

Unaudited Condensed Consolidated Balance Sheets

(In thousands of Euros, except share and per share amounts)

	As of September 30 2004	As of December 31, 2003
Assets:		
Current assets:		
Cash	€ 17,623	€ 27,735
Available-for-sale securities and other short-term investments	3,163	3,311
Investments held at cost	0	25,490
Derivative contracts	2,773	2,816
Accounts receivable (net of allowances of € 1,665 as of September 30, 2004 and € 2,145 as of December 31, 2003)	84,868	68,287
Unbilled revenues	49,880	25,706
Due from related parties	17,471	65,863
Inventory	20,360	11,361
Deferred tax assets	2,794	7,267
Other current assets	546	646
Total current assets	€ 199,478	€ 238,482
Other investments	1,422	2,856
Property, plant and equipment (net of accumulated depreciation of € 27,681 as of September 30, 2004 and € 24,681 as of December 30, 2003)	49,579	48,251
Prepaid expenses and other assets	1,295	134
Deferred tax assets	14,010	7,034
Other intangible assets (net of accumulated amortization of € 9,192 as of September 30, 2004 and € 4,812 as of December, 2003)	7,816	8,400
Goodwill	12,273	11,347
Total assets	€ 285,873	€ 316,504
Liabilities and shareholders' equity:		
Accounts payable	€ 106,264	€ 94,177
Billing in excess of costs and estimated earnings	17,472	10,880
Accrued and other liabilities	6,974	12,092
Income taxes payable	8,938	8,500
Deferred tax liabilities	3,820	2,327
Due to related parties	15,074	60,637
Current portion of long-term debt	10,142	8,826
Short-term debt	2,922	14,868
Short-term leasing obligations	1,725	879
Derivative contracts	2,638	3,917
Total current liabilities	€ 175,969	€ 217,103
Long-term debt less current portion	18,881	25,791
Long-term leasing obligations	3,026	914
Other long term liabilities	13,771	9,754
Deferred tax liabilities	0	2
Unearned income	1,216	474
Total liabilities	€ 212,863	€ 254,038
Minority interest	1,822	1,259
Stock compensation plan, net	1,934	874
Shareholders' equity:		
Common stock, 3,005 € par value, 20,000,000 shares authorized and outstanding, same class and series	60,101	60,101
Cumulative other comprehensive income (loss)	(1,422)	(431)
Retained earnings	10,575	663
Total shareholders' equity	€ 69,254	€ 60,333
Total liabilities and shareholders' equity	€ 285,873	€ 316,504

Unaudited Condensed Consolidated Statements of Operations

(In thousands of Euros, except share and per share amounts)

	Three Months Ended September 30		Nine Months Ended September 30	
	2004	2003	2004	2003
Revenues	€ 72,680	€ 58,252	€ 199,217	€ 166,049
Cost of revenues	56,422	45,602	154,565	130,040
Gross profit	16,258	12,650	44,652	36,009
General and administrative	5,091	4,874	16,446	16,680
Sales and marketing	1,582	984	5,928	4,601
Research and development	2,565	1,238	6,079	4,409
Depreciation and amortization	1,912	1,877	5,461	5,068
Total operating expenses	11,150	8,973	33,914	30,758
Income from operations	5,108	3,677	10,738	5,251
Financial (expense), net	(949)	(968)	(2,843)	(2,123)
Other income, net	34	(64)	96	(64)
Total other (expense)	(915)	(1,032)	(2,747)	(2,187)
Income before income taxes	4,193	2,645	7,991	3,064
Income tax benefit (benefit)	898	888	1,008	838
Net income before minority interest	3,295	1,757	6,983	2,226
Profit attributable to minority interests	(587)	(8)	(629)	(23)
Net income	€ 2,708	€ 1,749	€ 6,354	€ 2,203
Earnings per share				
Basic and diluted net income per share	€ 0,14	€ 0,09	€ 0,32	€ 0,11
Weighted average number of shares outstanding				
Basic and diluted	20,000,000	20,000,000	20,000,000	20,000,000

Unaudited Condensed Consolidated Statements of Cash Flows

(In thousands of Euros, except share and per share amounts)

	Nine Months Ended September 30	
	2004	2003
Cash Flow from operating activities:		
Net income (loss) before minority interest	€ 6,983	€ 2,226
Adjustments to reconcile net income to net cash provided by operating activities	5,058	5,299
Change in operating assets and liabilities	(20,947)	(16,909)
Changes in operating assets and liabilities due to joint ventures	(942)	0
	€ (9,848)	€ (9,384)
Net cash (used in) operating activities		
Cash Flows from investing activities:		
Restricted cash - guaranteed deposit of long term investments	0	49,681
Due from related parties *	(28,143)	14,565
Metso acquisition, net of cash	(5,225)	(20,428)
ICX acquisition, net of cash	(720)	0
Xwave acquisition, net of cash	(996)	0
ViryaNet acquisition	0	(1,009)
Purchase of property, plant and equipment	(3,057)	(5,193)
Disposals of other investments	32,433	(3,952)
	€ (5,708)	€ 33,664
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from short term and long term debt	1,662	12,901
Repayment of short term debt and long term debt	(19,518)	(1,684)
Due to related parties *	20,390	(58,625)
	€ 2,534	€ (47,408)
Net cash provided by (used in) financing activities		
Net (decrease) in cash	€ (13,022)	€ (23,128)
Net effect of foreign exchange in cash and cash equivalents	(340)	(355)
Cash at the beginning of period	27,735	32,731
Joint venture cash and cash equivalents at the beginning of period	3,250	0
Cash at the end of period	€ 17,623	€ 9,248
 Supplemental disclosure of cash information:		
Cash paid for the period:		
Income taxes	€ 1,709	€ 167
Interest	€ 4,531	€ 5,296

* As a result of the new bilateral credit agreement signed in 2004 and described in Note 6 to these Unaudited Condensed Consolidated Financial Statements, there was a direct netting of € 24,537 of balances due to and from related parties

Reconciliation between GAAP and Proforma Income and EPS

(In thousands of Euros, except share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
GAAP basis income before income taxes	€ 4,193	€ 2,645	€ 7,991	€ 3,064
Adjustments to Net Income				
Amortization of intangibles	675	548	1,718	1,718
Stock Compensation Plan expenses	288	135	1,059	400
Mark to market Derivatives	7	364	1,033	1,413
Total Adjustments	970	1,047	3,811	3,532
Adjusted income before income taxes	<u>€ 5,163</u>	<u>€ 3,692</u>	<u>€ 11,802</u>	<u>€ 6,596</u>
Income tax provision	(1,357)	(1,107)	(1,971)	(1,836)
Proforma Net Income	<u>€ 3,806</u>	<u>€ 2,584</u>	<u>€ 9,831</u>	<u>€ 4,760</u>
Earnings per share				
Basic and diluted net income per share	<u>€ 0,19</u>	<u>€ 0,13</u>	<u>€ 0,49</u>	<u>€ 0,24</u>
Weighted average number of shares outstanding				
Basic and diluted	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>	<u>20,000,000</u>