income	401	1.027	1.001	1.179
Impairment / Disposal of investments	(550)	-	(656)	-
Reversal of impairment of investments	-	-	1.425	-
Depreciation of grants received	424	11	413	-
Other	3.341	2.365	510	446
Total	**4.690**	**4.508**	**7.228**	**10.381**

33. Finance costs – net

	Group		Company	
	1/1 - 31/12/2005	**1/1 - 31/12/2004**	**1/1 - 31/12/2005**	**1/1 - 31/12/2004**
Interest expense				
- Bank borrowings	17.635	21.298	12.641	17.890
- Finance leases	689	390	97	216
- Other	1.322	-	-	-
	19.647	21.688	12.738	18.106
Interest income	(1.343)	(939)	(254)	(300)
Net foreign exchange losses	(570)	(1.601)	(1.648)	(1.156)
Net gains from derivative instruments	(9.467)	-	(9.418)	-
Total	**8.267**	**19.148**	**1.420**	**16.650**

(All amounts in €'000)

34. Income tax expense

	Group		Company	
	1/1 - 31/12/2005	**1/1 - 31/12/2004**	**1/1 - 31/12/2005**	**1/1 - 31/12/2004**
Current tax	7.001	15.277	1.716	8.798
Other tax charges	-	561	-	561
Deffered tax (note 15)	(2.319)	2.393	168	4.100
Total	**4.681**	**18.231**	**1.884**	**13.459**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the group companies as follows:

	Group		Company	
	1/1 - 31/12/2005	**1/1 - 31/12/2004**	**1/1 - 31/12/2005**	**1/1 - 31/12/2004**
Profit before tax	7.256	44.900	9.766	35.254
Tax calculated at tax rates applicable to Greece	2.322	15.750	3.125	12.374
Income not subject to tax	(4.211)	(6.120)	(2.880)	(1.000)
Expenses not deductible for tax purposes	5.099	9.048	608	3.519
Effect of transfer of profits to tax-free reserves	-	(1.995)	-	(1.995)
Differences in tax rates	(1.859)	666	(659)	-
Utilisation of previously unrecognised tax losses	(35)	(91)	-	-
Tax losses for the year	2.625	597	1.120	-
Other	741	376	571	561
Tax charge	**4.681**	**18.231**	**1.884**	**13.459**

(All amounts in €'000)

35. Cash generated from operations

		Group		Company	
	Note	**1/1 - 31/12/2005**	**1/1 - 31/12/2004**	**1/1 - 31/12/2005**	**1/1 - 31/12/2004**
Profit for the year		2.351	26.076	7.881	21.795
Adjustments for:					
Tax	34	4.681	18.231	1.884	13.459
Depreciation of PPE	7	17.225	18.404	8.691	11.527
Amortisation of intangible assets	9	16.083	14.902	10.557	12.877
Depreciation of investment property	10	306	45	303	260
Impairment of assets		550	1.319	23	173
Loss / (Profit) on sale of PPE		166	(35)	(80)	(32)
Fair value loss / (gain) on other investments		(70)	918	-	1.024
Profit on sale of available - for - sale financial assets		(1.070)	-	(907)	-
Loss on disposal of subsidiaries		-	-	54	-
Gain on valuation of derivatives		(9.467)	-	(12.422)	-
Employees share option scheme		1.392	428	1.392	428
Reversal of impairment of subsidiaries		-	-	(1.425)	-
Loss on sale of shares		-	(374)	-	(374)
Interest income	33	(1.343)	(939)	(254)	(300)
Interest expense	33	19.647	21.688	12.738	18.106
Dividend income	32	(100)	(1.720)	(3.502)	(9.373)
Depreciation of grants received	26	(424)	(11)	(413)	-
Share of profit from associates and joint ventures	12	(871)	(3.826)	-	-
Loss from discontinued operations		-	592	-	-
Exchange loss on loans		1.244	(1.968)	-	-
Other		-	(37)	-	-
		50.299	**93.694**	**24.522**	**69.572**
Changes in working capital					
Inventories		(7.392)	3.619	(9.101)	6.785
Trade and other receivables		13.382	(16.879)	(66.070)	(31.901)
Trade and other payables		(11.255)	(18.662)	3.028	(3.411)
Provisions for other liabilities and charges		(5.099)	9.594	(7.288)	6.008
Retirement benefit obligations		1.889	162	1.837	226
		(8.475)	**(22.166)**	**(77.594)**	**(22.293)**
Cash generated from operations		**41.824**	**71.528**	**(53.072)**	**47.279**

(All amounts in €'000)

36. Earnings per share

Continued operations

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held as treasury shares (note 22).

Diluted

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares, such as stock options. For the share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Group		Company	
	1/1 - 31/12/2005	**1/1 - 31/12/2004**	**1/1 - 31/12/2005**	**1/1 - 31/12/2004**
Basic earnings per share (€ per share)				
Profit attributable to equity holders of the Company	3.226	22.686	7.881	21.795
Weighted average number of ordinary shares in issue	131.306.230	128.035.423	131.306.230	128.035.423
Basic earnings per share (€ per share)	0,02	0,18	0,06	0,17

	1/1 - 31/12/2005	**1/1 - 31/12/2004**	**1/1 - 31/12/2005**	**1/1 - 31/12/2004**
Diluted earnings per share (€ per share)				
Profit attributable to equity holders of the Company	3.226	22.686	7.881	21.795
Weighted average number of ordinary shares in issue	131.608.119	128.313.804	131.608.119	128.313.804
Diluted earnings per share (€ per share)	0,02	0,18	0,06	0,17

37. Dividends

Management intends to propose at the forthcoming Annual General Meeting that no dividend is paid for the year 2005. In 2005, the Company paid dividends of €13.126 thousand (€0,10 per share) for the financial year 2004.

38. Transfer of segments to subsidiaries

Under the 12.9.2005 press release, announced to the Athens Stock Exchange, Intracom Holdings decided its restructuring and its transformation to a holdings company.

This restructuring will be achieved through the spin-off of the Telecom Solutions, the Defense Electronic Systems and the IT Services and their transfer to other companies of Intracom, in accordance with the stipulations of Law 2166/2003, as it has been amended and is in force.

(All amounts in €'000)

The Extraordinary General Meetings of Shareholders approved the spin-off of the Telecom Solutions, the Defense Electronic Systems and the IT Services segments and their transfer respectively to the 100% subsidiaries of Intracom, Intracom ILIDA HELLAS S.A. (renamed to "INTRACOM TELECOM"), PRAXIS AYTOMATIONS S.A. (renamed to "INTRACOM DEFENSE"), and Databank. The balance sheet date for the spin-off was 30/09/2005 for the Telecom Solutions and the Defense Electronic Systems segments and 31/10/2005 for the IT Services segment. The relevant approvals by the authorities were announced on 29 and 30 December 2005.

The balance sheet dates for the restructuring as mentioned above were deemed to be the critical dates of the spin-off under IFRS given that the segments were under the control of Intracom SA at 30/09/2005 (Telecom Solutions and Defence Electronic Systems segments) and at 31/10/2005 (IT Services segment). Consequently, all transactions that took place from these balance sheet dates henceforth were on behalf of the new segments – subsidiary companies.

The net assets contributed from Intracom Holdings to the segments mentioned above are as follows:

	Total
Net assets contributed according to the Greek Law 2166/1993	327.372
Tax-free reserves transferred to segments	58.184
IFRS adjustments	16.329
Total net assets contributed	**401.885**
Less: tax-free reserves	(58.184)
Increase in investments in subsidiarises (note 11)	**343.701**

Tax-free reserves include the carrying amounts of the government grants relating to the purchase of property, plant and equipment and the tax-free reserves created under special laws.

In light of the Company's overall strategic plan, the spin-off of the three segments and their transfer to three new companies, will lead the new companies to achieve better flexibility, autonomy and technology know-how in their respective market segments. This will enable them to achieve a better and faster expansion and growth in the modern competitive business environment.

The activities of Intracom Holdings are carried on through its subsidiaries. The Company will receive the benefit from the trading activities of the subsidiaries through dividends.

39. Capital commitments

There are no capital commitments contracted for at the balance sheet date but not yet incurred.

(All amounts in €'000)

40. Contingencies / Outstanding legal cases

The Group has contingent liabilities in respect of banks, other guarantees and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Group has given guarantees in the ordinary course of business amounting approximately €225m.

The Company has given guarantees to banks for subsidiaries' loans amounting to €101.330 thousand. Moreover, the Company has given guarantees of €118.000.000 for the syndicated loan and the related cross-currency swap (note 24).

In addition, the Company has given a guarantee for €11.840 thousand in respect of its subsidiary Conclin Corporation concerning the finance lease contract of the airplane which is included in the assets classified as held for sale.

There is an outstanding case against the Company from the Ministry of Merchant Marine concerning violations during the execution of projects. The penalties and rebates amount to €29.145 thousand. The lawyers of the Company in their letter set out that the information on the basis of which the penalties were imposed show serious inadequacies and that the final outcome will be favorable to the Company.

41. Related party transactions

The following transactions are carried out with related parties.

	Group		Company	
	1/1 - 31/12/2005	**1/1 - 31/12/2004**	**1/1 - 31/12/2005**	**1/1 - 31/12/2004**
Sales of goods / services:				
To subsidiaries	-	-	16.564	46.772
To other related parties	9.156	46.401	8.049	34.079
	9.156	**46.401**	**24.613**	**80.851**
Purchases of goods / services:				
From subsidiaries	-	-	17.883	58.078
From other related parties	8.389	13.537	1.654	13.529
	8.389	**13.537**	**19.537**	**71.607**
Rental income:				
From subsidiaries	-	-	201	-
From other related parties	151	-	151	-
	151	**-**	**352**	**-**
Purchases of fixed assets:				
From subsidiaries	-	-	1.333	-
From other related parties	5.355	-	5.355	-
	5.355	**-**	**6.688**	**-**

Services from and to related parties, as well as sales and purchases of goods take place on the basis of the price lists in force with non-related parties. Other related parties are companies, in which the major shareholder of the Company holds an interest share.

(All amounts in €'000)

Year-end balances arising from transactions with related parties are as follows:

	Group		Company	
	1/1 - 31/12/2005	**1/1 - 31/12/2004**	**1/1 - 31/12/2005**	**1/1 - 31/12/2004**
Receivables from related parties:				
From subsidiaries	-	-	15.935	26.831
From other related parties	58.975	56.241	864	38.216
	58.975	**56.241**	**16.799**	**65.046**
Payables to related parties				
To subsidiaries	-	-	2.622	12.983
To other related parties	42.200	20.190	-	19.890
	42.200	**20.190**	**2.622**	**32.873**
Net receivables from subsidiaries - segments contributed (*)	**-**	**-**	**41.248**	**-**

(*) The above amount shown as a receivable in the Company's financial statements relates to the net difference between the bank overdrafts and the cash of the segments formed under the spin-off (see also note 20).

Key management compensation

Total amounts of €1.945.225 and €1.586.696 have been paid by the Company as directors' remuneration and key management compensation respectively, concerning the year 2005.

42. Events after the balance sheet date

(a) On 31 January 2006, the Company announced that a final agreement was signed between the Company and EFG Eurobank S.A. for the transfer of 100% of the share capital of Hellas On Line to Intracom Holdings for €18.950.000. The price is expected to amount to €6.000.000, depending on the revenue that Hellas on Line will achieve for the group EFG Eurobank S.A.

(b) On 1 February 2006, the Company announced the disposal of its shares in FORTHnet S.A., which represent 24,8% of the share capital of FORTHnet S.A., for the amount of €34.865.094 (note 21).

(c) On 13 February 2006, Intracom Holdings and Concern SITRONICS, the technology arm of Sistema, announced that the companies have reached a non-binding agreement in principal for the acquisition by Concern SITRONICS of a 51% stake in INTRACOM TELECOM for approximately €120 million. Completion of this transaction is subject to a number of conditions, such as completion of Concern SITRONICS' financial and legal due diligence, negotiation of a share purchase agreement and a shareholders' agreement and obtaining the necessary corporate and governmental approvals.

43. Prior period adjustment

In the second quarter of 2005, the Group decided to correct certain amounts, which relate to the previous year. Following from note 22, paragraph (c) "Effect on profit" of the interim condensed financial statements, net assets as at 1 January 2004 were restated, without affecting the net assets of the Group as presented at 30 June 2005.

(All amounts in €'000)

44. Subsidiaries

The companies included in the consolidated financial statements and the related direct percentage interests held are as follows:

31 December 2005

Name	Country of incorporation	Direct % interest held
Intracom Bulgaria SA	Bulgaria	70%
Intracom Svyaz	Russia	100%
Intracom doo Skopje	FYROM	70%
Intracom Holdings International Ltd	Cyprus	100%
- Intracom Middle East FZE	UAE	100%
- Intracom Middle East LLC	UAE	100%
- Conklin Corporation	USA	100%
- Intracom Doo Belgrade	Serbia	100%
- Intracom Doo Armenia	Armenia	100%
- Fornax RT	Hungary	67%
- Fornax Integrator	Hungary	100% subsidiary of Fornax RT
- Fornax Informatika Doo Croatia	Croatia	
- Fornax Slovakia	Slovakia	
Intracom Operations Ltd	Cyprus	100%
- Intracom Group USA	USA	100%
Global Net Solutions Ltd	Bulgaria	100%
Dialogos SA	Greece	51%
Intracom Jordan Ltd	Jordan	80%
Intrasoft International SA	Belgium	100,0%
- PEBE SA	Belgium	100%
- Intrasoft SA	Greece	100%
- Intrasoft Brussels	Belgium	100%
- Switchlink NV	Belgium	100%
Intrarom SA	Romania	63%
Intradevelopment SA	Greece	48%
Intracom Technologies Ltd	Cyprus	100%
Intracom Exports Ltd	Cyprus	100%
- ICOM CYPRUS	CYPRUS	100%
Intrakat SA	Greece	74%
- Aitheras Energy SA	Greece	100%
- Inmaint SA	Greece	60%
- KEPA Attica SA	Greece	51%
- Intracom Construct SA	Romania	83%
- S.C. Technical Construct Intrakat SRL	Romania	97%
- Eurokat SA	Greece	82%
- Intralban SA	Albania	55%
Databank	Greece	99%
Intracom SA Telecom Solutions	Greece	100%
Intracom SA Defence Electronic Systems	Greece	100%

(All amounts in €'000)

31 December 2004

Name	**Country of incorporation**	**Direct % interest held**
Intracom Bulgaria SA	Bulgaria	70%
Intracom Svyaz	Russia	100%
Intracom doo Skopje	FYROM	70%
Intracom Holdings International Ltd		
- Intracom Operations LTD	Cyprus	100%
- Intracom Exports Ltd	Cyprus	100%
- ICOM CYPRUS	CYPRUS	100%
- Intracom Middle East FZE	UAE	100%
- Conklin Corporation	USA	100%
- Intracom Doo Belgrade	Serbia	100%
- Intracom Doo Armenia	Armenia	100%
- Fornax RT	Hungary	67%
- Fornax Integrator	Hungary	100% subsidiary of Fornax RT
Global Net Solutions Ltd	Bulgaria	100%
Dialogos SA	Greece	51%
Intracom Jordan Ltd	Jordan	80%
Intrasoft International SA	Belgium	100,0%
- PEBE SA	Belgium	100%
- Intrasoft SA	Greece	100%
- Intrasoft Brussels	Belgium	100%
- Switchlink NV	Belgium	100%
Intrarom SA	Romania	63%
Intradevelopment SA	Greece	48%
Intramet	Greece	73%
Intrakat SA	Greece	71%
- Aitheras Energy SA	Greece	100%
- Inmaint SA	Greece	60%
- Intracom Construct SA	Romania	83%
Databank	Greece	69%
GALANIS	Greece	60%

TRANSLATION FROM THE ORIGINAL SIGNED

CERTIFIED AUDITORS' ACCOUNTANTS' REPORT

To the shareholders of « INTRACOM HOLDINGS S.A.»

We have audited the accompanying stand alone and the consolidated financial statements of « INTRACOM HOLDINGS 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 Directors' report with the aforementioned financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

The present certified auditors' accountants' report replaces the report dated 30 March 2006 due to reclassifications in the Company's balance sheet, the consolidated statement of cash flow, as well as reclassifications and additional information in the attached notes to the financial statements.

Athens, 14 April 2006
The Certified Auditors Accountants

SOTIRIOS N. FILOS (SOEL Reg. No. 12471)

SOL S.A. CERTIFIED AUDITORS – ACCOUNTANTS
(SOEL Reg. No. 125)

PANAGIOTIS J.K. PAPAZOGLOU (SOEL Reg. No. 16631)

ERNST & YOUNG HELLAS S.A. (SOEL Reg. No.107)