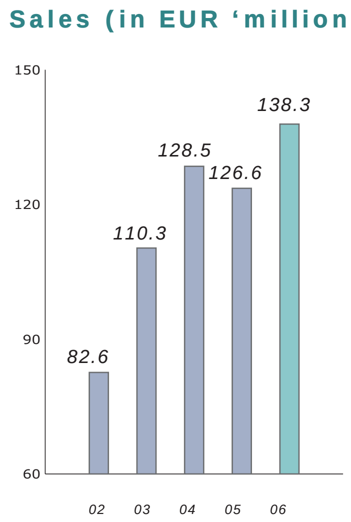
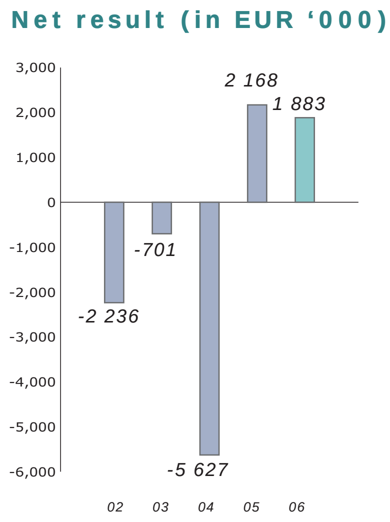
IPTE

S Y N E R G Y

ANNUAL REPORT
2006





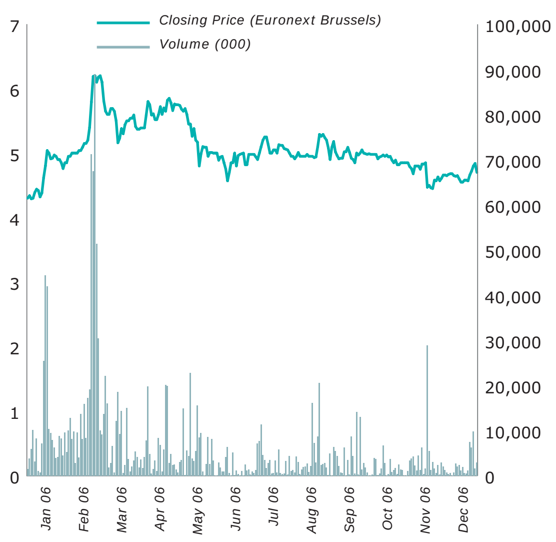
Stock market quotation (at 30/12/2006)

Shares	Highest price	6.20 EUR
	Lowest price	4.29 EUR
	Average price (accounting average)	5.06 EUR
	Price at 31/12/2006	4.70 EUR
Number of shares		5 476 092
Number of warrants		1 641 182
Average volume traded per day		4 484
Stock market capitalisation (at 31/12/2006)		25 737 632.4

Key figures per share (at 30/12/2006) in EUR

	2006	2005	2004
Equity	4.37	4.18	3.5
Operating profit/loss (EBIT)	0.61	0.77	-0.33
Cash flow from operations*	1.08	0.98	0.33
Earnings per share - basis (EPS)	0.34	0.37	-1.02
Price / Earnings	13.85	11.13	n/a
Price / Sales	0.19	0.19	0.13

** Cash flow from operations = Profit/Loss from operations raised with amortisation and reserves*



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Financial calendar

Results Q1	May 16, 2007
Results Q2	August 16, 2007
Results Q3	November 15, 2007
Annual results 2007	February 21, 2008
General shareholders meeting 2007	April 29, 2008

Investor relations

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Huub Baren, Managing Director IPTE NV

Hugo Ciroux, CFO IPTE NV

COMPANY PROFILE – STRATEGY

IPTE is a worldwide supplier of automated production equipment for the electronics industry and a supplier of manufacturing services to electronic and industrial markets in Europe.

The **IPTE Factory Automation division** develops standard machinery and turnkey automation systems for the production, testing and treatment of printed circuit boards and for final assembly work. The equipment is used in the automotive, telecommunications, consumer and other sectors of the electronics industry.

The **Contract Manufacturing division** delivers a full range of cable manufacturing and assembly, PCB assembly and module assembly services to the professional industry.

IPTE NV's registered office and corporate headquarters are located in Genk, Belgium.
The group has production facilities in Belgium, the Netherlands, Germany, France, Portugal, Slovakia, Romania and China.
It serves its clients through sales and service offices on three continents.
The company was founded in 1992 and its shares have been traded on Euronext Brussels since 2000.

Strategy

Factory Automation
Strengthening the group's position in its present and new niche markets by optimizing the organizational structure and existing productrange. Concentrating on its known areas of expertise in order to increase profitability in the division.
Achieving a more dynamic professional organization and optimizing synergy between production facilities.
Focusing on the existing customer portfolio with a fully-developed standard product range.

Contract Manufacturing
Extending the group, through internal growth and targeted acquisitions, into a major EMS (Electronic Manufacturing Services) player in Europe. Focus on quality, logistics, technology, costs and flexibility:
- Aiming for zero defects.
- Total fulfilment of logistics commitments through advanced supply chain management.
- Detecting and implementing the latest technologies and processes.
- Best pricing through co-engineering, high productivity and centralized purchasing.

Factory Automation
"To be the leading independent global factory automation partner to the electronics manufacturing industry."

Contract Manufacturing
"To continuously improve the success of our customers in the industrial and professional markets by supplying the best Electronic Manufacturing Services."

“OUR LONG EXPERTISE IN FACTORY AUTOMATION IS ENABLING US TO GENERATE HIGHER ADDED VALUE IN OUR CONTRACT MANUFACTURING ACTIVITIES.”

Interview with Managing Director Huub Baren

What, for you, were the significant macro-economic trends in 2006 and how are they reflected in the electronics industry?

One can say that the USA, Western Europe and Asia each represent one third of the world’s Gross Global Product. These economic blocks continue, however, to exhibit strikingly divergent growth figures. In Europe we are blocked at annual growth of more or less 2%, the United States is advancing by around 4% and in the East the figure is over 6%. For India and China we are speaking of growth rates of 8 and 10% respectively.

Concealed behind these naked figures are varying visions as to the interrelationship of social and economic factors. Whereas people on the European continent place a strong emphasis on their acquis social, to which economic concerns are at times subordinated, people in the East unhesitatingly opt for economic growth, believing this to be the prerequisite for further social development. North Americans are convinced that without sound growth structural economic problems arise that lead inevitably to social dismantling.

Looking at the growth figures in the electronics industry, we can talk of even greater divergence. Worldwide the industry is growing by 4 to 5% a year, in China it is racing forward up by 25% a year. This development is obviously to the detriment of the electronics industry in the western world.

Does this evolution express itself in all branches of the electronics industry, or are there differences between one electronics market and the other?

Obviously there are differences.

The shift towards the Far East is manifested most strongly in consumer electronics and personal computers. Western Europe hardly gets a look-in in these mass markets. The TVs, videos or PCs we buy just about anywhere in the world are largely ‘made in China’. India is focused more on software, but consumer electronics are on the way up there, albeit mainly for the local market.

On the telecoms market the situation is more complex. Mobile telephones for the Asian market are produced in Asia, those for the European market mainly in Eastern Europe.

The key automotive electronics market remains, however, largely local. Cars are built in Europe largely for Europeans, in the USA for the North American market and in Asia for Asian consumers. Divergent local quality requirements, differences in legislation and specific technical know-how mean that production and consumption are geographically closely linked.

As well as the electronics markets for commercial products, we obviously have also the major industrial and professional electronics markets. Here we are talking of medical electronics, mobile telephony base stations, products for electricity generation stations, etc. Western Europe continues to play a prominent role in these high-value, high-technology markets.

Let's come back to IPTE itself. How does the ConnectSystems business unit, which concentrates on Contract Manufacturing, position itself in the electronics market. How did things go in 2006?

As a contract manufacturer ConnectSystems is directing its efforts towards industrial and professional customers with made-to-measure work. These customers are very demanding in terms of quality and flexibility, and have high expectations of the services supplied to them. ConnectSystems offers a whole range of services to meet their requirements.

The first of these is cable confectioning and assembly, which is where ConnectSystems roots as a contract manufacturer lie. Indeed, when we acquired ConnectSystems in 1999, it was essentially a cable confectioning company. Last year cabling activities still accounted for 50% of divisional sales. Next to this we provide PCB (printed circuit board) 30% and assembly services, which make up 20% of ConnectSystems sales.

In both our cable and PCB activities we are seeking to 'broaden out' to focus not only on pure production but also on module development and on assembly activities. In 2006 these already made up 20% of sales.

We need to move further in this direction, and not only this, we need to gain additional expertise in offering (more) complete products and services. We want to focus here on creating 'added value' for our customers. Added value in terms of the product per se, but also in terms of the services we offer with it. Let there be no doubt here, we want to maintain and expand our experience and our base skills in cable and printing.

How does the takeover of the Electronic Manafacturing activities of Barco Manufacturing Services fit into IPTE's plans?

It goes without saying that the acquisition is essential for the further extension of our Contract Manufacturing activities. It fits perfectly with the strategic direction IPTE wishes to pursue, moving from cable manufacturing company to a fully fledged contract manufacturer. Of course IPTE seriously considers a takeover only where it represents an opportunity that is in line with our strategic objectives.

First of all the Barco activities we have acquired will strengthen our position in the field of more complex modules and products. Our aim is to generate 30% of our sales from cable activities, 50% from PCB assembly and 20% from generating added value products and services. Second, the assembly work coming to us from the takeover is of a significantly higher technical level, and should enable us to penetrate a new segment of highly professional customers. And third, this gives us a stronger foot on the ground in the Netherlands. IPTE wants in future to profile itself as a fully-fledged player on the Benelux market.

This latter item brings me to a less positive note with regard to last year. Our activities in Germany did not prove as successful as we had hoped. We remain a minimum player on the difficult German market, and we need to think how we can further expand our German activities.

And what about IPTE's second branch of activity, Factory Automation?

Well, I'm not dissatisfied with Factory Automation's performance in 2006. It was no easy job to post a slight advance in sales in a stagnating market. Our Factory Automation activities were originally directed mainly at OEMs (original equipment manufacturers) operating in the hyper-competitive consumer electronics industry. Today we are serving primarily the automotive electronics market and in part also the industrial market.

We are making good progress at our Shanghai facility. We already have there some 50 well trained employees and we are looking to increase this number to 75 or 100 persons. We made a good choice setting up there. From there we can serve our American and European customers at 'Chinese prices' and so remain competitive. Our Portuguese facility also fared better than expected.

With Factory Automation we are concentrating on three activities. Our know-how and services in test engineering generated 40% of our sales, as did our project activities, with which we are engineering complete production lines. Sales of standard products and systems, mainly for depaneling, odd-component, laser marking and conveying products accounted for the remaining 20% of our sales.

Our goal for 2007 is growth of 10%, with sales spread evenly over the three above-mentioned activities. This means that we will need to increase the share of standard products and systems. Our Shanghai plant will play a key role here. We expect our headcounts to remain unchanged in Western Europe, with growth in China and Portugal. We will also be starting test activities in Romania to serve the Eastern European market.

Do the two branches of IPTE support each other, or do they each go their own way?

Both Factory Automation and ConnectSystems go their own way and need to play to the specific needs of the markets on which they operate. But without a shadow of doubt it is an exceptional advantage for IPTE to be active in both markets at once. It is precisely our many years' experience in test engineering and the product range we developed in Factory Automation that are placing us in a position to generate the higher added value we are aiming for in ConnectSystem's Contract Manufacturing activities. These synergies should help us to achieve in 2007 sales of EUR 200 million and a corresponding profit growth.

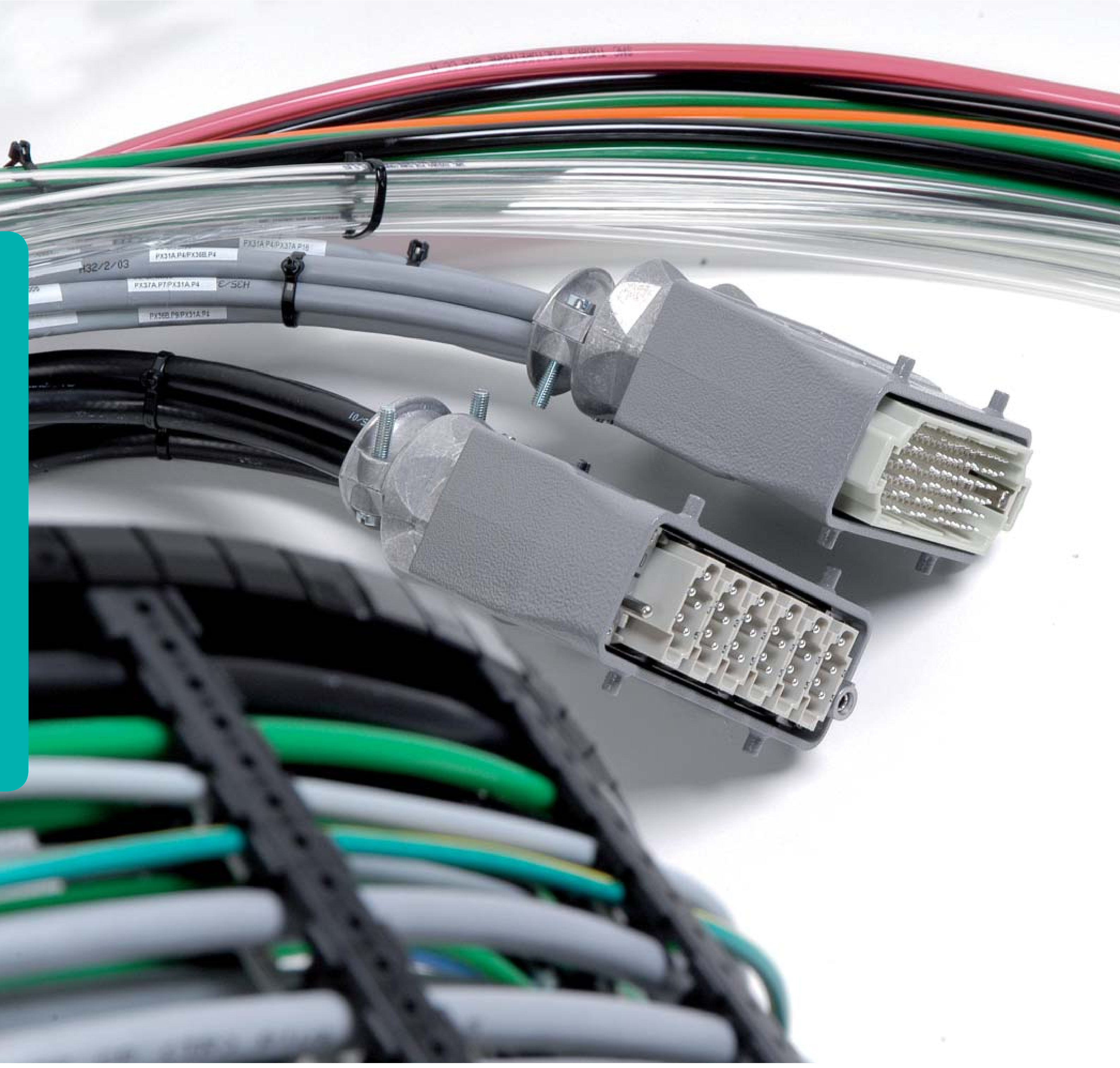
In both business fields we also face the same challenges as regards employee know-how and skills. Continuing to meet the high requirements we set ourselves, in different branches such as software, electronics or testing, is not self-evident, but is essential for the further successful development of our company.

Finally, can shareholders expect a dividend this year?

A dividend can certainly not be excluded in the future, but not for 2006. Our profit last year was nothing to be ashamed of, but it was not dazzling either. In addition IPTE is still aiming for growth, and this obviously has to be financed. And top of this comes our need for working capital, which has risen in particular in the Contract Manufacturing division.

We are convinced that we have solid foundations to enable IPTE to grow healthily, and that must right now be at least as good news for our shareholders.

CONNECTSYSTEMS, INTEGRATED SUBCONTRACTORS



LUC SWITTEN, CEO CONNECTSYSTEMS

2006 is a year in which a lot happened at ConnectSystems. For the fifth year in a row internally generated turnover (i.e. before acquisitions) grew by more than 10 percent. Our order book also climbed to a record of EUR 37.1 million.
And the year was marked not only by record figures, but also a number of important events at operating, technical and commercial levels.

The RoHs directive (Directive 2002/95/EC of 27 January 2003 on the restriction of the use of certain hazardous substances in electrical and electronic equipment) came into effect on 1 July 2006. Among other things, the new directive requires the use of lead to be avoided as far as possible in electronics production. This directive had last year a major impact on our investments (over EUR 2 million) and our production methods. We can announce that all our plants now have fully RoHS-compliant production lines and that the switch went ahead smoothly.

At the commercial level we made major efforts to strengthen our presence on the German market. Until now our primary commercial focus has been on the Benelux market, but given our already strong position on this market and limited possibilities for further growth, we decided, after acquiring our German subsidiary in 2004, to direct our commercial attention more towards the German market. We believe that this market - many times larger than the Benelux one - still offers considerable growth potential in the coming years.

In terms of commercial products we introduced our “Flex-Ops” activity, whereby we develop the electronics and cabling of a product together with the customer at its own premises. Based on our experience and know-how we redesign the electronics, develop the cabling and propose cost-saving solutions. This activity also includes on site assistance with prototype building, integration and installation. Initial experiences with our customers have been very positive and tell us that there is a clear need in the market for this flexible subcontractor approach.

As the cherry on the cake we were pleased to announce at the end of the year that we had successfully completed out the take-over of the PCB assembly activity of Barco Electronics Manufacturing (BEM). This takeover brings with it a number of major synergies for ConnectSystems:

- Barco will become ConnectSystems’ largest assembly customer with guaranteed sales of at least EUR 180 million over the next 5 years;
- The newly-acquired Barco facilities incorporate high quality production technology including wire-bonding and ‘Glob-Top’, and a clean room, which is important for certain assembly activities;
- ConnectSystems has taken over customers on sectors in which it was not yet present, including the aerospace and military industries;
- Merging the acquired Barco facilities with our existing production locations will enable us to optimize our investments and make better use of production capacities and skills.

All these events in 2006 make us strong for the future. Together with our structure of customer-oriented front offices in Belgium, the Netherlands and Germany, coupled with cost-efficient back offices in Romania, the Czech Republic and Slovakia, they make us ready and prepared to look to the future with confidence.

CONNECTSYSTEMS

The Contract Manufacturing division evolved from the take-over of ConnectSystems in 1999. ConnectSystems, founded in 1987, is a dynamic, technology-based company which provides the professional industry with essential electronics manufacturing services.

The company combines three activities: cable assembly, PCB assembly and module assembly. The ConnectSystems Group combines two operating divisions: ConnectSystems and Connectronics. ConnectSystems with factories in Belgium, the Netherlands, Slovakia and Romania concentrates on cables, harnesses and racks.

The other factories in Belgium, Germany and Romania, operating as ‘Connectronics’, specialize in prototyping, PCB assembly, testing and assembly/testing of sub-modules and end-of-line products. Customers come from various market segments: telecommunications, medical equipment, automotive, professional vehicles and the semiconductors industry.

Cable assembly

Cabling services using copper, coaxial and fiber-optic technologies offer a complete answer to the interconnection needs of OEM’s and equipment installers. Our skilled operators are fully conversant with all regularly used signal, power and coaxial cable, including the most complex constructions. Workstations with computer screen displays guide operators step-by-step through the more demanding procedures, ensuring maximum quality and minimum human error.
For copper wires and cables, a wide range of production techniques can be applied, from manual wirewrap, soldering and crimping, to semi-automated processes such as insulation displacement for discrete wire and cable and moulding, to fully automatic machines for dual-end applications.

PCB Assembly

A number of different integrated automatic production lines, built round a series of modern surface mounters, provide rapid, cost-efficient assembly of SMD circuit boards. The lines feature integrated gluing, solder paste printing and soldering. The production lines are equipped with inline loaders, paste and/or glue printing, reflow ovens and fast-exchange feeders.

Our well-trained employees assemble PCBs produced in small quantities or PCBs requiring manual placement in conjunction with SMD placement.

The quality control department uses a broad range of off-line manual and automated techniques for full testing of PCBs, PCB assemblies and final products.

For specific or technically difficult applications we bring in the expertise of IPTE Test and together we develop state-of-the-art test systems.

Our test systems include in-circuit test, Functional Test, Flying Probe, X-ray, Optical Test, Burn-in Test and Life cycle Test.

Module assembly

We also offer our customers production facilities for the assembly and testing of their finished products.

For the assembly of complete wired/cabled panels, racks and cabinets the ConnectSystems group has dedicated employees and versatile and modular production locations to handle customer projects right through from co-development to after-sales service. This activity is mainly performed in our front offices, close to customers, whilst the labour intensive part is undertaken in our eastern European factories.

In the coming years ConnectSystems will further expand its assembly activity in response to steadily increasing demand from our professional customer base.

Projects (Flex-Ops)

At ConnectSystems the common denominator Flex-Ops covers all customer-oriented end-to-end services undertaken on a project basis. Flex-Ops stands for proactive cooperation between ConnectSystems and the customer, where the company makes its full range of advanced skills in cabling, PCBs and module assembly available to the customer. ConnectSystems also thinks along with the customer instead of purely producing to its specifications.
'Early involvement with the client' is much more than a fine-sounding slogan. With Flex-Ops ConnectSystems words are really put into action.

1. The Flex-Op engineers support the customer on site from the start of the development of the end product. Together with its development team they determine the best specifications for the necessary cable trees, advise on PCB design and ensure the produceability and testability of all components.

2. When it is time to prototype the final product, ConnectSystems takes care of prototyping the ConnectSystems cables, components and modules, following instructions received from the Flex-Ops engineers. On site and together with the client our engineers subject the prototype to the necessary controls and accompany the customer's team in incorporating it into the (prototype) end product.

3. After evaluating the prototype the customer can give the green light to start series production of the ConnectSystems parts at one of our operating sites. At this stage we revert to a more traditional cooperation model and production process.

ICOS

Icos had a very positive experience with Flex-Ops. In consultation with the ICOS team of experts, the ConnectSystems engineers printed a large stamp on what are for Icos non-core modules and components of their final product. This left the Icos specialists free to concentrate on the core components of their final products. Flex-Ops proved to be a win-win solution for both ConnectSystems and Icos.

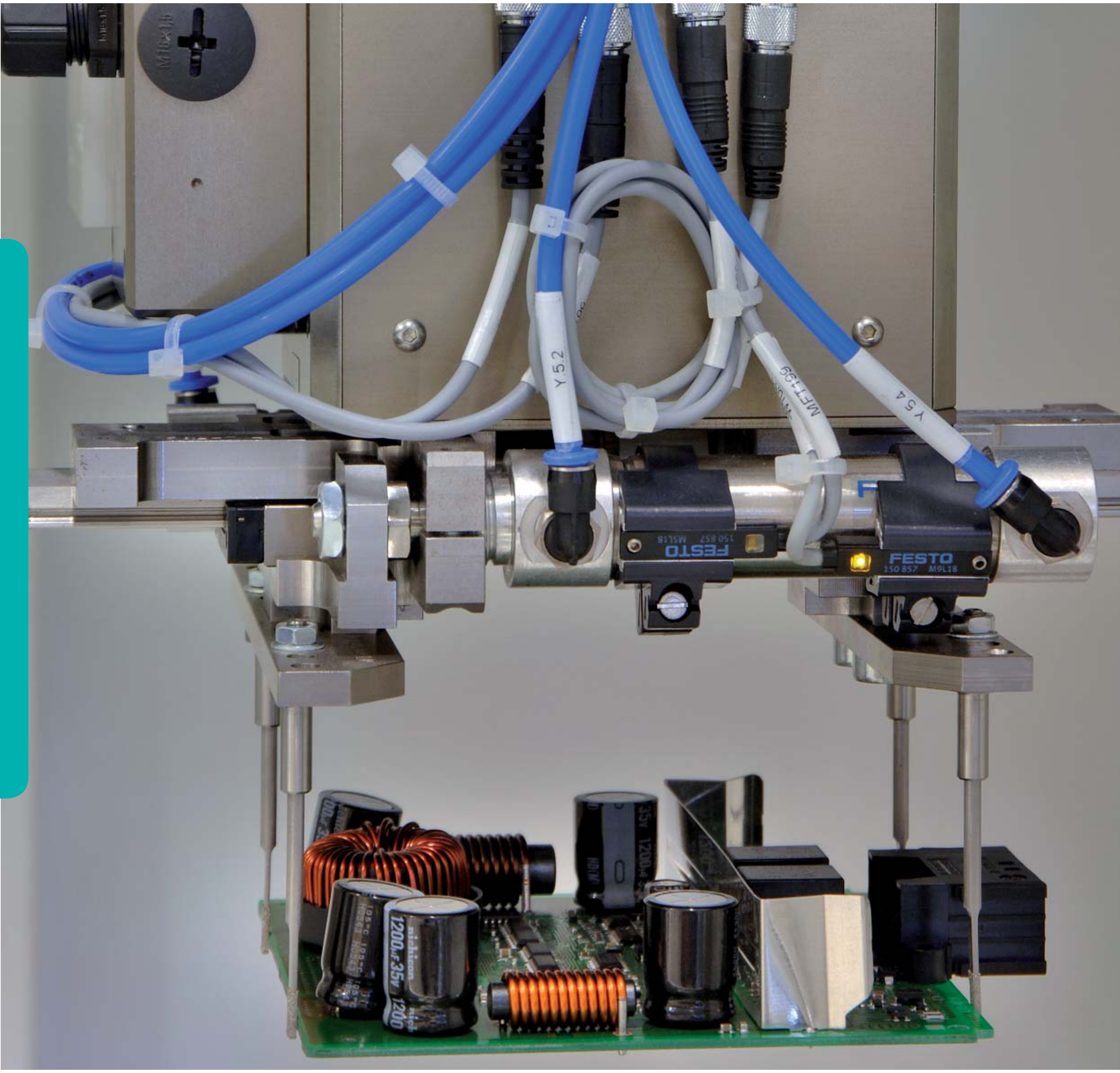
Integrated offering

A customer that puts to sea with ConnectSystems as a contract manufacturer knows it has a very wide range of services to fall back on. ConnectSystems is a truly multi-disciplinary, multi-faceted operation.

- First we are active in Cable & Wiring, in Electronics (PCB assembly) and also module assembly. This means that we can provide our customers a very wide and horizontally integrated offering.
- At the same time ConnectSystems' skills are not limited to merely producing customer-specific modules and components. The wide-ranging know-how and experience the company has developed in recent years makes it able to provide both operating and **conceptual services**. This enables us to work with our customers on a project basis, offering solidly-based advice and suggesting ways of producing better quality and more cost-effective final products. Reversed Engineering, including PCB layout, Design for Assembly and Design for Testing – are examples of this. In this phase customers can also make use of ConnectSystems' Flex-Ops activity.
- On top of this, the fact of being part of the **IPTE group** provides us with **additional specific know-how**. For example, IPTE's in-house know-how in test engineering from its Factory Automation activities.
- Finally, ConnectSystems has a broad, competitive and high-technology '**ability to execute**'. A number of delocalized operating sites give us the necessary production capacity and enable us to work at competitive prices.

By acquiring BEM (Barco Electronics Manufacturing) we have also extended our production portfolio with a number of top-of-class technologies. The group now has clean room facilities, Category 3 electronics production, wire and die bonding and, very important for the future development of the business, a fully-tooled design centre (PCB development).

Having dust-free rooms is vitally important, for example, when producing life-critical (optical) medical apparatus. 'Wire bonding' and 'glob-topping' technologies also enable us to deliver PCBs for other products with high security requirements. The difficulty of removing the covering layer (glob top) effectively protects both component and contents.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Vladimir Dobosch, CCO Factory Automation

Factory Automation performed creditably during the past year. In a stagnating European market we succeeded in generating more orders. Better still, we achieved an – albeit small – improvement in profit. Our new facilities in Portugal and China also came in with remarkably good figures, scoring better than expected in terms of sales growth and return. In fact we did structurally better in all parts of our organization, both in sales and in the operating units.

If we start by taking a closer look at Factory Automation's test activities, we see that we are reaping the fruit of our international presence. The test automation products themselves we develop in Genk, but the test applications themselves are being created at our local facilities in Germany, Portugal, Romania and China. In other words we follow our customers. From Romania we service those producing in Eastern Europe, whilst our plant in China is delivering European customers that have set up there. But closer to home also we are ready and able to respond flexibly to our customers' needs. The setting up of a test group in Bruges, in function of customers like Philips, Jabil and Elcoteq, is proof of this. It also has to be said that IPTE also follows the market trends in test services. More concretely this means that we too are focusing more on 'lean solutions' at the expense of fully automated (in-line) testing.

Another of Factory Automation's competences lies in the building of production automation machinery. One activity that stands out here in 2006 is our new conveying product program. This program is the best in European markets in terms of price/performance relationship. Until now we have rolled it out only at our Genk plant, but we are also planning to introduce it at our Chinese facility. We have high expectations of it. And, still in Genk, we are continuing to work on user-friendly software for our machines. Here too we expect a breakthrough in 2007.

Finally, Factory Automation also builds complete production and assembly lines for the electronics and automotive industries. Our facilities in France (Prodel) and Germany (IPTE Germany) are concentrating on solutions for fully automated production processes. For semi-automated processes we are moving, for price reasons, to our Portuguese site. But in China too we can offer economic solutions for simple production processes for the local market. Be that as it may, the common denominator in the projects in which we build production and assembly lines remains the striving to make maximum use of standard components.

All in all Factory Automation can in this way offer an optimal service to its customers. Both literally and figuratively we are following our customers as they relocate. The mass electronics market is shifting irresistibly towards the Far East (China) but we are convinced that by following this trend, in all its ramifications, we can continue to offer optimally priced, high quality equipment and services to our customers locally.

IPTE – EXPERTS IN FACTORY AUTOMATION

Starting off as a test engineering company in 1992, IPTE has evolved into a full factory automation company for the electronics industry and automotive industry.

Today we provide solutions for every single process in the production and testing of PCB's downstream from SMT (Surface Mount Technology) and soldering. Our factories in Belgium, Germany, Portugal and China specialize in PCB assembly and test solutions. IPTE-Prodel in France provides flexible mechanical assembly systems and solutions. And Elec and Antest, our other factories in France, supply test applications and test automation. Our customers come from different market segments within the electronics industry: automotive, telecommunications, consumer electronics and computers.

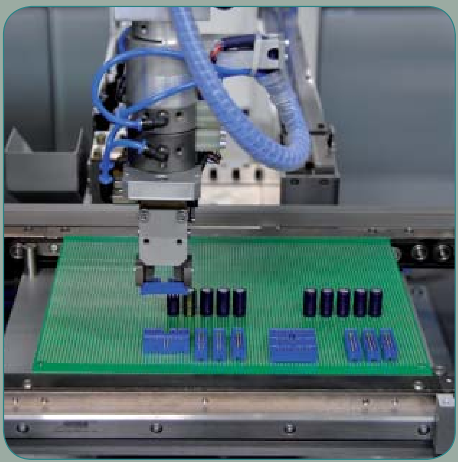
Test

Test and test automation

IPTE is a global test engineering partner. IPTE masters all capabilities in testing, test automation and test services, offering manual, semi-automated and automated test solutions. These cover hardware, software, process and management aspects: from test handlers to test systems, fixtures, application programs, tooling, etc. Test capacities range from 'design for testability' (optimizing testability during the development phase), test engineering, and installation and startup support to training, process improvements and repair assistance. With its flexible and multidisciplinary team, IPTE provides simple to dedicated turnkey solutions in various technology areas such as automotive, consumer goods, telecommunications and domestic applications. This service is available at test-on-board level, sub-assembly (in-circuit, flash, functional), or on assembled products (end-of-line testing, burn-in, stress screening).

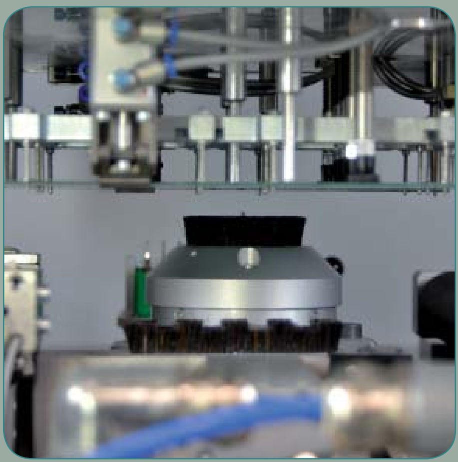
Automation products

The automation unit provides standard equipment combined with turnkey solutions. Examples of standard equipment are:



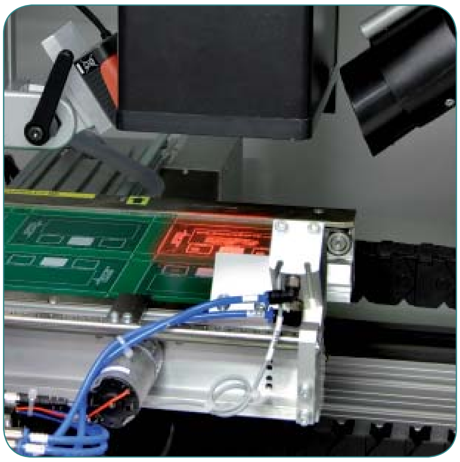
Board assembly and final assembly

The automation of odd-form component placement is economically justified when a variety of components need to be placed at high production rates.
The flexibility of the IPTE equipment provides the capacity to place odd-form components in variable quantities and different component shapes in a single machine at high speed. In 2005 IPTE developed a new ‘EasyMounter‘ machine in response to market demand and in order to offer a wider range of pick & place machines.



Depaneling

High-technology multiproduct shaped printed circuit boards require a precise, stress-free separation process to prevent damage to the PCBs and components. Shop floor practice requires all normally sized PCBs, substrates or board assemblies to be singulated from a large multi-product panel. IPTE has provided a full range of cutting equipment, based on its SpeedRouter depaneler, since 1998. With the new developed Easyrouter in 2006, IPTE now offers a full range of in- and off-line solutions.



Laser marking

IPTE provides a series of standard laser cells for direct marking on board assemblies, electronic modules or products. The integrated laser unit can automatically write text, serial numbers, conventional codes and data matrix codes on a wide variety of surfaces. The marking is then immediately verified to ensure the validity of the data. With Flexmarker and the recently introduced high-speed marker and Easymarker, IPTE now offers a full portfolio of marking solutions for fast, high-quality and error-free marking, labelling and writing.

PCB assembly cells

IPTE supplies flexible assembly cells for electronics production. The modular base of these cells enables configuration of individual applications to customers' requirements. Cells can be configured into fast operation in-line production systems or used as stand-alone machines. We provide solutions for a wide range of individual production steps such as pick & place, screw fastening, dispensing, marking and production tests.

Conveying

In 2005 IPTE launched a totally new portfolio of PCB transportation and handling modules. In 2006 IPTE extended this range of 'Easyline' modules. These PCB transport and handling modules are specifically developed for high reliability performance at competitive prices.

Assembly

Final assembly and test

Our flexible and modular assembly systems are ‘standard’ solutions for automated assembly and final test.
IPTE’s assembly systems are composed of autonomous modules, combinable into endless configurations.
Modules may be used both in-line and off-line in both manual and automated mode. IPTE’s semi-automated production equipment is the answer to manufacturers’ needs in a production environment characterized by growing quality control demands and shorter time-to-market (TTM). In situations where semi-automated processes are the best solution in the process flow, IPTE offers a full range of semi-automated equipment. Robots and handling systems can be used both in transport lanes and in turntable configurations.
With its vast experience of building multiple turnkey solutions over the years, IPTE has acquired a particular expertise in the field of robotics for automated assembly.
Nowadays automating final test processes is a priority, ahead of automation of assembly, and justifies the investment in machinery. In this field IPTE has developed very cost-effective solutions based on strong software expertise. For the final test of electronic products our complete package includes mini testhandlers and applications, ready-to-run test programs and individual test cases, as well as test fixtures for manual and fully automated use in automated production lines.

ORGANIZATION

Company structure

IPTE NV is a Belgian holding company established in Genk.
The group's activities are divided into two business units, Factory Automation and Contract Manufacturing, each combining a number of specific processes for the electronics industry.
Both divisions have their own independent marketing approaches and make their own strategic decisions for reacting to new markets and opportunities.
For detailed information on the structure of the group, the reader is referred to page 43.

The group is structured operationally as follows:

Holding	IPTE NV	Belgium
Factory Automation	IPTE NV	Belgium
	IPTE Industrial Automation (Shanghai) Co. Ltd	China
	IPTE Germany GmbH	Germany
	Prodel Technologies & Automation SA	France
	And-Elec SARL	France
	Antest SARL	France
	IPTE RF SARL	France
	IPTE Iberia - Automação Industrial, Lda	Portugal
	IPTE Asia Pacific Pte Ltd	Singapore
	IPTE LLC	USA
Contract Manufacturing	ConnectSystems Holding NV	Belgium
	ConnectSystems International NV	Belgium
	ConnectSystems NV	Belgium
	Connectronics NV	Belgium
	Connectronics GmbH	Germany
	ConnectSystems Nederland B.V	Netherlands
	Connectronics Romania S.R.L.	Romania
	ConnectSystems Slovakia spol. s.r.o	Slovakia
	Connectronics s.r.o.	Czech Republic

REPORT FROM THE BOARD OF DIRECTORS

Annual Results of the IPTE Group (3-year comparison)

	2006 31/12/2006 EUR '000	2005 31/12/2005 EUR '000	2004 31/12/2004 EUR '000
Sales	138,282	126,662	128,587
Cost of sales	-109,917	-97,886	-103,797
Gross profit	28,365	28,776	24,790
Research and development expenses	-6,255	-5,802	-5,680
General and administrative expenses	-9,134	-8,757	-8,212
Selling expenses	-9,886	-10,010	-11,915
Amortization of goodwill*	0	0	-765
Other operating income/(expense) (net)	304	-10	-28
Profit from operations	3,394	4,197	-1,810
Financial income/(charges) (net)	-1,377	-2,041	-1,842
Sale of subsidiary	0	0	-1,969
Profit before taxes	2,017	2,156	-5,621
Income taxes	-134	12	-6
Profit after taxes	1,883	2,168	-5,627

** In accordance with IFRS 3 "Business combinations", the goodwill expressed in a business combination beginning on or after 31 March 2004 can no longer be amortised but is subject to an annual impairment test. This has also applied to previously recognised goodwill (IFRS 3.79).*

OPERATING RESULTS

On a comparable basis, group sales on an annual basis rose from EUR 126.7 million in 2005 to EUR 138.3 million in 2006 (plus 9.2%).

The increase is attributable to the Factory Automation division, where sales rose from EUR 48 million to EUR 50.2 million (plus 4.6%) and to the Contract Manufacturing division where sales increased from EUR 78.9 million in 2005 to EUR 88.4 million in 2006 (plus 12.0%).

Contract Manufacturing now stands for 64% of total business (62% in 2005 and 57% in 2004). It is clear that future growth will mainly be in this activity. The take over from the Barco contract manufacturing business beginning 2007, with a business volume of approximately EUR 60 million in 2006, will further increase the importance of this activity within the group. Based on our present budgets, Contract Manufacturing will count for 75% of total business plan of 2007.

Operating result decreased from EUR 4.2 million profit in 2005 to EUR 3.4 million profit in 2006. This decrease is completely ascribable to the contract manufacturing business.

Financing costs were EUR 1.3 million compared to EUR 2 million in 2005. This decrease is the combined result of exchange gains realized amounting to EUR 0.35 million and a reversal of interest provisions

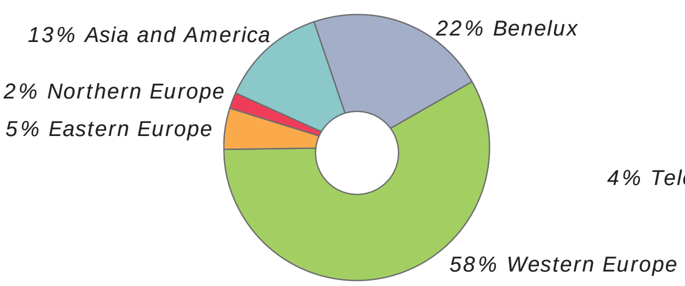
amounting to EUR 0.48 million. This interest provision was accrued for on the subordinated loan given by LRM and management to the company in 2003 to cover the potential additional interest costs the company would incur in case the warrants linked to the subordinated loan were not executed prior to the maturing date of the loan in 2008. As LRM and management signed in December 2006, an irrevocable letter to execute their warrants, linked to the subordinated loan, in October 2007, the obligation of additional interest costs is no longer valid and as such, the interest accrual was reversed as financial income.
The net profit for 2006 was EUR 1.9 million compared to a profit of EUR 2.2 million in 2005.

The order book at the end of the reporting period stood at EUR 50.6 million (end 2005: EUR 43.2 million). EUR 13.5 million of this relates to Factory Automation (end 2005: EUR 12.9 million).
The Contract Manufacturing order book amounted to EUR 37.1 million (end 2005: EUR 30.3 million).

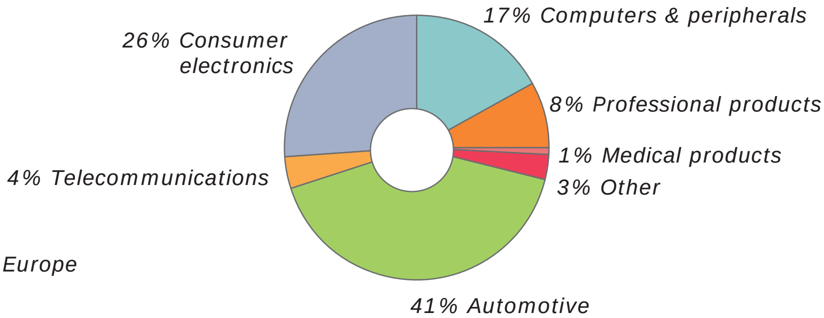
IPTE FACTORY AUTOMATION

Sales in the Factory Automation division rose from EUR 48 million to EUR 50.2 million (plus 4.3%). Gross margin improved from 30.4% to 33% as a result of the efforts done to standardize products. Focus in Factory Automation remained on maintaining the regained profitability of 2005. The division was successful in this and could improve its operational result from 0.7% on sales to 1.4%. Factory Automation remains a very competitive market where growth can only be obtained at the expense of competition as total market remains stable or even decreasing in Europe.
Factory Automation customers come mainly from automotive (41%), consumer electronics (26%) and computer (17%) market segments.

Factory automation by region



Factory automation by market segment



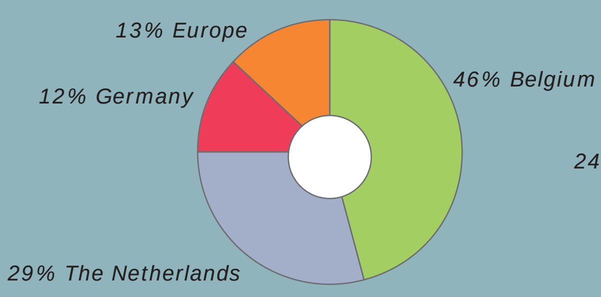
CONTRACT MANUFACTURING

Sales by the Contract Manufacturing division rose with an impressive 12.2% from EUR 78.8 million to EUR 88.4 million. This growth reflects the efforts made to expand the commercial network mainly in the Benelux. Gross margin decreased however from 17.9% to 13.2%. This decrease is the result of:

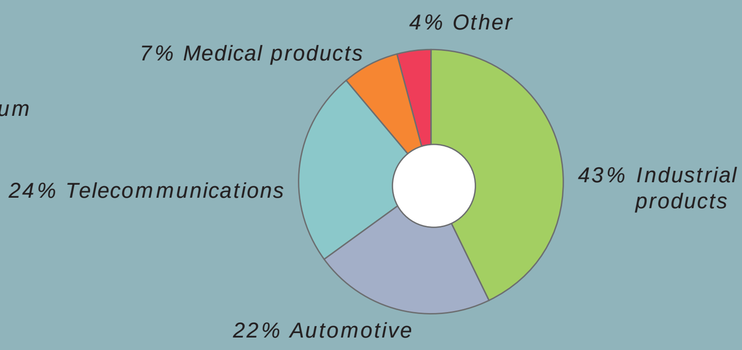
- a change in product mix which is not predictable;
- our inability to pass on the rising copper price, which is a major cost factor in the cable department, in time to our customers;
- and the workforce efficiency actions we had to take during the year in our Romanian facility as our rapid growth in Romania brought a fall in production efficiency. These situations were corrected during the year.

ConnectSystems' customers come mainly from the industrial products (43%) and the telecommunications (24%) sectors and the automotive industry (22%).

Contract manufacturing by region



Contract manufacturing by market



REPORT FROM THE BOARD OF DIRECTORS

Balance sheet (as of 31 December 2006 (EUR'000))

	2006	2005	2004
Intangible fixed assets	221	254	410
Positive consolidation differences (goodwill)	5,943	5,943	5,134
Tangible fixed assets	12,226	12,000	10,656
Deferred taxes (DR)	1,000	901	915
Amounts receivable after more than 1 year	1,490	1,502	1,437
Inventories and contracts in progress	28,914	23,988	22,814
Trade receivables	34,781	26,267	32,260
Other receivables	2,396	2,539	2,773
Cash, bank deposits and current investments	2,309	3,694	2,852
Other current assets	289	390	319
TOTAL ASSETS	**89,569**	**77,478**	**79,570**
Shareholders' equity	23,920	22,894	19,609
Subordinated loan	7,200	7,000	7,000
Provisions	1,356	2,342	4,150
Deferred taxes (CR)	1,000	901	915
Long-term financial debt	1,810	2,750	2,728
Short-term financial debt	23,156	18,147	18,056
Trade debts	21,440	14,852	17,896
Short-term liabilities	9,687	8,592	9,216
TOTAL LIABILITIES	**89,569**	**77,478**	**79,570**

BALANCE SHEET

Total balance sheet rose with 15% from EUR 77.5 million to EUR 89.6 million end 2006. This increase is mainly the result of increased inventories (from EUR 24 million to EUR 29 million – plus 21%) and trade receivables (from EUR 26.3 million to EUR 34.8 million – plus 32%).

Both increases can be explained by the following reasons :
- 4th quarter sales were up with 25% to last year 4th quarter sales;
- Increased order book (plus 18%) at year-end resulting in higher inventory requirements.
- Increase of average days outstanding in automation as a result of large international customer policies of no longer paying advances on projects and waiting for final settlements of open project invoices.

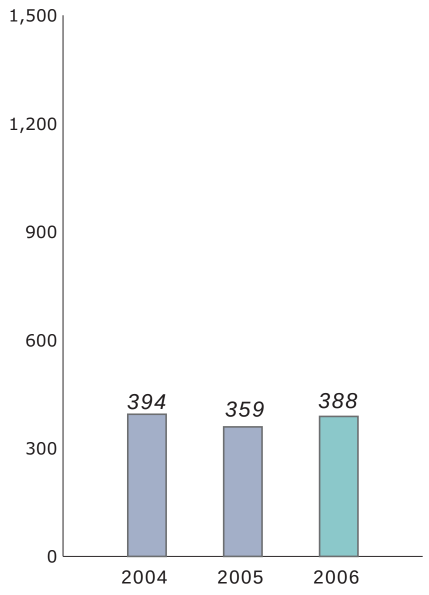
Investments of EUR 2.8 million were undertaken in 2006 (EUR 3.7 million in 2005), primarily at ConnectSystems in Romania (capacity extension) and at Connectronics NV.
Net financial debt (long and short-term financial debt less cash, bank deposits and current investments) increased from EUR 17.9 million to EUR 22 million, to finance the working capital needs of the increased business volume.
Group shareholders' equity improved from EUR 22.9 million in 2005 (29.5% of the balance sheet total) to EUR 23.9 million (26.7% of the balance sheet total).

PERSONNEL

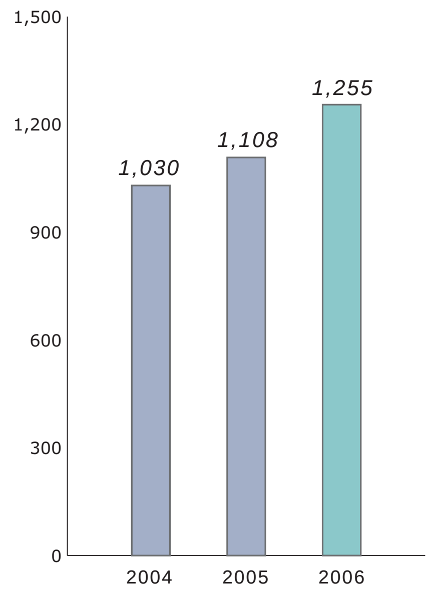
Overview by country (as of 31 December 2006)

	Factory Automation	Contract Manufacturing	Total
Belgium	105	355	460
Netherlands	0	102	102
Germany	102	110	212
France	112	0	112
United Kingdom	2	0	2
Portugal	14	0	14
Romania	0	523	523
Slovakia	0	165	165
Singapore	4	0	4
China	44	0	44
USA	5	0	5
Total	**388**	**1,255**	**1,643**

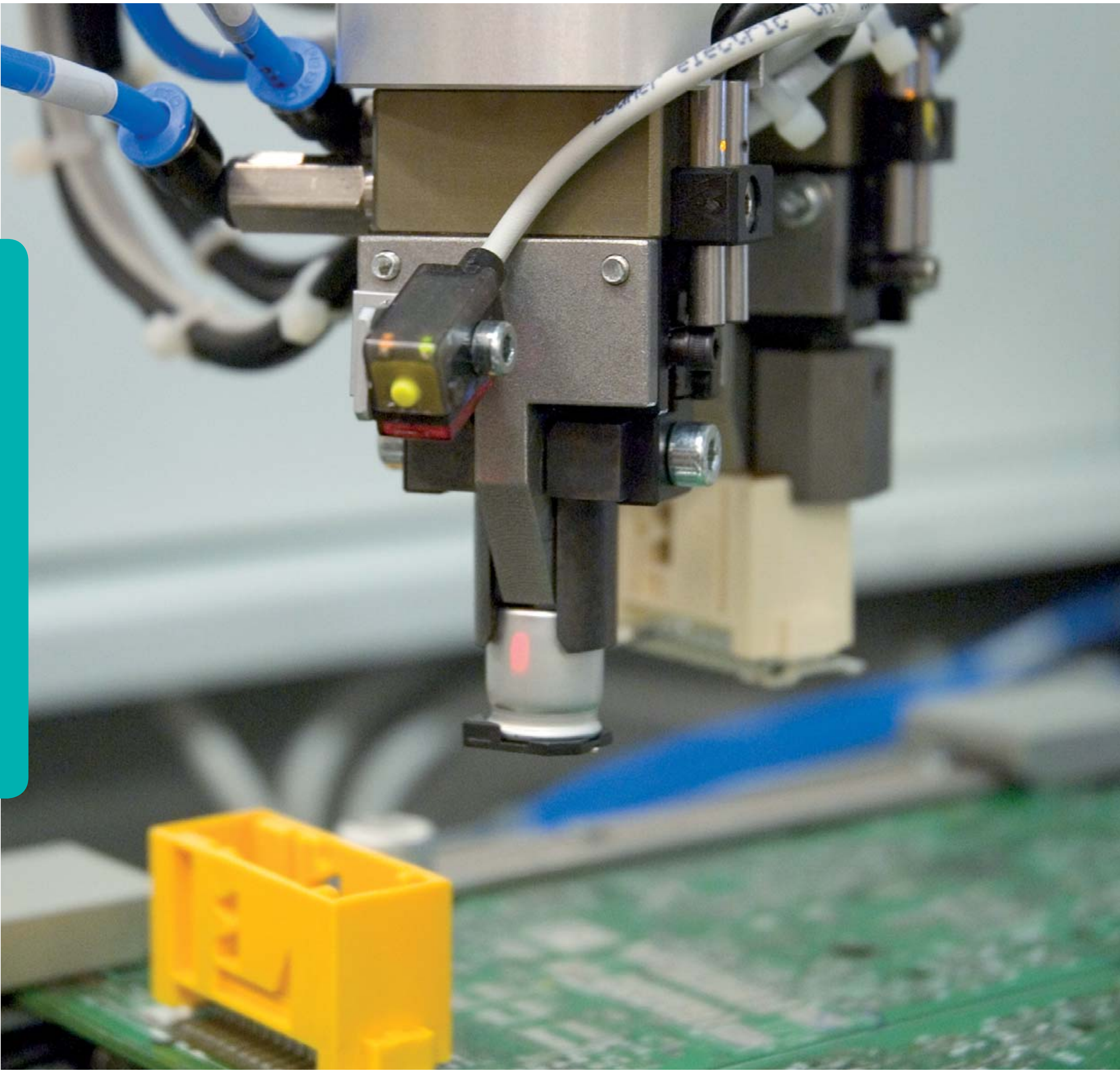
Factory Automation



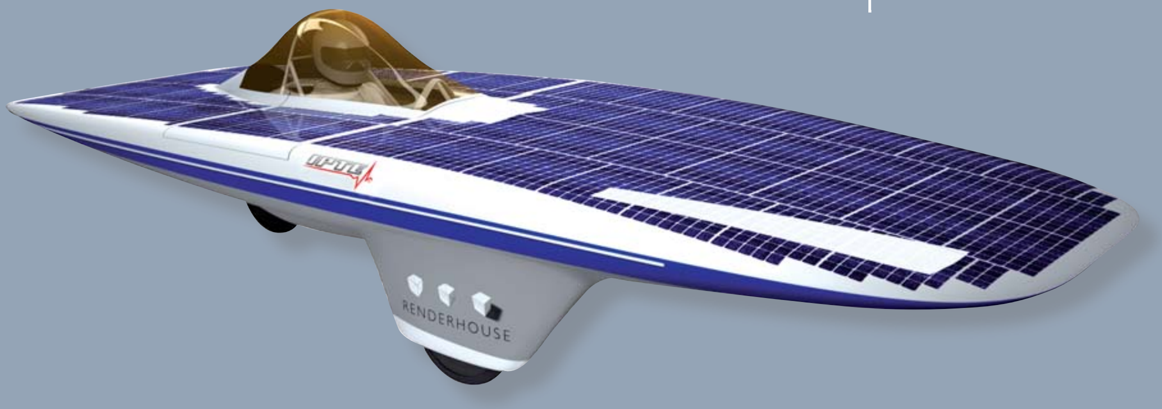
Contract Manufacturing



CORPORATE GOVERNANCE



IPTE sponsors the Umicore Solar Team. This team comprises of 15 enthusiastic Industrial Engineering graduates of the University in Leuven (Belgium). Their dream is competing successfully in the Panasonic World Solar Challenge Cup in August 2007 with their own self-designed Solar Car.



Board of Directors*

EDJ NV (permanently represented by Mr. Erik Dejonghe)	Chairman, Independent Director (1) (2)
Huub Baren	Managing Director
Vladimir Dobosch	Director
Luc Switten	Director
Stokklinx BVBA (permanently represented by Mr. Guy van Dievoet)	Independent Director (2)
Geboers Management & Consulting BVBA (permanently represented by Mr. André Geboers)	Director** (1)
Immocom NV (permanently represented by Mr. Freddy Daniëls)	Director** (2)
Dominique Moorkens	Independent Director (1)

Executive Management*

Huub Baren	Managing Director
Hugo Ciroux	Chief Financial Officer
Luc Switten	CEO ConnectSystems

** in their own names or via management companies ** representing LRM NV (Limburgse Reconversie Maatschappij)*
(1) Member of the Remuneration Committee (2) Member of the Audit Committee

CORPORATE GOVERNANCE

The Board of Directors

The Board of Directors is the highest management body within the company. In addition to its decision-making authority, the Board is charged with exercising full and effective control of the company.
The Board must therefore meet at least six times a year and on as many other occasions as the group's interests require. In addition to its statutory duties the Board of Directors is responsible for defining the group's strategic objectives and establishing general policy on the basis of proposals submitted by management. The Board also supervises the implementation of policy, controls the company and prepares the annual accounts for the shareholders.

Composition of the Board of Directors

The company is managed by a Board of Directors, comprised of a minimum of five directors, who may or may not be shareholders, and who are appointed by the General Meeting of Shareholders.
On 31 December 2006 the Board of Directors was made up of eight members as follows:

- **EDJ NV, represented by Mr. Erik Dejonghe** (appointed on 18 April 2003 for a six-year term). Independent Director, Chairman of the Board of Directors.
- **Huub Baren BVBA, represented by Mr. Huub Baren** (appointed on 26 April 2005 for a six-year term). Managing Director. Dominant shareholder holding 35% of the shares.
- **Vladimir Dobosch BVBA, represented by Mr. Vladimir Dobosch** (appointed on 16 April 2004 for a six-year term). Dominant shareholder.
- **Luc Switten BVBA, represented by Mr. Luc Switten** (appointed on 16 April 2004 for a six-year term). Dominant shareholder.
- **Stokklinx BVBA, represented by Mr. Guy van Dievoet** (appointed on 26 April 2005 for a six-year term). Independent Director, dominant shareholder.
- **Mr Dominique Moorkens** (appointed on 25 April 2006 for a six-year term). Independent Director.
- **Immocom NV, represented by Mr. Freddy Daniëls** (appointed on 18 April 2003 for a six-year term). Director representing LRM NV.
- **Geboers Management & Consulting BVBA, represented by Mr. André Geboers** (appointed on 18 April 2003 for a six-year term). Director representing LRM NV.

Each director may be dismissed by the General Meeting at any time. Retiring or retired Directors may be reappointed. Any Board member may resign by written notification to the Board of Directors. There must be at least two independent directors.

Operation of the Board of Directors

In 2006 the Board of Directors met on 16/01, 20/02, 27/03, 25/04, 05/07, 07/08, 09/10 en 13/11. Items on the agenda included the approval of financial data such as the Group Operating Reports and the group accounts, sales figures, monthly reporting and budget monitoring, monitoring of subsidiaries, consolidated results, review and appraisal of strategic directions, acquisitions and evaluation of investments.

The Board of Directors can deliberate and come to decisions only if a majority of its members, including at least one independent director, attend the meeting or are represented. Where the first meeting fails to meet the required quorum, the Board of Directors may legally deliberate and make decisions during a following meeting with the same agenda, irrespective of whether the required quorum is present or not.

In the event of a tie, the director chairing the meeting gives the casting vote. The executive management must provide the Board of Directors on a monthly basis with a group management report and group accounts, sales statistics and an interim financial report (income statement and balance sheet). On a quarterly basis it must also provide a complete interim financial report (income statement, balance sheet, detailed budget monitoring, ratio analysis), which is made public. The information provided to the Board must include regularly updated information on current acquisition projects. Each director may ask approval to seek independent professional advice at the company's expense at any time.

Committees formed by the Board of Directors

Audit Committee

The Audit Committee has the task of reporting to and advising the Board of Directors. The Audit Committee supervises the company's accounting operations and financial reporting. It verifies that there are sufficient internal controls and, in collaboration with the statutory auditors, it inquires into accountancy issues, including the assessment. The committee meets at least twice a year to review the half-yearly statements and the draft of the consolidated and individual annual accounts.

Remuneration Committee

The Remuneration Committee is made up of non-executive directors, at least one of whom is required by the by-laws to be an independent director. One of the Remuneration Committee's responsibilities is to ensure that members of staff are remunerated fairly and appropriately in relation to their contribution to the performance and prosperity of the company. The committee also makes recommendations to the Board of Directors on remuneration-related matters. The Board of Directors may assign certain tasks to the Remuneration Committee. The Remuneration Committee met once in 2006.
In 2007 the Board of Directors will examine the need for new committees and establish any that it deems necessary.

Executive management

Mr. Huub Baren has been appointed Managing Director in charge of daily management. He is supported by a Management Committee consisting - apart from himself - of the Chief Financial Officer, and the Chief Executive Officer of ConnectSystems. The Executive Management meets monthly and its responsibilities include the preparation of the meetings of the Board of Directors and the supervision of daily management. The remuneration of the Executive Management amounts in total to EUR 0.7 million.

Appropriation policy

The company does not pursue any strictly defined dividend policy. IPTE wants to conserve cash resources and remain flexible enough to take advantage of opportunities for internal and external expansion. For this reason no dividend will again be declared for the 2006 financial year.

Relations between dominant shareholders

The dominant shareholders have contracted among themselves to sell their IPTE shares only by mutual agreement.

Protocol to prevent abuse of advance information and insider trading

During its meeting on 15 November 2000 the Board of Directors of IPTE drew up a protocol to avoid the illegal use of privileged information – or creating the impression of its illegal use – by directors, shareholders, senior managers and key employees (insiders). The protocol consists of a number of prohibitions, intended primarily to protect the market.
The practice of insiders dealing in company shares whilst in possession of insider information affects the market. If insiders are seen to make (or are suspected of making) financial benefit from insider knowledge, investors will turn their back on the market. This could reduce the liquidity of the listed shares and limit access to new cash resources.
The protocol also includes a number of preventive measures to assure compliance with the legal stipulations and to protect the company's reputation.

The stringent procedures of the protocol require that the persons involved:

- not deal in IPTE shares during the two months prior to publication of annual results;
- not deal in IPTE shares during the 21 days prior to publication of quarterly results;
- not sell shares within six months of purchase;
- inform the CFO of all intended operations before undertaking them.

CONTENTS

1. CONSOLIDATED FINANCIAL STATEMENTS

1.1 INDEPENDENT AUDITOR'S REPORT

To the shareholders

As required by law and the company's articles of association, we are pleased to report to you on the audit assignment which you have entrusted to us. This report includes our opinion on the consolidated financial statements together with the required additional comment.

Unqualified audit opinion on the consolidated financial statements

We have audited the accompanying consolidated financial statements of INTEGRATED PRODUCTION AND TEST ENGINEERING NV ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. Those consolidated financial statements comprise the consolidated balance sheet as at December 31, 2006, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated balance sheet shows total assets of EUR 89,568,924 and a consolidated profit (group share) for the year then ended of EUR 1,857,151.

The financial statements of several significant entities included in the scope of consolidation which represent total assets of 24,181(000) EUR and a total turnover of 44,872(000) EUR have been audited by other auditors. Our opinion on the accompanying consolidated financial statements, insofar as it relates to the amounts contributed by those entities, is based upon the reports of those other auditors.

The board of directors of the company is responsible for the preparation of the consolidated financial statements. This responsibility includes among other things: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/Instituut der Bedrijfsrevisoren". Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. We have assessed the basis of the accounting policies used, the reasonableness of accounting estimates made by the company and the presentation of the consolidated financial statements, taken as a whole. Finally, the board of directors and responsible officers of the company have replied to all our requests for explanations and information. We believe that the audit evidence we have obtained, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.

In our opinion, and based upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of December 31, 2006, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU and with the legal and regulatory requirements applicable in Belgium.

Additional comment

The preparation and the assessment of the information that should be included in the directors' report on the consolidated financial statements are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comment which does not change the scope of our audit opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law and is in agreement with the consolidated financial statements. However, we are unable to express an opinion on the description of the principal risks and uncertainties confronting the group, or on the status, future evolution, or significant influence of certain factors on its future development. We can, nevertheless, confirm that the information given is not in obvious contradiction with any information obtained in the context of our appointment.

Hasselt, 20 maart 2007

De Commissaris,

DELOITTE Bedrijfsrevisoren
Vertegenwoordigd door

Guy Wygaerts **Dominique Roux**

1.2 DETAILED CONSOLIDATED FINANCIAL STATEMENTS (IN EUR)

Consolidated Balance Sheets as of December 31, 2006

IPTE NV	2006	2005	2004
Assets			
Current assets:			
Cash and cash equivalents (notes 1.3.7.a)	2,309,267	3,694,792	2,851,667
Trade receivables (notes 1.3.7.b)	34,781,109	26,266,649	32,259,909
Other receivables	2,395,578	2,538,922	2,772,983
Inventories (notes 1.3.7.c)	28,914,324	23,987,772	22,814,304
Other current assets	289,418	390,068	318,695
Total current assets	**68,689,696**	**56,878,203**	**61,017,558**
Non-current assets:			
Other receivables	1,489,717	1,502,044	1,436,592
Deferred tax assets (notes 1.3.7.l)	999,900	901,553	915,000
Property, plant and equipment (notes 1.3.7.d)	12,225,580	11,999,604	10,656,304
Intangible assets (notes 1.3.7.e)	221,470	253,554	410,531
Goodwill / negative goodwill (notes 1.3.7.f)	5,942,561	5,942,561	5,134,453
Total non-current assets	**20,879,228**	**20,599,316**	**18,552,880**
Total assets	**89,568,924**	**77,477,519**	**79,570,438**
Liabilities and equity			
Current liabilities:			
Bank loans and overdrafts (notes 1.3.7.h)	23,155,582	18,147,209	18,056,117
Current portion of long-term debt (notes 1.3.7.i)	7,848,765	691,787	619,900
Trade payables	21,439,599	14,852,232	17,895,880
Accrued expenses, payroll and related taxes and deferred income (notes 1.3.7.g)	6,308,386	5,865,737	6,789,120
Provisions (notes 1.3.7.j)	1,356,208	2,341,780	4,150,389
Other current liabilities	2,730,092	2,032,942	1,807,564
Total current liabilities	**62,838,632**	**43,931,687**	**49,318,970**
Non-current liabilities:			
Long-term debt less current portion (notes 1.3.7.i)	1,810,118	9,749,930	9,728,101
Deferred tax liability (notes 1.3.7.l)	999,900	901,553	915,000
Total non-current liabilities	**2,810,018**	**10,651,483**	**10,643,101**
Equity (notes 1.3.7.k)			
Shareholders' capital	339,411	339,411	339,411
Legal reserve	33,941	33,941	33,941
Share premium	30,304,699	30,304,699	30,304,699
Retained earnings	(8,818,086)	(10,626,062)	(5,834,027)
Current year's profit / (loss)	1,857,151	2,046,008	(5,600,143)
Cumulative translation adjustment	107,352	261,274	(48,340)
Equity attributable to equity holders of the parent	**23,824,468**	**22,359,271**	**19,195,541**
Minority interests	95,806	535,078	412,826
Total equity	**23,920,274**	**22,894,349**	**19,608,367**
Total liabilities and equity	**89,568,924**	**77,477,519**	**79,570,438**

The accompanying notes to these balance sheets form an integral part of these consolidated financial statements.

Consolidated Income Statements for the 12 month period ending December 31 (in EUR), 2006

IPTE NV	2006	2005	2004
Sales (notes 1.3.7.m)	138,281,819	126,662,471	128,587,563
Cost of sales (notes 1.3.7.n)	(109,917,429)	(97,885,671)	(103,796,659)
Gross Profit	28,364,390	28,776,800	24,790,904
Research and development expenses (notes 1.3.7.o)	(6,255,331)	(5,801,681)	(5,680,004)
General and administrative expenses (notes 1.3.7.p)	(9,134,290)	(8,756,865)	(8,212,018)
Selling expenses (notes 1.3.7.q)	(9,885,503)	(10,010,522)	(11,915,456)
Amortization of goodwill / negative goodwill (notes 1.3.7.f)	-	-	(765,409)
Other income (expense) net	303,762	(10,982)	(28,117)
Profit/(loss) from operations	3,393,028	4,196,750	(1,810,100)
Financial income (notes 1.3.7.t)	1,041,464	437,638	751,419
Financial charges (notes 1.3.7.t)	(2,418,061)	(2,478,271)	(2,593,377)
Loss on disposal of discontinuing operations (notes 1.3.7.x)	-	-	(1,969,373)
Profit/(loss) before taxes	2,016,431	2,156,117	(5,621,431)
Income taxes (notes 1.3.7.u)	(133,633)	12,143	(6,439)
Profit/(loss) for the years	1,882,798	2,168,260	(5,627,870)
Attributable to:			
Equity holders of the parent	1,857,151	2,046,008	(5,600,143)
Minority interest (notes 1.3.7.k)	25,647	122,252	(27,727)
Earnings per share			
Basic earnings per share (notes 1.3.7.v)	0.34	0.37	(1.02)
Diluted earnings per share (*) (notes 1.3.7.v)	0.27	0.37	(1.02)

(*) Taking into account the number of additional ordinary shares, which would have been outstanding assuming the conversion of all warrants granted to LRM and the managers into ordinary shares (see note 1.3.7.v.).

The accompanying notes to these income statements form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Date	Number of shares out-standing	Capital	Legal reserve	Share premium	Profit/loss carried forward	Cumulative translation adjustment	Attributable to equity holders of the parent	Minority interests	Total
31/12/03	**5,476,092**	**339,411**	**33,941**	**30,304,699**	**(5,834,027)**	**(592,721)**	**24,251,303**	**440,553**	**24,691,856**
Net income					(5,600,143)		(5,600,143)	(27,727)	(5,627,870)
Cumulative translation adjustment						544,381	544,381		544,381
31/12/04	**5,476,092**	**339,411**	**33,941**	**30,304,699**	**(11,434,170)**	**(48,340)**	**19,195,541**	**412,826**	**19,608,367**
Effect of change in valuation rules [1]					808,108		808,108		808,108
Net income					2,046,008		2,046,008	122,252	2,168,260
Cumulative translation adjustment						309,614	309,614		309,614
31/12/05	**5,476,092**	**339,411**	**33,941**	**30,304,699**	**(8,580,054)**	**261,274**	**22,359,271**	**535,078**	**22,894,349**
Net income					1,857,151		1,857,151	25,647	1,882,798
Cumulative translation adjustment						(153,921)	(153,921)		(153,921)
Increase participation Antest SARL to 100% [2]							(238,033)	(464,919)	(702,952)
31/12/06	**5,476,092**	**339,411**	**33,941**	**30,304,699**	**(6,960,936)**	**107,353**	**23,824,468**	**95,806**	**23,920,274**

(1) According to IFRS 3.81 the carrying amount of negative goodwill at the beginning of the first annual period beginning or after March 31, 2004 that arose from a business combination for which the agreement date was before March 31, 2004, shall be derecognised at the beginning of that period, with a corresponding adjustment to the opening balance of retained earnings.

(2) The group already had control over Antest SARL in which it owned 52% of the shares. On June 1, 2006 it acquired the remaining shares. In accordance with the accounting policies of the group the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded against equity.

Consolidated Cash Flow Statements for the 12 month period ending December 31, 2006

IPTE NV	2006	2005	2004
Profit / (loss) from operations	**3,393,028**	**4,196,750**	**(1,810,100)**
Adjustments for:			
Amortization goodwill / negative goodwill	-	-	765,409
Allowance for doubtful receivables and obsolete stock	854,089	403,779	89,842
Depreciation and amortization	2,640,224	2,566,599	3,198,487
Provisions	(985,572)	(1,808,608)	(442,991)
Operating profit before changes in working capital	**5,901,769**	**5,358,520**	**1,800,647**
Inventories	5,661,885	(1,194,965)	(2,460,072)
Trade receivables	8,633,215	5,611,125	3,088,777
Trade payables	(6,587,367)	(3,043,648)	666,353
Accrued expenses, payroll and related taxes and deferred income	(271,565)	(912,439)	366,729
Other receivables	(143,409)	183,667	142,207
Other current assets	(113,033)	(71,430)	(115,847)
Other payables	(714,314)	214,600	(1,123,625)
Cash flow from operating activities	**(563,643)**	**6,145,430**	**2,365,169**
Taxes	(133,633)	12,143	(6,439)
Exchange differences	328,514	(135,751)	(384,968)
Interests	(2,254,315)	(1,929,825)	(1,638,676)
Other	65	294,300	79,571
Net cash from / (used in) operating activities	**(2,623,012)**	**4,386,297**	**414,657**
Cash flows from investing activities			
Acquisition of new subsidiaries, net of cash acquired (notes 1.3.7.w)	-	-	(713,040)
Increase in ownership interest, net of cash acquired (notes 1.3.7.w)	(702,952)	-	-
Disposal of investment Autoveyor	-	-	(512,317)
Investments in intangible assets	(98,798)	(86,900)	(94,098)
Investments in property, plant and equipment	(2,862,390)	(3,666,022)	(2,709,025)
Gain/(Loss) on the sale of property, plant and equipment	127,072	-	-
Interest received	549,016	24,943	181,686
Cash flows used in investing activities	**(2,988,052)**	**(3,727,979)**	**(3,846,794)**
Cash flows from financing activities			
Proceeds/(repayments) from long-term debts	(739,812)	21,828	2,522,170
Proceeds/(repayments) from current portion of long-term debt	156,978	71,887	(553,051)
Proceeds/(repayments) from bank loans and overdrafts	5,008,373	91,092	(10,769,862)
Net cash provided by financing activities	**4,225,539**	**184,807**	**(8,800,743)**
Monetary (loss)/gain on cash and cash equivalents	-	-	15,180
Increase/(decrease) in cash and cash equivalents	(1,385,525)	843,125	(12,217,700)
Cash and cash equivalents at the beginning of the period	3,694,792	2,851,667	15,069,367
Cash and cash equivalents at the end of the period	2,309,267	3,694,792	2,851,667

The accompanying notes to these cash flow statements form an integral part of the consolidated financial statements.

1.3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE IPTE GROUP

1.3.1. General

IPTE NV is a limited liability company incorporated under Belgian law, with subsidiaries in Belgium (Connect Systems NV, Connect Systems International NV, Connectronics NV and Connect Systems Holding NV), the Netherlands (Connect Systems BV), France (IPTE RF SARL, And Elec SARL, Antest SARL, Prodel Automation SA and Prodel Technologies SA), Germany (IPTE GmbH and Connectronics GmbH), Portugal (IPTE Iberia – Automaçao Industrial, Lda), Romania (Connectronics Romania S.R.L.), Slovakia (Connect Systems Slovakia spol. s.r.o), Czech Republic (Connectronics s.r.o.), Singapore (IPTE Asia Pacific Pte Ltd., IPTE ASIA Holdings PTE LTD), the United Kingdom (IPTE (UK) Ltd.), Sweden (IPTE Nordic AB), the United States of America (ITE Enterprises Inc., IPTE America LLC and Prodel USA) and China (IPTE Industrial Automation (Shanghai) Co. Ltd.). The company develops and produces test and production equipment for the electronics industry (automation business) and is a subcontractor for the electronics industry (contract manufacturing business).

The number of employees at year-end amounted to 1,643 in 2006, 1,467 in 2005 and 1,424 in 2004.

The registered office address of the group is located at Geleenlaan 5, 3600 Genk, Belgium. The financial statements were authorized for issue by the Board of Directors subsequent to their meeting held on March 19, 2007 in Genk.

1.3.2. Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU.

These consolidated statements have been prepared under the historical cost convention except for certain accounts for which IFRS requires another convention. Such deviation from historical cost is disclosed in the notes.

1.3.3. Going concern

The Board of Directors reviewed the preparation of the financial statements under the going concern principle given the fact that:

- Consolidated 2006 results are positive.
- Budget 2007 is prepared on a conservative basis, shows profit and a positive cash flow.

The Board of Directors is convinced that the preparation of the financial statements under the going concern principle is fully justified.

1.3.4. Adoption of new and revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas:

Goodwill (IFRS 3)

The impact of these changes in accounting policies occurred in 2005 and is discussed in detail later in note 1.3.7.f.
There is no impact on basic and diluted earnings per share.

Following Standards and Interpretations became applicable for 2006:

- IFRS 6 Exploration for and Evaluation of Mineral Resources (applicable for accounting years beginning on or after 1 January 2006)
- IAS 19 Employee Benefits - Amendment - Actuarial Gains and Losses, Group Plans and Disclosures (applicable for accounting years beginning on or after 1 January 2006)
- IAS 21 The Effect of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation (applicable for accounting years beginning on or after 1 January 2006)
- IAS 39 Financial Instruments: Recognition and Measurement - Amendment – The Fair Value Option (applicable for accounting years beginning on or after 1 January 2006)
- IAS 39 Financial Instruments: Recognition and Measurement - Amendment – Financial Guarantee Contracts (applicable for accounting years beginning on or after 1 January 2006)
- IFRIC 4 Determining whether an Arrangement contains a Lease (applicable for accounting years beginning on or after 1 January 2006)
- IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitations Funds (applicable for accounting years beginning on or after 1 January 2006)
- IFRIC 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (applicable for accounting years beginning on or after 1 December 2005)

These Standards and Interpretations did not impact the consolidated financial statements of the group.

Following Standards and Interpretations were issued but not yet effective :

- IFRS 7 Financial Instruments: Disclosures (applicable for accounting years beginning on or after 1 January 2007)
- IFRS 8 Operating Segments (applicable for accounting years beginning on or after 1 January 2009)
- IAS 1 Presentation of Financial Statements - Amendment - Capital Disclosures (applicable for accounting years beginning on or after 1 January 2007)
- IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (applicable for accounting years beginning on or after 1 March 2006)
- IFRIC 8 Scope of IFRS 2 (applicable for accounting years beginning on or after 1 May, 2006)
- IFRIC 9 Reassessement of Embedded Derivatives (applicable for accounting years beginning on or after 1 June 2006)
- IFRIC 10 Interim Financial Reporting and Impairment (applicable for accounting years beginning on or after 1 November 2006)
- IFRIC 11 IFRS 2 Group and Treasury share Transactions (applicable for accounting years beginning on or after 1 March 2007)
- IFRIC 12 Service Concession Arrangements (applicable for accounting years beginning on or after 1 January 2008)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group in the period of initial application.

Goodwill

IFRS 3 has been adopted for business combinations for which the agreement date is on or after March 31, 2004. The option of limited retrospective application of the Standard has not been taken up, thus avoiding the need to restate past business combinations. In July 2004, Connect Systems International NV, acquired all the shares of Connectronics Gmbh (previously known as Infotron Gmbh). This business combination was accounted for in 2004 already under IFRS 3 and the related goodwill was not longer amortised but subject to annual impairment test.

After initial recognition, IFRS 3 requires goodwill acquired in a business combination to be carried at cost less any accumulated impairment losses. Under IAS 36 Impairment of Assets (as revised in 2004), impairment reviews are required annually, or more frequently if there are indications that goodwill might be impaired. IFRS 3 prohibits the amortisation of goodwill. Previously, under IAS 22, the Group carried goodwill in its balance sheet at cost less accumulated amortisation and accumulated impairment losses. Amortisation was charged over the estimated useful life of the goodwill, subject to the rebuttable presumption that the maximum useful life of goodwill was 20 years.

In accordance with the transitional rules of IFRS 3, the Group has applied the revised accounting policy for goodwill prospectively from the beginning of its first annual period beginning on or after March 31, 2004, i.e. January 1, 2005, to goodwill acquired in business combinations for which the agreement date was before March 31, 2004. Therefore, from January 1, 2005, the Group has discontinued amortising such goodwill and has tested the goodwill for impairment in accordance with IAS 36. At January 1, 2005, no carrying amount of amortisation accumulated before that date has been eliminated, with no corresponding decrease in goodwill.
Because the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2004 or prior periods.

No amortisation has been charged in 2006 and 2005. The charge in 2004 was EUR 765,409.
No impairment losses have been recognized in 2006.

Excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as negative goodwill)

IFRS 3 requires that, after reassessment, any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination should be recognised immediately in profit or loss. IFRS 3 prohibits the recognition of negative goodwill in the balance sheet.

Previously, under IAS 22 (superceded by IFRS 3), the Group released negative goodwill to income over a number of accounting periods, based on an analysis of the circumstances from which the balance resulted. Negative goodwill was reported as a deduction from assets in the balance sheet.

In accordance with the transitional rules of IFRS 3, the Group has applied the revised accounting policy prospectively from January 1, 2005. Therefore, the change has had no impact on amounts reported for 2004 or prior periods.

The carrying amount of negative goodwill at January 1, 2005 has been derecognised at the transition date. Therefore, an adjustment of EUR 808,108 is made to opening retained earnings and negative goodwill at January 1, 2005.

Under the previous accounting policy, EUR 243,439 of negative goodwill would have been released to income during 2005, leaving a balance of negative goodwill of EUR 564,669 at December 31, 2005. Therefore, the impact of the change in accounting policy in 2005 is a reduction in other operating income of EUR 243,439 and an increase in net assets at December 31, 2005 of EUR 564,669.

1.3.5. Summary of principal accounting policies

a. Basis of consolidation

Subsidiaries

The consolidated financial statements include all the subsidiaries that are controlled by the Group. Control exists when IPTE has the power to govern the financial and operating policies and obtains the benefits from the entities activities. Control is presumed to exist when IPTE owns, directly or indirectly, more than 50% of an entity's voting rights of the share capital. The existence and effect of potential voting rights that are currently exercisable or 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. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.
The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the remaining difference after reassessment is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The Group applies a policy of treating transactions with minority interest as transactions with equity owners of the Group. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity.

For disposals to minority interests, differences between any proceeds received and the relevant share of minority interest are also recorded in equity.

Consequently, in case of an increase in ownership for an entity which was already controlled by the group, the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded against equity.

List of subsidiaries consolidated as of December 31, 2006

Entity	Ownership interest		
	2006	2005	2004
Integrated Production and Test Engineering NV	Parent company		
Integrated Production and Test Engineering (UK) Ltd.	100	100	100
Integrated Production and Test Engineering GmbH	100	100	100
Integrated Production and Test Engineering Asia Pacific PTE Ltd.	80	80	80
Integrated Production and Test Engineering Nordic AB	100	100	100
Integrated Test Engineering Enterprises Inc.	100	100	100
Integrated Production and Test Engineering LLC	87.2	87.2	87.2
Connect Systems Holding NV	100	100	-
Connect Systems NV	100	100	100
Connectronics NV	100	100	100
Connect Systems BV	100	100	100
Connect Systems International NV	100	100	100
Connect Systems Slovakia spol. s.r.o.	100	100	100
Connectronics Romania S.R.L.	100	100	100
Connectronics GmbH	100	100	100
Connectronics s.r.o.	100	-	-
IPTE RF SARL	100	100	100
And Elec SARL	100	100	100
Antest SARL	100	52	52
IPTE ASIA Holdings PTE LTD	100	100	100
IPTE Industrial Automation (Shanghai) Co. Ltd	100	100	100
Prodel Automation SA	100	100	100
Prodel Technologies SA	100	100	100
Prodel USA	100	100	100
Prodel GmbH	-	-	100
IPTE Iberia – Automaçao Industrial, Lda	100	100	100

b. Foreign currency translation

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Euro, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

Foreign currency transactions

Foreign currency transactions are recognized initially at exchange rates prevailing at the date of the transactions. Subsequently, at closing, monetary assets and liabilities denominated in foreign currencies are translated at the balance sheet currency rate. Gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are included in the income statement as a financial result. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Foreign entities

In consolidation, the assets and liabilities of the Group companies, using a different functional currency then the Euro, are expressed in Euro using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified in equity and transferred to the Group's "Cumulative translation adjustment". Such translation differences are recognised as income or as expenses in the period in which the entity is sold, disposed or liquidated. Exchange rates mentioned below have been used to consolidate foreign subsidiaries.

Date	GBP / EUR	SGD / EUR	SEK / EUR	USD / EUR	CNY / EUR	RON / EUR	SKK / EUR
December 31, 2006	1.489	0.495	0.111	0.759	0.097	0.296	0.029
December 31, 2005	1.459	0.510	0.107	0.848	0.105	0.272	0.026
December 31, 2004	1.418	0.449	0.110	0.734	N/A	0.254	0.026

The weighted average rates (used to translate revenues and expenses in the financial statements) are as follows:

Year	GBP / EUR	SGD / EUR	SEK / EUR	USD / EUR	CNY / EUR	RON / EUR	SKK / EUR
2006	1.468	0.503	0.108	0.803	0.070	0.284	0.027
2005	1.457	0.480	0.108	0.797	0.100	0.279	0.026
2004	1.467	0.480	0.109	0.814	N/A	0.247	0.025

c. Intangible Assets

Acquired intangible assets

Licences, patents, trademarks, similar rights and software are measured initially at cost.

Intangible assets obtained in a business combination are initially measured at fair value. After initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. They are amortised on a straight-line basis over their estimated useful life which is not considered to exceed 5 years. At the end of each annual reporting period the amortisation method and period are reviewed.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge, is recognised in the income statement as an expense as incurred.

Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the asset can be clearly identified, when the development costs can be measured reliably and to the extent that it is probable that the asset created will generate future economic benefits. Other development expenditures are recognised as an expense as incurred. Development cost previously recognised as an expense is not recognised as an asset in a subsequent period. Development costs that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit which normally does not exceed five years.

d. Goodwill

Goodwill arises when the cost of a business combination at the date of acquisition is in excess of the Group's share in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The cash-generating unit(s) to which the goodwill is allocated to is tested for impairment annually, and whenever there is an indication that it may be impaired, by comparing its carrying amount with its recoverable amount. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

In case the fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess remaining after reassessment is recognised immediately into profit and loss.

e. Property, plant and equipment

Land is carried at cost less accumulated impairment. All other property, plant and equipment are carried at cost less accumulated depreciation and impairment losses except for property, plant and equipment under construction which is carried at cost less accumulated impairment losses. Cost includes all directly attributable costs of bringing the asset to working condition for its intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method to their estimated residual value. The depreciation is computed from the date the asset is ready to be used.
The residual value and the useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) are be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The following useful lives are applicable to the main property, plant and equipment categories:

Buildings:	10-20 years
Machinery and equipment	4-5 years
Furniture and office equipment:	5 years
Computer equipment	3 years
Vehicles	3-5 years

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 and 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.

Borrowing costs directly attributable to the acquisition, construction or production of an asset requiring a long preparation are not included in the cost of this asset but are expenses as incurred.

f. Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

IPTE as lessee

Finance leases

Assets held under finance leases are recognised as assets of the Group at the lower of their fair value and the present value of the minimum lease payments less cumulative depreciation and impairment

losses. The corresponding liability to the lessor is included in the balance sheet as obligations under finance leases.
Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise the asset is depreciated over the shorter of the lease term and its useful life.

Operating lease

Lease payments under an operating lease are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

g. Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

h. Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

i. Inventories

Inventories are stated at the lower of cost and net realizable value.

Raw materials, consumables and goods purchased for resale are valued at the lower of their cost or their net realizable value. Cost is determined using the moving weighted average cost method. The cost of work in process and finished goods comprise all the costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The conversion costs include the cost of production and the related fixed and variable production overhead costs. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

j. Financial instruments

Trade receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group’s accounting policy for borrowing costs (see above).

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Treasury shares

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented as a change in equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received on the sale of own shares is presented in the financial statements as a change in equity.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. The Group does not engage in pure speculative transactions nor does it issue or hold financial instruments for trading purposes.

Derivatives are initially recorded at fair value and re-measured at the subsequent reporting dates.

Derivatives that do not qualify for hedge accounting

The changes in the fair value of derivatives which provide effective economic hedges under the Group's risk management policies, and which do not qualify for hedge accounting under the specific rules in IAS 39 are recognised immediately in the income statement.

Financial risk factors

The financial risk of the Group is limited. However, fluctuations in market prices, foreign currency exchange rates on sales and purchases, inter-company loans are inherent risk in the performance of the business. Group entities seek to minimize potential adverse effects on the financial performance from their local business.

- Foreign Exchange risks:

  Due to the international character of the Group, we are exposed to different foreign exchange risks arising from various currency exposures primarily with respect to USD, GBP and SGD. The Group did not use any derivatives to hedge against its exposure to foreign exchange risk.

- Credit risks:

  The Group has no significant concentration of credit risks and has policies in place to monitor the credit risks on customers.

- Liquidity risks:

  Liquidity risk is linked to the evolution of our working capital. The Group monitors the change in working capital through focused actions.

- Interest rate risk:

  The group uses derivative financial instruments to manage its exposure to fluctuation in interest rates on their short-term loans.

k. Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.
Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

l. Government grants

Government grants are recognised when there is a reasonable assurance that:
• the Group will comply with the conditions attached to them;
• the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support with no future related costs are recognised as income of the period in which it becomes receivable.

Government grants related to assets are presented as deferred income.
Government grants related to income are presented as a deduction to the related expense.

m. Provisions

Provisions are recognised in the balance sheet when:

- there is a present obligation (legal or constructive) as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

A restructuring provision is recognised when the Group has a detailed formal plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Warranty
The Group recognizes the estimated liability to repair or replace its products still under warranty at the balance sheet date. This provision is calculated based on the past history of the level of repairs and replacements.

Onerous contracts
The Group recognizes a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

n. Revenue recognition

Revenue is recognised when it is probable that future economic benefits associated with the transaction will flow to the entity and that these benefits can be measured reliably.

Turnover is reported net of sales taxes and rebates.

Sale of goods
Revenue from sales of goods is recognised when:

- The significant risks and rewards of the ownership of goods is transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Provisions for rebates and discounts are recorded as a reduction of revenue at the time the related revenues are recorded or when the incentives are offered.

Revenue from projects
Revenue from projects is recognised by reference to the stage of completion when the outcome of a transaction involving the project can be estimated reliably. When the outcome of the transaction involving the project cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. In the period in which it is expected that the benefits to be derived from the project are less than the unavoidable costs of meeting the obligations under the project, the entire amount of the estimated ultimate loss is charged against income.

Interest
Interest is recognised on a time proportion basis that takes into account the effective yield on the asset.

Dividends

Dividends are recognised when the shareholder's right to receive the payment is established.

o. Income taxes

The income tax charge is based on the results for the year and includes current and deferred taxation. They are recorded in the income statement except when they relate to items directly recorded in equity, in which case they are directly recorded in equity.

Current tax is the amount of tax to pay based on the taxable profit of the period, as well as any adjustments relating to previous years. It is calculated using local tax rates adopted (or substantially enacted) at the closing date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

p. Employee benefits

Pension obligations

The Group operates a number of defined contribution retirement benefit plans. Payments to defined contribution benefit plans are charged as an expense as they fall due.

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.

Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

q. Segment reporting

For management purposes the Group is organized on a worldwide basis into 2 major operating businesses: the "factory automation" business and the "contract manufacturing" business. The divisions are the basis upon which the Group reports its primary segment information. Financial information on business and geographical segments is presented in 1.3.7.z.

1.3.6. Changes in organization

Acquisitions and disposals

On July 1, 2004 Connect Systems International NV, acquired all shares of Connectronics GmbH (previously known as Infotron GmbH) for a cash consideration of EUR 713,040. The acquisition was financed with short-term bank loans.
Connectronics GmbH is a German limited liability company. This business combination is accounted for under IFRS 3 Business Combinations. The excess of the purchase price over the fair value of the net assets acquired was EUR 713,040 and has been recorded as goodwill. In accordance with IFRS 3, this goodwill is no longer amortized but subject to an annual impairment test.

On March 31, 2004, the Group entered into a sale agreement to dispose of the Autoveyor group. This disposal was completed on April 1, 2004 on which date control of Autoveyor passed to the acquirers.

On April 1, 2006, IPTE acquired the remaining 48 percent of the shares of Antest SARL for a cash consideration of EUR 702,952. The acquisition was financed with a 5 years repayable bank loan. The excess price over the fair value of the net assets acquired was EUR 238,033 and has been deducted from equity. In accordance with the accounting policies set out for an increase in interest in an entity for which the group already had control. As of that date, IPTE owns 100% of Antest SARL.

On December 5, 2006 Connect Systems NV acquired 100% of the business share of a Czech shelf company for an amount of 200,000 CZK, which equaled the amount of its registered capital.

1.3.7. Notes

a. Cash and cash equivalents

	2006	2005	2004
Cash at bank and on hand	2,128,749	3,544,967	544,971
Cash equivalents	180,518	149,825	2,306,696
Total	**2,309,267**	**3,694,792**	**2,851,667**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash.

A part of the company's cash balance as of December 31, 2006, 2005, and 2004 served as guarantee for straight loans and short-term commercial loans taken up with commercial banks. The restricted cash balance amounts to respectively approximately EUR 140,377 in 2006, EUR 268,785 in 2005 and EUR 1,503,000 in 2004.

b. Trade receivables - net

	2006	2005	2004
Trade receivables	35,483,082	26,849,866	32,821,629
Allowance for doubtful accounts	(701,973)	(583,217)	(561,720)
Trade receivables (net)	**34,781,109**	**26,266,649**	**32,259,909**

Allowance for doubtful accounts:

Balance at December 31, 2004	**561,720**
New allowances of 2005	194,871
Allowances used/reversed in 2005	(173,374)
Acquired from third parties	-
Balance at December 31, 2005	**583,217**
New allowances of 2006	180,207
Allowances used/reversed in 2006	(61,451)
Acquired from third parties	-
Balance at December 31, 2006	**701,973**

c. Inventories

	2006	2005	2004
Raw materials and supplies, at cost	27,614,294	24,330,798	21,803,477
Work in progress, at cost	3,198,777	2,875,621	4,195,676
Finished goods, at cost	2,803,324	3,112,308	3,241,438
Goods purchased for resale	-	-	-
Contracts in progress	3,647,734	1,283,517	806,051
Reserve for obsolete inventories	(8,349,805)	(7,614,472)	(7,232,338)
Net	**28,914,324**	**23,987,772**	**22,814,304**

d. Property, plant and equipment

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Year ended December 2004					
Acquisition value:					
Beginning of the period	12,037,677	11,636,429	7,408,467	-	31,082,573
Additions of the year	409,975	1,503,696	920,566	20,336	2,854,573
Acquired from third parties	476,943	258,814	45,762	-	781,519
Sale of tangible fixed assets	(1,361,478)	(332,813)	(1,027,304)	-	(2,721,595)
Retirements	(5,052)	(295,519)	(718,890)	-	(1,019,461)
CTA	(918)	68,706	(132,637)	-	(64,849)
End of the period	11,557,146	12,839,313	6,495,965	20,336	30,912,760
Accumulated depreciation:					
Beginning of the period	5,127,061	8,839,981	5,923,480	-	19,890,522
Additions of the year	734,753	1,584,515	692,994	-	3,012,262
Acquired from third parties	-	-	-	-	-
Sale of tangible fixed assets	(589,282)	(231,977)	(833,435)	-	(1,654,694)
Retirements	(351)	(240,113)	(672,327)	-	(912,791)
CTA	4,263	(13,633)	(69,473)	-	(78,843)
End of the period	5,276,444	9,938,773	5,041,239	-	20,256,456
Net book value at December 2004	**6,280,703**	**2,900,540**	**1,454,725**	**20,336**	**10,656,304**

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Year ended December 2005					
Acquisition value:					
Beginning of the period	11,557,146	12,839,313	6,495,965	20,336	30,912,760
Additions of the year	658,703	2,602,499	698,211	17,187	3,976,600
Retirements	(164,806)	(2,019,369)	(1,045,654)	(11,649)	(3,241,478)
Transfers	-	3,691	4,996	(8,687)	-
CTA	262,115	63,402	106,984	-	432,501
End of the period	12,313,158	13,489,536	6,260,502	17,187	32,080,383
Accumulated depreciation:					
Beginning of the period	5,276,444	9,938,773	5,041,239	-	20,256,456
Additions of the year	637,872	1,136,135	570,486	-	2,344,493
Retirements	(164,326)	(1,726,202)	(970,131)	-	(2,860,659)
Transfers	-	-	-	-	-
CTA	253,744	12,546	74,199	-	340,489
End of the period	6,003,734	9,361,252	4,715,793	-	20,080,779
Net book value at December 2005	**6,309,424**	**4,128,284**	**1,544,709**	**17,187**	**11,999,604**

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset	Fixed asset under construction	Total
Year ended December 2006						
Acquisition value:						
Beginning of the period	12,313,158	13,489,536	6,260,502		17,187	32,080,383
Additions of the year	110,847	2,302,390	426,508		22,645	2,862,390
Retirements	(2,805)	(1,751,929)	(275,715)		-	(2,030,449)
Transfers	-	17,187	(164,194)		(17,187)	(164,194)
CTA	35,612	177,541	7,964		-	221,117
End of the period	12,456,812	14,234,725	6,255,065		22,645	32,969,247
Accumulated depreciation:						
Beginning of the period	6,003,734	9,361,252	4,715,793		-	20,080,779
Additions of the year	573,010	1,297,744	580,716		-	2,451,470
Retirements	(1,542)	(1,484,943)	(221,485)		-	(1,707,970)
Transfers	-	-	(145,143)		-	(145,143)
CTA	11,171	53,582	(222)		-	64,531
End of the period	6,586,373	9,227,635	4,929,659		-	20,743,667
Net book value at December 2006	**5,870,439**	**5,007,090**	**1,325,406**		**22,645**	**12,225,580**

The gross carrying amount of all items that are fully depreciated but still in active use is not significant.

The company has a no financial lease and no material commitments to capital expenditure.

There are mortgages (see note h) on the buildings of IPTE NV, Connect Systems NV and Connectronics NV. These buildings have a book value of EUR 3,280,237.

e. Intangible fixed assets

	Development Costs	Licenses	Goodwill	Other	Total
Year ended December 2004					
Acquisition value:					
Beginning of the period	1,642,538	729,561	296,489	199,363	2,867,951
Additions of the year	-	78,413	-	15,685	94,098
Acquired from third parties	-	-	-	-	-
Retirements	(469)	(50,495)	-	(1,730)	(52,694)
CTA	(241)	-	-	(52)	(293)
End of the period	1,641,828	757,479	296,489	213,266	2,909,062
Accumulated amortization:					
Beginning of the period	1,402,541	504,793	277,074	128,016	2,312,424
Additions of the year	120,070	83,724	3,159	31,993	238,946
Acquired from third parties	-	-	-	-	-
Retirements	-	(50,361)	-	(1,730)	(52,091)
CTA	(228)	-	-	(520)	(748)
End of the period	1,522,383	538,156	280,233	157,759	2,498,531
Net book value December 2004	**119,445**	**219,323**	**16,256**	**55,507**	**410,531**

	Development Costs	Licenses	Goodwill	Other	Total
Year ended December 2005					
Acquisition value:					
Beginning of the period	1,641,828	757,479	296,489	213,266	2,909,062
Additions of the year	-	66,572	-	49,085	115,657
Retirements	(766,543)	(47,904)	-	(118,411)	(932,858)
Transfers	-	(63,289)	(26,711)	90,000	-
CTA	474	7,963	-	103	8,540
End of the period	875,759	720,821	269,778	234,043	2,100,401
Accumulated amortization:					
Beginning of the period	1,522,383	538,156	280,233	157,759	2,498,531
Additions of the year	110,916	107,023	-	25,938	243,877
Retirements	(766,543)	(44,543)	-	(84,445)	(895,531)
Transfers	-	(66,046)	(10,453)	76,499	
CTA	474	(606)	(2)	104	(30)
End of the period	867,230	533,984	269,778	175,855	1,846,847
Net book value December 2005	**8,529**	**186,837**	**0**	**58,188**	**253,554**

	Development Costs	Licenses	Goodwill	Other	Total
Year ended December 2006					
Acquisition value:					
Beginning of the period	875,759	720,821	269,778	234,043	2,100,401
Additions of the year	-	93,069	-	5,729	98,798
Retirements	-	(22,625)	-		(22,625)
Transfers	(5,513)	139,189	-	30,518	164,194
CTA	(3,418)	(4,414)	-	(81)	(7,913)
End of the period	866,828	926,040	269,778	270,209	2,332,855
Accumulated amortization:					
Beginning of the period	867,230	533,984	269,778	175,855	1,846,847
Additions of the year	(3,021)	119,461	-	10,350	126,790
Retirements	-	(6,578)	-		(6,578)
Transfers	2,988	110,098	-	32,057	145,143
CTA	(369)	(369)	-	(79)	(817)
End of the period	866,828	756,596	269,778	218,183	2,111,385
Net book value December 2006	**0**	**169,444**	**0**	**52,026**	**221,470**

f. Goodwill

In April 2004, IPTE sold its participation in the Autoveyor group to the minority shareholder for EUR 1.
On disposal of this subsidiary, the carrying amount of the goodwill amounted to EUR 1,385,437. Its derecognition is included in the loss of sale of a subsidiary together with the other costs relating to this sale.

During 2004, Connect Systems International acquired all shares of Connectronics Germany GmbH (previously known as Infotron GmbH) and was consolidated for 6 months in 2004. The goodwill is determined as the difference between the cost of acquisition and the fair value of the identifiable assets and liabilities as of the acquisition date.
The total goodwill paid for this acquisition amounts to EUR 713,040. In accordance with IFRS 3 Business Combinations, goodwill arising from a business combination for which the agreement date is on or after March 31, 2004 is not longer amortized but subject to an annual impairment test.

In 2005, the group stopped its RF business and sold the remaining assets. The assets of the business were already fully amortized in the books in 2004.

The Board of Directors is of the opinion that the business and activities of the acquired companies justify the remaining estimated useful lives of these goodwills.

The book value of the goodwill at December 31, 2006, 2005 and 2004 is as follows:

	Acquisition value	Amortization	Net carrying amount
Goodwill on January 1, 2004	**15,835,719**	**(8,118,038)**	**7,717,681**
Arising on acquisitions of the year	713,040		
Amortization of the year	-	(2,488,160)	
Eliminated on disposal subsidiary	(1,896,469)	1,896,469	
Goodwill on December 31, 2004	**14,652,290**	**(8,709,729)**	**5,942,561**
Goodwill on January 1, 2005	**14,652,290**	**(8,709,729)**	**5,942,561**
Elimination on disposal of activity RF	(3,354,179)	3,354,179	
Goodwill on December 31,2005	**11,298,111**	**(5,355,550)**	**5,942,561**
Goodwill on January 1, 2006	**11,298,111**	**(5,355,550)**	**5,942,561**
Goodwill on December 31, 2006	**11,298,111**	**(5,355,550)**	**5,942,561**

The book value of the negative goodwill at December 31, 2005 and 2004 was as follows:

	Acquisition value	Amortization	Net carrying amount
Negative goodwill on January 1, 2004	**3,575,853**	**(2,430,431)**	**1,145,422**
Arising on acquisitions of the year	-	-	-
Amortization of the year	-	(337,314)	-
Eliminated on disposal subsidiary	-	-	-
Negative goodwill on December 31, 2004	**3,575,853**	**(2,767,745)**	**808,108**
Negative goodwill on January 1, 2005	**3,575,853**	**(2,767,745)**	**808,108**
Elimination on adoption IFRS 3	(3,575.853)	2,767.745	(808,108)
Negative goodwill on December 31, 2005	**0**	**0**	**0**

Before 2005, negative goodwill was released to income on a straight-line basis over a period equal to the depreciation period of the underlying non-monetary assets.

In accordance with IFRS 3 Business Combinations, the goodwill arising from a business combination for which the agreement date is on or after March 31, 2004 is not longer amortized but subject to an annual impairment test.
As a result of the transitional provisions of IFRS 3 Business Combinations, the remaining carrying amount of goodwill which arose from business combinations for which the agreement date was before March 31, 2004, will as of January 1, 2005 not longer be amortized but be subject to an annual impairment test. The remaining carrying amount of negative goodwill was as of January 1, 2005 reversed against equity.

The net goodwill as of December 31, 2006 is for EUR 4,648,712 allocated to the Connect Systems business and for EUR 1,293,849 to the Andelec/Antest business, part of Factory Automation.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next 5 years and extrapolates cash flows for the following 3 years based on an estimated growth rate of 10%. This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 8 percent.

g. Accrued expenses, payroll and related taxes and deferred income

	2006	2005	2004
Vacation pay accruals	2,463,686	2,315,704	2,361,832
Other social debt	2,299,191	2,385,623	2,707,593
VAT debt	503,442	248,561	544,462
Income taxes	23,419	104,884	366,127
Withholding taxes	45,183	8,583	3,518
Accrued interests	145,986	36,818	34,105
Deferred income	496,814	250,742	428,070
Accrued expenses on projects	-	10,391	12,092
Other	330,665	504,431	331,321
Total	**6,308,386**	**5,865,737**	**6,789,120**

h. Current bank loans and overdrafts

	2006	2005	2004
Secured	23,155,582	18,147,209	18,056,117

As of December 31, 2006 IPTE NV has credit lines for a total amount of EUR 30 million at different Belgian commercial banks and for EUR 5,6 million credit lines at foreign banks. As of December 31, 2005 and 2004 IPTE NV has credit lines for a total amount of EUR 20 million at different Belgian commercial banks and for EUR 3 million credit lines at foreign banks. The credit lines at the foreign banks can only be used by the affiliate to whom the credit line is given. The credit lines given by the Belgian banks can be used by the group as a whole.

The extension of the credit facility at Belgian commercial banks with EUR 10,000,000 was conditional upon the acquisition of the 'Barco Electronics Manufacturing' business entity. As this acquisition was not finalized end December 2006, the available credit line remained at the level of EUR 20,000,000.

As of December 31, 2006 EUR 18,118,883 of the credit lines at the Belgian commercial banks were used. As of December 31, 2005, EUR 15,618,458 of these credit lines at the Belgian commercial banks were used. As of December 31, 2004, EUR 15,794,006 of these credit lines were used. All bankborrowings are in Euro. Average interest rate on creditlines is based on Euribor plus 1.5 percent bankers margin.

To secure these loans at the Belgian commercial banks, following guarantees have been given (existing as of December 31, 2006, 2005 and 2004):

• Mortgage on the building of IPTE NV, Connectronics NV and Connect Systems NV at three financial institutions for EUR 785,860 respectively;
• Mortgage on the building of IPTE NV for EUR 2,993,636.68, the building of Connectronics NV for EUR 1,372,886.64 and the building of Connect Systems NV for EUR 1,269,252.37. These buildings have a book value of EUR 3,280,237;

• Pledge on the commercial funds of IPTE NV, Connect Systems Holding NV, Connect Systems NV, Connect Systems International NV and Connectronics NV for a total value of EUR 20,000,000;
• A ‘Zessionsvertrag’ for EUR 10,000,000 for IPTE GmbH (KBC); A pledge on the receivables and inventories of IPTE GmbH for EUR 20,000,000;
• A pledge on the receivables and inventories of Connect Systems Nederland BV for EUR 20,000,000;
• A pledge on all receivables on bank accounts at these financial institutions;
• A pledge on any documentary credit.

As at December 31, 2006 following additional guarantees have been given, in view of the extended credit facility which will become available once the acquisition of the ‘Barco Electronics Manufacturing’ business entity is finalized:
• A proxy to mortgage for EUR 250,000 the buildings of IPTE NV, Connectronics NV and Connect Systems NV;
• A proxy to pledge the commercial fund of IPTE NV, Connect Systems Holding NV, Connect Systems NV, Connect Systems International NV and Connectronics NV for a total value of EUR 5,000,000;
• A pledge on the receivables on and supply agreement with Barco NV for EUR 5,000,000;
• A pledge on the receivables on Dexia Factors NV for EUR 5,000,000;

Furthermore, the following bank covenants need to be respected on a consolidated level:
a) A solvency ratio (*) of minimum 22% as of December 31, 2006 was negotiated in the new credit agreements. The solvency ratio as of December 31, 2006 amounted 30.7% which was still within the former requirement of a minimum 30% ratio. The new agreement stipulates a minimum solvency ratio for 2007 at 25% and for 2008 and following at 30%;
b) The consolidated cash flow (**) on a quarterly basis needs to be positive.

Both covenants were reached as of December 31, 2006 and management expects to comply with these covenants for the next 12 months.

(*) Defined as tangible equity / modified total balance sheet (tangible equity = equity plus subordinated loan, less goodwill and intangible assets, modified total balance sheet = total balance sheet - goodwill and intangible assets – cash on balance sheet)
(**) Defined as net income of the consolidation period + depreciation on fixed and intangible assets + amortization of goodwill

i. Long-term debt

	2006	2005	2004
Secured debt	2,458,884	3,441,717	3,348,001
Unsecured debt	7,200,000	7,000,000	7,000,000
Subordinated loans	7,200,000	7,000,000	7,000,000
Total long-term debt	9,658,884	10,441,717	10,348,001
Less current maturities	(7,848,765)	(691,787)	(619,900)
Total	**1,810,118**	**9,749,930**	**9,728,101**

Repayments of long-term debt on December 31, 2006 are scheduled as follows:

2008	478,035
2009	297,872
2010	263,940
2011	224,549
2012	173,868
Beyond 2012	371,854
Total	**1,810,118**

All long-term debts are in Euro. Average interest rate on long-term bank loans is quarterly revised based on Euribor 3 month plus 1.5 percent bankers margin. There is no material difference between the bookvalue and the fair value of the long-term debts.

The company concluded a financing agreement with the Limburgse Reconversie Maatschappij and the company's management for a total amount of EUR 7 million of which EUR 3,500,000 was granted in 2003 and EUR 3,500,000 was granted in 2004. This agreement was concluded at March 13, 2003 and executed by the General Shareholders Assemblies of April 18, 2003 and April 16, 2004. This financing comprehends an interest bearing subordinated loan and warrants. The duration for the loan is 5 years and the warrants can be exercised at a rate of EUR 4.8.
EUR 3.5 million of the interest bearing loan was given with a start date April 18, 2003 and with maturity April 28, 2008 and EUR 3.5 million of the interest bearing loan was given with a start date December 20, 2004 and with maturity December 20, 2009. 1,458,332 warrants B1 and B2 were created. All these warrants B1 and B2 were granted to LRM and management members (1,250,000 warrants to LRM NV and 208,332 to management members). The warrants have the same duration as the subordinated loans.

On December 6, 2006 the company signed an irrevocable agreement with LRM and management that:

- LRM and management irrevocably commit to execute all warrants (1,458,332) before October 10, 2007;
- IPTE commits to repay the outstanding loans to LRM and management (EUR 7,000,000) at the same date.

Upon completion of these commitments, equity will increase with EUR 7,000,000.

Because this represents a substantial modification of the terms of the existing subordinated loan, the loan was derecognized as required by IAS 39, and the modified loan was recorded on the balance sheet at its initial fair value, taking into account its future cash flows discounted at a current market interest rate of 5%. The net effect is a financial income on the derecognition of the original subordinated debt of EUR 486,000.

The fair value of the old subordinated loan per December 31, 2005 amounted EUR 7.380,000.
The fair value of the new subordinated loan per December 31, 2006 amounts EUR 7.200,000.

j. Provisions

	Warranty	Restructuring	Other	Total
Balance at December 31, 2004	**357,912**	**1,468,000**	**2,324,477**	**4,150,389**
New provisions recorded in 2005	470,781	-	877,422	1,348,203
Provisions used in 2005	(307,912)	(850,644)	(976,953)	(2,134,764)
Provisions reversed in 2005	-	(567,356)	(453,947)	(1,022,048)
Balance at December 31, 2005	**520,781**	**50,000**	**1,770,999**	**2,341,780**
New provisions recorded in 2006	355,522		842,212	1,197,734
Provisions used in 2006	(433,902)	(50,000)	(1,333,031)	(1,816,933)
Provisions reversed in 2006	(52,101)	-	(314,272)	(366,373)
Balance at December 31, 2006	**390,300**	**0**	**965,908**	**1,356,208**

Provisions have been presented as current liabilities as of December 31, 2004, 2005 and 2006 as the costs are expected to be incurred in the next accounting year.

Warranty provisions

The company and its affiliated companies grant a warranty of 1 year on products and projects sold. For expected warranty claims the company has set up a total reserve of EUR 390,300 as of December 31, 2006 and respectively EUR 520,781 and EUR 357,912 as of December 31, 2005 and 2004. This estimate is based on historical warranty costs and based on the assumption that warranty costs will remain at this same level. Over the last years the company did not incur any significant warranty claims.

Restructuring provision

The company started end 2004 a restructuring of its automation activity. This restructuring included reduction of personnel and certain business activities. At year-end of 2004, a provision of EUR 1,468,000 was recorded. The restructuring was completed in 2005 and EUR 567,356 provision was reversed. The group incurred for EUR 500,800 additional costs for closing down IPTE RF activities for which insufficient provision was recorded. At the end of 2004, as part of the restructuring all assets of the RF business were already written down to zero.

Other provisions

Other provisions should cover risks and contractual commitments existing at balance sheet date, mainly relating to completed projects. This estimate is based on a project analysis basis.
In 2005 the company finalised a dispute with a government for which a provision of EUR 453,947 was set up in 2000. As no costs were incurred, the provision of EUR 453,947 was fully reversed in 2005.

k. Shareholders' equity and rights attached to the shares

As of December 31, 2006 the common stock consisted of 5,476,092 issued and outstanding ordinary shares without face value.

Each holder of shares is entitled to one vote per share, without prejudice to specific restrictions on the shareholders' voting rights in the company's Articles of Association and Belgian Company Laws, including restrictions for non-voting shares and the suspension or cancellation of voting rights for shares which have not been fully paid up at the request of the Board of Directors.

Under Belgian Company Laws, the shareholders decide on the distribution of profits at the annual shareholders' meeting, based on the latest audited accounts of the company. Dividends may be paid in cash or in kind.

In 2000, the company gave its personnel the possibility to subscribe to a maximum of 200,000 warrants. In total 182,850 warrants were subscribed by employees, each giving the right to purchase IPTE NV shares at a price of EUR 20. Each warrant gives the right to subscribe to one new share. The warrants are granted for a period of 10 years and can be executed at the earliest in 2004. The execution of such warrants will lead to a dilution of existing shareholders. Nothing is recognized in the financial statements.

In April 2003, the company concluded a financing agreement with LRM and the company's management for a total amount of EUR 7 million. This agreement was concluded at March 13, 2003 and executed by the General Shareholders Assembly of April 18, 2003. This financing comprehends an interest bearing subordinated loan and warrants. The duration for the loan is 5 years and the warrants can be exercised at a rate of EUR 4.8.
During the shareholders meeting, 1,458,332 warrants B1 and B2 were created. All these warrants B1 and B2 were granted to LRM and management members (1,250,000 warrants to LRM NV and 208,332 to management members) who provided in total subordinated loans of EUR 7,000,000 .

The first part of 3.5 million of the interest bearing loan was given with a starting date April 2003 and with a maturity date April 2008 and the second part of 3.5 million of the interest bearing loan was given with a start date December 2004 and maturity December 2009.

On December 6, 2006 the company signed an irrevocable agreement with LRM and management that:

- LRM and management irrevocably commit to execute all warrants (1,458,332) before October 10, 2007;
- IPTE commits to repay the outstanding loan to LRM and management (EUR 7,000,000) at the same date.

After the conversion in October 2007, the number of shares will be 6,934,424.

I. Deferred taxes

Components of deferred tax assets and liabilities are as follows:

	Balance at December 2006	Taxes in result of 2006	Taxes in result of 2005	Balance at December 2005	Taxes in result of 2004	Balance at December 2004	Balance at December 2003
Deferred tax – assets	999,900	98,347	901,553	(13,447)	915,000	(173,000)	1,088,000
• Research costs	31,191	(58,140)	89,331	(77,669)	167,000	(14,830)	181,830
• Losses consolidated companies	819,160	216,250	602,910	(145,090)	748,000	(158,170)	906,170
• Other provisions	149,549	(59,763)	209,312	(209,312)	-	-	-
Deferred taxes - liabilities	(999,900)	(98,347)	(901,553)	13,447	(915,000)	307,439	(1,222,439)
• Tangible fixed assets	(345,300)	18,973	(364,273)	19,727	(384,000)	99,780	(483,780)
• Inventories	(654,600)	(117,320)	(537,280)	(6,280)	(531,000)	183,360	(714,360)
• Other	-	-	-	-	-	24,299	(24,299)
Net deferred income tax expense/(income)	-	-	-	-	-	134,439	-

Deferred tax arises in the following circumstances:

• Intangible fixed assets: accelerated tax depreciations lead to tax bases lower than the carrying amounts;
• Property, plant and equipment: accelerated tax depreciations lead to tax bases lower than the carrying amounts;
• Inventories may have carrying amounts higher than the fiscal accepted value resulting from the completed contract method in the fiscal books;
• Provisions recorded in the financial statements which are disallowed for fiscal reasons in local books;
• Companies reporting losses: deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized.

Deferred tax assets as a result of companies reporting losses are only recognized on the balance sheet for the amount the same entity reports deferred tax liabilities and the timing matches.

The group has unrecognized tax losses of EUR 35,436,000, EUR 36,774,000 and EUR 27,731,000 respectively at December 31, 2006, 2005 and 2004 with no expiry date resulting in tax assets not recognized for EUR 10,630,000, EUR 10,117,000 and EUR 7,596,000 as at December 31, 2006, 2005 and 2004.
Temporary differences on investments in subsidiaries (undistributed earnings) were approximately EUR 41,371,000, EUR 43,700,000 and EUR 39,000,000 respectively at December 31, 2006, 2005 and 2004. Since it is the intention of the company to indefinitely reinvest these earnings, no deferred tax liability has been provided.

m. Revenue recognition

The company recognizes revenue from projects by reference to the stage of completion when this can be measured by reference to labour hours incurred to date as a percentage of total estimated hours for the contract. When the outcome of the project cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable. In the period in which it is determined that the loss will result from the performance of the contract, the entire amount of the estimated ultimate loss is charged against income.

Sales include EUR 8,416,800 contract revenue, arising from projects not completed, recognized as revenue in 2006. This has been booked against trade receivables for EUR 2,442,804 for the amounts not billed and against advances for EUR 5,973,996 for the part already billed to customers. The cost of sales recognized on these not completed projects amounts to EUR 5,077,970.

Sales include EUR 5,430,087 contract revenue, arising from projects not completed, recognized as revenue in 2005. This has been booked against trade receivables for EUR 2,167,391 for the amounts not billed and against advances for EUR 3,262,696 for the part already billed to customers. The cost of sales recognized on these not completed projects amounts to EUR 2,754,013.

Sales include EUR 7,954,380 contract revenue, arising from projects not completed, recognized as revenue in 2004. This has been booked against trade receivables for EUR 1,939,180 for the amounts not billed and against advances for EUR 6,015,200 for the part already billed to customers. The cost of sales recognized on these not completed projects amounts to EUR 4,647,301.

n. Cost of sales

	2006	2005	2004
Purchases of material	78,790,297	67,867,814	70,126,737
Personnel expenses	26,041,418	24,424,147	27,144,414
Depreciation / amortization	1,999,650	1,842,202	2,419,851
Investment grants	20,445	(7,185)	(17,398)
Repair and maintenance	607,944	650,846	802,173
Other	2,457,675	3,107,565	3,320,882
Total	**109,917,429**	**97,885,530**	**103,796,659**

o. Research and development expenses

	2006	2005	2004
Personnel expenses	5,474,602	5,067,793	4,743,247
Depreciation / amortization	258,428	261,346	426,516
Investment grants	30,363	(10,669)	(25,833)
Other	491,938	483,211	536,074
Total	**6,255,331**	**5,801,681**	**5,680,004**

p. General and administrative expenses

	2006	2005	2004
Personnel expenses	5,767,516	5,764,000	6,197,661
Depreciation / amortization	221,422	366,865	235,195
Investment grants	8,055	(2,830)	(6,854)
Professional fees	1,675,051	1,464,376	2,152,421
Other	1,462,246	1,164,454	(366,405)
Total	**9,134,290**	**8,756,865**	**8,212,018**

Other general and administrative expenses in 2004 includes a reversal of a provision of EUR 1,769,000 relating to a client dispute.

q. Selling expenses

	2006	2005	2004
Personnel expenses	6,067,828	5,195,759	6,396,932
Representation and travel expenses	1,508,977	1,359,346	1,546,780
Publicity	288,078	269,898	320,161
Depreciation / amortization	98,760	117,957	169,645
Investment grants	3,099	(1,089)	(2,636)
Transportation costs	693,243	1,793,328	1,821,000
Fair, exhibitions and other	1,225,518	1,275,323	1,663,574
Total	**9,885,503**	**10,010,522**	**11,915,456**

r. Personnel expenses and average number of employees

	2006	2005	2004
Wages and salaries	41,071,346	38,290,371	42,293,473
Insurance	743,339	587,087	581,726
Other	1,536,679	1,574,241	1,607,055
Total	**43,351,364**	**40,451,699**	**44,482,254**

The average number of employees was 1,630 in 2006, 1,434 in 2005 and 1,302 in 2004. The main reasons for the increase in the number of employees was the personnel increase in China and further growth in the contract manufacturing division in 2006, the expansion of the Connect business in Romania in 2005 and the acquisition of Connectronics GmbH and the growth of the contract manufacturing activities in 2004.

Defined contribution plans

The company provides defined contribution plans for some employees. The plan provides for contributions ranging from 1% to 3% of the salary. These contributions, partly paid by the employer and partly paid by the employee, are calculated by an insurance company and the costs are charged to income in the year to which they relate. Defined contribution costs were EUR 342,765, EUR 291,332 and EUR 372,908 as of December 31, 2006, 2005 and 2004 respectively.

s. Depreciation charges and amortization

	2006	2005	2004
Property, plant and equipment	2,451,470	2,344,493	3,012,262
Cost of sales	1,872,860	1,598,325	2,180,906
General and administration costs	221,422	366,865	235,195
Selling expenses	98,760	117,957	169,645
Research and development costs	258,428	261,346	426,516
Intangible fixed assets	126,790	243,877	238,946
Cost of sales	126,790	243,877	238,946
Total depreciation charges	**2,578,260**	**2,588,370**	**3,251,208**

t. Financial results

	2006	2005	2004
Interest income	63,016	24,943	177,020
Exchange differences	492,448	412,695	569,478
Gain on derecognition of modified subordinated loan (see note i.)	486,000	-	-
Other	-	-	4,921
Total financial income	**1,041,464**	**437,638**	**751,419**
Interest charges	2,095 ,121	1,756,496	1,466,957
Bank charges	159,006	158,002	171,719
Exchange differences	163,934	563,773	954,701
Total financial charges	2,418,061	(2,478,271)	2,593,377
Net financial results	**(1,376,597)**	**(2,040,633)**	**(1,841,958)**

The interest charges in 2006 include EUR 857,387 interests on the subordinated loans (EUR 864,244 in 2005). In December 2006, the subordinated loan agreement was renegotiated resulting in a financial income of EUR 486,000 (see note i.).

u. Income taxes

Income taxes are calculated on the basis of the taxable profit of the individual companies included in the consolidation. The company recognizes deferred taxes according to IAS 12.
Based on the requirements of IAS 12, the company has concluded not to recognize deferred tax assets on the losses carried forward except for the loss of the parent company IPTE NV.

	2006	2005	2004
Income taxes of the current year	177,107	266,129	140,605
Income taxes of the prior year	(43,472)	(278,272)	273
Deferred tax expense / (income)	-	-	(134,439)
Total	**133,633**	**(12,143)**	**6,439**

The reconciliation of the effective tax rate to the statutory tax rate is as follows:

	2006	2005	2004
Profit/(loss) before taxes	2,016,431	2,156,118	(5,621,431)
Amortization of goodwill	-	-	765,409
Effect of companies reporting losses	4,633,000	3,214,000	10,099,244
Use of tax losses to offset current year's profits	(2,861,105)	(2,172,118)	-
Notional interest deduction	(1,285,326)	-	-
Non taxable income	(2,030,000)	(2,330,000)	(4,899,203)
Taxable profit	473,000	778,000	344,019
Income taxes	177,107	266,129	140,605
In%	37.4%	34.2%	40.9%

The deferred taxes recognized in the balance sheet are the result of timing differences in the recognition of income and expenses in the annual report on one hand and the fiscal books on the other hand.

v. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. On March 3, 2000 the Extraordinary General Assembly of Shareholders decided to split each share into 2000, which brings the total amount of shares up to 4,000,000. The earnings per share after the split shows the net profit for the period attributable to ordinary shareholders divided by the number of shares being 4,000,000 shares. The company increased the number of shares with 1,476,092 at the occasion of the capital increase and the public offering in May 2000. The earnings per share as of December 31, 2002 show the net profit for the period attributable to ordinary shareholders divided by 5,476,092 shares.
The Extraordinary General Assembly of Shareholders of March 3, 2000 has decided to grant 200,000 warrants 'B' to personnel members. In total 182,850 warrants were granted for a period of 10 years

and can be exercised in 2004 at the earliest. The exercise of such warrants will lead to a dilution of existing shareholders.

During the shareholders meeting of April 18, 2003, 1,458,332 warrants B1/B2 were created. All these warrants B1/B2 were granted to LRM and management members (1,250,000 warrants to LRM NV and 208,332 to management members) who provided in total subordinated loans of EUR 7,000,000 (EUR 3,500,000 in April 2003 and EUR 3,500,000 in December 2004).

	2006	2005	2004
Net profit/(loss) available for distribution	1,857,151	2,046,008	(5,600,143)
Weighted average number of shares – basic	5,476,092	5,476,092	5,476,092
Earnings per share – basic / net profit available for distribution	0.34	0.37	(1.02)
Weighted average number of shares – diluted	6,934,424	5,476,092	5,476,092
Earnings per share / diluted / net profit available for distribution	0.27	0.37	(1.02)

There are 182,850 warrants given to employees that can be exercised at a rate of EUR 20 and 1,458,332 warrants were given to LRM (1,250,000) and management members (208,332) at an exercise price of EUR 4.8 (see note 1.3.7.k). As at the end of December 2005 and 2004 the share value amounted to respectively EUR 4.34, and EUR 3.20, none of the existing warrants were taken in the diluted earnings per share value. At December 31, 2006 the share value amounted EUR 4.70, however since an agreement has been concluded between LRM and the Managers/Board members and the company that the warrants will be exercised in 2007, the warrants granted in this respect were taken into account to calculate the diluted earnings per share.

w. Notes to the Cash Flow Statements

In 2006 the interest held in Antest SARL was increased from 52% to 100%. Antest SARL was already consolidated using the full consolidation method. The additional 48% was purchased for EUR 702,952. As a result the Minorities were derecognized and the remainder was recorded as a deduction of consolidated equity.

Acquired entities in 2004 include Connectronics GmbH.

Acquired entities	2006	2005	2004
Cash and cash equivalents	-	-	-
Receivables	-	-	1,013,148
Inventories	-	-	2,344,388
Property, plant and equipment	-	-	781,520
Intangible fixed assets	-	-	-
Other current assets	-	-	78,019
Total assets acquired	**-**	**-**	**4,217,075**
Accounts payable and accrued expenses	-	-	(2,069,620)
Short-term and long-term loans	-	-	(1,650,006)
Other current liabilities	-	-	(497,437)
Provisions	-	-	(12)
Net assets acquired	-	-	-
Minorities	-	-	-
Goodwill (badwill) consolidation	-	-	713,040
Purchase price (=cash consideration)	-	-	713,040
Acquired cash	-	-	-
Net cash effect from acquisition	-	**-**	**713,040**

On March 31, 2004, the Group entered into a sale agreement to dispose of the Autoveyor group. This disposal was completed on April 1, 2004 on which date control of Autoveyor passed to the acquirers.

The net assets of Autoveyor group at the date of disposal were as follows:

	31/03/2004
Property, plant and equipment	1,066,901
Investments	-
Inventories	1,173,636
Trade receivables	2,288,683
Other current assets	154,574
Cash and bank	272,807
Long-term debt	(113,526)
Current portion of long-term debt	(48,219)
Bank loans and overdrafts	(1,157,200)
Trade debts	(3,178,552)
Accrued expenses	(304,472)
Other current liabilities	(154,183)
Total	**449**
Attributable goodwill	1,384,988
Attributable CTA	344,426
Total	**1,729,863**

Loss on disposal	(1,969,373)
Total consideration	(239,510)
Satisfied by cash	(239,510)

Net cash outflow arising on disposal	
Cash consideration	(239,510)
Bank balances	(272,807)
Total	**(512,317)**

x. Discontinuing operations

On March 31, 2004, the Group entered into a sale agreement to dispose of the Autoveyor group (automation division). The Board of Directors decided to discontinue the operations in January 2004, as the operation in Singapore was no longer considered as a core business.
This disposal was completed on April 1, 2004 on which date control of Autoveyor passed to the acquirers. The results of the Autoveyor operations for the period from January 1, 2004 to March 31, 2004, which have been included in the consolidated income statements were as follows:

	Period ended March 31, 2004
Revenue	1,951,417
Operating costs	(2,181,227)
Operating result before depreciation	(229,810)
Depreciation	(45,327)
Restructuring costs	(1,969,373)
Finance costs	(38,988)
Result before taxes	**(2,283,498)**
Taxes	(2,733)
Result after taxes	**(2,286,231)**

y. Restructuring costs

In the 4th quarter of 2004, the Group decided to restructure the automation activity. The restructuring consisted of headcount reduction at production locations, scrapping of inventories no longer used in the future business plans and the recognition of an impairment loss in respect of their previous carrying amounts.

	31/12/2004
Termination benefits	1,686,355
Inventory write down	767,000
Impairment loss recognized in respect of assets	391,000
Other costs	213,955
Total	**3,058,310**

The restructuring was completed in 2005. As a result of negotiations with personnel and use of pension plans in certain countries, actual cost for terminations amounted to EUR 849,899. The remaining provision of terminations was reversed into income in 2005.

z. Segment reporting

Segment information is prepared on the following bases:

A. Business segments

The activities of the Group are divided into 2 business segments, on one hand the "factory automation" business and on the other hand the "contract manufacturing" business.
The income statements for the factory automation segment are as follows (before amortization of goodwill):

	2006	In %	2005	In%	2004	In %
Sales	50,178,842	100	48,076,131	100	54,557,415	100
Cost of sales	(33,627,723)	(67.0)	(33,443,749)	(69.6)	(43,378,780)	(79.5)
Gross margin	16,551,119	33.0	14,632,382	30.4	11,178,635	20.5
Research and development expenses	(5,443,889)	(10.8)	(5,068,356)	(10.5)	(5,004,479)	(9.2)
General and Administrative expenses	(5,755,341)	(11.5)	(5,129,738)	(10.6)	(4,379,787)	(8.0)
Selling expenses	(5,172,642)	(10.3)	(4,847,252)	(10.0)	(7,181,198)	(13.2)
Other income (expense) net	533,149	1.0	768,476	1.6	693,881	1.3
Operating income (before amortization of goodwill)	712,396	1.4	355,512	0.7	(4,692,948)	(8.6)

The income statements for the contract manufacturing segment are as follows (before amortization of goodwill):

	2006	In %	2005	In %	2004	In %
Sales	88,387,444	100	78,856,801	100	74,253,652	100
Cost of sales	(76,670,300)	(86.7)	(64,712,375)	(82.1)	(60,640,577)	(81.7)
Gross margin	11,717,144	13.3	14,144,426	17.9	13,613,075	18.3
Research and development expenses	(811,442)	(0.9)	(733,324)	(0.9)	(675,537)	(0.9)
General and administrative expenses	(3,799,000)	(4.3)	(3,627,128)	(4.6)	(3,830,551)	(5.2)
Selling expenses	(4,733,260)	(5.4)	(5,163,278)	(6.5)	(4,735,868)	(6.4)
Other income (expense) net	307,190	0.3	(779,457)	(0.9)	(722,862)	(1.0)
Operating income (before amortization of goodwill)	2,680,632	3.0	3,841,239	4.9	3,648,257	4.9

Reconciliation to consolidated result:

	2006	2005	2004
Operating income factory automation	712,396	355,512	(4,692,948)
Operating income contract manufacturing	2,680,632	3,841,239	3,648,257
Financial income (expense)	(1,376,597)	(2,040,633)	(1,841,958)
Loss on sale of investment	-	-	(1,969,373)
Other (net)	-	-	-
Income taxes	(133,633)	12,143	(6,439)
Amortization of goodwill	-	-	(765,409)
Factory automation	-	-	139,717
Contract manufacturing	-	-	(905,126)
Minorities	(25,647)	(122,253)	27,727
Consolidated result	1,857,151	2,046,008	(5,600,143)

Depreciation and amortization charges are as follows:

	2006	2005	2004
Factory automation	875,277	1,177,153	1,899,753
Contract manufacturing	1,702,983	1,411,217	1,351,455

Capital expenditure is as follows:

	2006	2005	2004
Factory automation	491,210	1,262,566	639,543
Contract manufacturing	2,469,978	2,829,691	2,163,580

Intersegment sales:

	2006	2005	2004
External sales Automation	50,096,618	48,069,706	54,437,277
Intersegment sales Automation	82,224	6,425	120,138
External sales Contract Manufacturing	88,185,201	78,592,765	74,150,286
Intersegment sales Contract Manufacturing	202,243	264,036	103,366
Eliminations	(284,467)	(270,461)	(223,504)
Total sales	**138,281,819**	**126,662,471**	**128,587,563**

Intersegment sales are charged at prevailing market prices.

The balance sheet per segment as of December 31, 2006 and the comparitive figures for 2005 and 2004 are as follows:

	2006		2005		2004	
	Factory Automation	Contract Manufacturing	Factory Automation	Contract Manufacturing	Factory Automation	Contract Manufacturing
Assets						
Current assets:						
Cash and bank deposits	1,976,392	332,875	3,239,260	455,532	2,249,137	602,530
Trade receivables	13,452,157	21,328,952	12,912,206	13,354,443	16,248,647	16,036,903
Other receivables	1,990,247	404,687	1,734,059	804,863	2,012,155	735,196
Inventories	8,890,491	20,023,833	6,975,970	17,011,802	8,182,916	14,631,388
Other current assets	-	-	253,998	136,127	271,275	47,420
Total current assets	**26,339,287**	**42,090,347**	**25,115,493**	**31,762,767**	**28,964,130**	**32,053,437**
Other receivables	1,489,717	-	1,502,044	-	1,426,008	-
Deferred taxes – assets	999,900	-	901,553	-	915,000	-
Financial fixed assets	66,507,008	139,285	66,356,232	-	28,913,262	-
Tangible fixed assets	3,971,580	8,254,000	4,378,910	7,620,695	4,279,944	6,376,360
Intangible fixed assets	198,008	23,462	253,554	-	397,030	13,501
Goodwill	1,293,849	287,854	1,293,849	4,648,712	485,740	4,648,712
Intercompany receivables	692,491	35,301,254	246,027	34,274,087	16,738,831	14,276,857
Total assets	**101,461,840**	**86,096,202**	**100,047,662**	**78,306,261**	**82,119,945**	**57,368,867**

Liabilities and equity						
Short-term debts						
Bank debts	10,773,032	12,382,550	10,214,605	7,932,604	9,059,235	7,839,752
Current portion of amounts payable after more than one year	7,583,528	265,237	423,054	268,733	351,167	268,733
Trade debts	6,142,927	15,296,672	4,273,148	10,579,084	6,271,736	11,598,511
Accrued charges, deferred income, remunerations and taxes	3,501,345	2,807,041	3,229,310	2,586,443	5,732,638	2,228,382
Other debts	2,666,259	63,833	2,077,655	5,330	1,766,324	22,429
Provisions	1,352,575	3,633	2,338,637	3,143	3,693,286	457,103
Total short-term debts	**32,019,666**	**30,818,966**	**22,556,409**	**21,375,337**	**26,874,386**	**22,414,910**
Amounts payable after more than one year	1,543,459	266,659	9,218,033	531,897	8,946,117	800,630
Deferred taxes – liabilities	999,900	-	901,553	-	915,000	-
Equity	**31,501,755**	**54,318,086**	**32,562,502**	**56,153,000**	**30,694,759**	**17,414,496**
Minorities	95,806	-	535,078	-	412,826	-
Intercompany payables	35,301,254	692,491	34,274,087	246,027	14,276,857	16,738,831
Total liabilities	**101,461,840**	**86,096,202**	**100,047,662**	**78,306,261**	**82,119,945**	**57,368,867**

Reconciliation to consolidated equity:

	2006
Equity factory automation	31,501,755
Equity contract manufacturing	54,318,086
Elimination cross participation	(61,995,373)
Equity attributable to equity of the parent	23,824,468

Reconciliation of total assets:

	2006
Assets factory automation	101,461,840
Assets contract manufacturing	86,096,202
Elimination intercompany receivables and payables	(35,993,745)
Elimination participation	(61,995,373)
Total assets	89,568,924

B. Geographical segments

The IPTE group's activities are conducted predominantly in Europe (95%); America and Asia count for 5% of the business.
The geographical spread by business segment (in % of sales by destination) is as follows:

Factory automation

	2006	2005	2004
Western Europe	58	67	66
Northern Europe	2	-	-
Benelux	22	6	6
Eastern Europe	5	8	5
Total Europe	87	81	77
Asia and America	13	19	23
Total	**100**	**100**	**100**

Contract Manufacturing

	2006	2005	2004
Belgium	46	45	51
The Netherlands	29	25	28
Germany	12	14	9
Europe	13	16	12
Total	**100**	**100**	**100**

The geographical spread in K € for 2006 is as follows:

All amounts in K €	Europe	US	Asia	Total
Revenues (by origin)	131,769	2,545	3,968	138,282
Segments assets	86,657	1,222	1,690	89,569
Capital expenditure	2,853	14	94	2,961

The geographical spread in K € for 2005 is as follows:

All amounts in K €	Europe	US	Asia	Total
Revenues (by origin)	123,338	2,151	1,173	126,662
Segments assets	74,354	1,990	1,134	77,478
Capital expenditure	3,996	4	47	4,047

The geographical spread in K € for 2004 is as follows:

All amounts in K €	Europe	US	Asia	Total
Revenues (by origin)	121,588	3,798	3,202	128,588
Segments assets	76,525	1,838	1,207	79,570
Capital expenditure	2,760	10	33	2,803

aa. Contingent liabilities

Neither the company, nor its subsidiaries are subject to any legal proceeding that can have or may have a significant negative impact on the consolidated financial position of the company.

ab. Structure shareholders' equity

Shareholders' Equity (at 31/12/2006)

Origin Name	Number Issued	Declared total	%
Equity	5,476,092	3,125,889	57.08%
Warrants	1,641,182	1,458,332	88.86%
Total	**7,117,274**	**4,584,221**	**64.41%**

Detail Equity: 5,476,092

Shareholder Name	Number Declared	%
Huub Baren	1,954,030	35.68%
Quaeroq CVBA	247,859	4.52%
Het Beste Brood	238,000	4.34%
Moonen Gaston	230,000	4.20%
Switten Luc	228,000	4.17%
Vladimir Dobosch	228,000	4.17%
Total	**3,125,889**	**57.08%**

Detail warrants: 1,641,182

Warrant holder Name	Number Declared	%
Limburgse Reconversie Maatschappij	1,250,000	76.16%
Huub Baren	58,334	3.55%
Vladimir Dobosch	26,042	1.59%
Marcel Teughels	26,042	1.59%
Luc Switten	26,042	1.59%
Hubert Baren	25,000	1.52%
Jeanine Baren	16,666	1.02%
Gaston Moonen	14,582	0.89%
Eric Verhulst	10,416	0.63%
Hugo Ciroux	5,208	0.32%
Total	**1,458,332**	**88.86%**

ac. Financial instruments

Financial risk management

IPTE operates internationally, giving rise to exposure to market risks from changes in interest and foreign exchange rates.

Risk management policies are approved by the Board of Directors and carried out by a central treasury department in close co-operation with the group's operating units.

(i) Credit risk

The group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics.

Group procedures are in force to ensure on a permanent basis that sales are made to customers with an appropriate credit history and do not exceed an acceptable credit exposure limit.

(ii) Interest rate risk

The group has entered into several interest rate contracts to manage its exposure to fluctuation in interest rates on their short-term loans. Till December 31, 2006, EUR 7 mio was hedged at a maximum intrest rate of 2.5% + bankers margin. The effect of the fair value adjustment of these intrest rate swaps is immaterial.

The weighted average effective interest rates at the balance sheet date were as follows:

	2006	2005	2004
Bank overdrafts (%)	4.77	4.39	4.7

(iii) Liquidity risk

The company has sufficient credit lines with its bankers to ascertain a normal continuation of the business.

(iv) Foreign exchange risk

The group has no foreign exchange contracts. Foreign exchange risk mainly relates to US dollar business (less than 25% of total business) and a US dollar loan given to its US affiliate amounting to 2.5 million US dollar.

ad. Commitments

On December 20, 2006, the company signed a purchase agreement with BARCO NV, to acquire the business entity BEM (Barco Electronic Manufacturing). The business entity consists of a division of BARCO NV in Belgium and a division of BARCO s.r.o in the Czech Republic, both called together the 'BEM' business.

In accordance with IFRS 3.67 we provide you with following information in relation to this business combination:

(a) IPTE NV will acquire the net assets as of January 1, 2007 related to the plant in Belgium. Its subsidiary Connectronics sro, a Czech company, will acquire the net assets as of January 1 related to the operations in the Czech Republic;

(b) The acquisition will take effect as of January 1, 2007;

(c) The acquisition will consist of the assets and liabilities related to this business entity. No shares are acquired as part of the business combination;

(d) The net acquisition price for the BEM business amounts to approximately EUR 15 mio and is based on the net assets value of the transferred business as they are presented in the BARCO IFRS accounts as at January 1, 2007;

(e) No operations will be disposed of as a result of this combination;

(f) The net assets which will be recognized as of the acquisition date of January 1, 2007 are detailed as follows (figures are preliminary):

	In K €
Fixed assets	2,513
Inventories	19,874
Receivables	4,957
Other assets	113
Total assets	**27,457**
Trade payables	11,481
Other payables	959
Total liabilities	**12,440**
Net assets	**15,017**

(g) The net assets will be included in the consolidated financial statements as of January 1, 2007, The assessment of the fair value of the acquired business is still to be determined, as contract negotiations have not yet been fully finalised;

(h) The contractual arrangements stipulate that potential gains/losses on the assets/liabilities acquired will be settled with BARCO NV;

(i) The income statement per December 31, 2006 does not include any profit or loss as a result of this business combination. Costs incurred during 2006 in relation to this acquisition (legal fees, due diligence fees) have been deferred on the balance sheet as of December 31, 2006 and amount EUR 114,000;

(j) The company has secured bank loans with its present bankers (see note 1.3.7.h and 1.3.7.i) to fund this initial investment.

ae. Related party transactions

The company purchased EUR 1,345,470 in the course of 2006 (respectively EUR 1.7 mio in 2005, EUR 1.6 mio in 2004 and EUR 2.2 mio in 2003) from PMS 724 GmbH.
The purchases mainly relate to parts for machinery. The Board of Directors has discussed the nature and character of these purchases and concluded that they are contracted in the normal course of business and concluded they were contracted at arm's length conditions.
The shares of PMS 724 GmbH are owned for 78% by a shareholder of IPTE NV, who is also a member of the Board of directors.

Board of Directors and management

Management and Board of Director members provided a subordinated loan amounting to EUR 1,000,000 to the company. This loan was provided as part of the subordinated loan agreement signed in 2003 with an external investor LRM amounting in total to EUR 7,000,000. The conditions of the loan were defined by the external investor (see note 1.3.7.k). The respective Management and Board of Director members received in total 208,332 warrants as part of the transaction.

The total amount of emoluments to the members of the Board of Directors and management amount to EUR 1,024,000 in 2006, EUR 1,037,000 in 2005 and EUR 1,060,000 in 2004.
The interest charges paid to management as remuneration for the subordinated loan are included in the financial expenses and amount to EUR 80,000 (EUR 79,952 in 2005).
The total amount of shares held by the members of the Board of Directors amounted to 3,125,889 in 2006, 3,125,889 in 2005 and 3,125,889 in 2004.
The total amount of warrants held by members of the Board of Directors amounted to 1,458,332 in 2006, 1,458,332 in 2005 and 1,458,332 in 2004.

Personnel

No loans are granted to personnel

af. Disclosure attest and non attest fees charged by the Statutory Auditor

In accordance with the law of 20 July 2006, article 101, please find below a summary of the attest fees and non attest fees of the Statutory auditor Deloitte Bedrijfsrevisoren and its network of professional service firms.

Attest fee (statutory audit only)	2006
Agreed fee	63,757

Non Attest fees (consolidated level)	2006
Tax advice	46,720
Other non attest services	18,407
Due diligence services	26,500

ag. Operational lease commitments

		Lease Start Date	Lease End Date	Review Date	Annual Rent	Area (square meters)
Belgium	Connectronics NV Rozendaalstraat 14, 8900 Ieper	01/01/2003	Annual renewable for 1 year	31/12/2006	22,239	813
	Connect Systems NV Industriestraat 2, 1910 Kampenhout	01/10/2005	30/09/2007	-	23,100	575
	IPTE NV Beernem, division IPTE	1/11/2006	30/10/2015	3 year 6 months notice	27,600	600
Germany	IPTE Germany GmbH Schleifweg 14, 90562 Heroldsberg	01/04/2005	31/03/2015	31/03/2014	334,948	3,524
	Connectronics GmbH Siemensstr. 11, 72636 Frickenhausen	01/11/2000	31/12/2010	31/12/2009	225,162	4,320
Romania	Connectronics Romania S.R.L. Soseaua Borsului 40, Oradea	01/04/2004	31/12/2007	-	300,000	7,200
Slovakia	Connect Systems Slovakia spol. s.r.o. Stanicna 1045, 95212 Vrable	01/01/1995	indefinite	3 months notice	39,000	375
Portugal	IPTE Iberia -Automaçao Industrial Lda Zone Ind. de Ovar, 3880-108 Ovar	01/07/2004	indefinite	3 months notice	30,000	500
China	IPTE Industrial Automation (Shanghai) Co.Ltd Building C, No 88, Lane 3509, South Hongmei Road, Shanghai	01/05/2006	30/04/2009	3 months notice	30,480	1,200

2. INDIVIDUAL FINANCIAL STATEMENTS

In accordance with article 105 of the Company Law, this annual report includes the Directors' report and a condensed version of the individual statutory accounts of IPTE NV.
The directors' report, the statutory auditor's opinion and the fully annual accounts of IPTE NV are available at the registered office of the company at no cost.

2.1 REPORT BOARD OF DIRECTORS

We are pleased to report to you on the company's activities during 2006.

After the restructuring in 2005 we can report a slight improvement for 2006. The market for automation was stable during the year. The demand even increased at the end of the year. This resulted in an increased order book at year end.

Total revenue for the year increased with 6 percent compared to 2005. This increase was mainly the result of an increase in the contracts in progress at year end due to the increased order book.

The evolution in the operational result can be explained as follows:

- Increase in the material costs of the projects from 51% in 2005 to 62% in 2006;
- A slight decrease in the general and administrative expenses and salary charges due to the completion of the restructuring in 2005;
- A decrease in the depreciations with EUR 238,504 compared to 2005;
- Reverse of provisions for risks and charges in 2006 for EUR 529,750;

The operational result improved from EUR 642,000 loss in 2005 to EUR 320,000 loss in 2006.

In addition to the operational results, the following important financial results were recorded during the year.

- Starting from December 2004, LRM and management members provided the second tranche (EUR 3.5 mio) of a subordinated loan of EUR 7 mio in total. This resulted in an interest cost of EUR 563,046 in 2006 and EUR 559,529 in 2005;
- In December 2004, IPTE NV bought the company Connectsystems BV from Connect Systems International nv (all part of the IPTE group). In order to finance this transaction, a loan of EUR 36 mio was negociated between IPTE NV and Connect Systems International NV which was transferred in a loan from Connect Systems holding in 2006. This loan resulted in an interest charge of EUR 1,246.750 in 2006 and EUR 884,000 in 2005;

- The increase in the other financial costs for the amount of EUR 255,341 compared to 2005 resulted mainly from realised exchange losses;
- In July 2006, dividends were received relating to the 100% participation in Antest SARL for the amount of EUR 850,000. In December 2006 this participation was contributed in kind into the capital of the 100% participation IPTE RF. This transaction related to the centralisation of the French activities within the group. On this transaction a profit of EUR 578,032 was realised;
- The interests received on loans granted to the participations of the organisation decreased from EUR 1,305,752 in 2005 to EUR 756,382 in 2006.

In accordance to the law of July 20th 2006, Art 101 we mention the audit and non-audit fees charged by the Statutory auditor and his network of professional service firms:

1.	Audit fees	EUR 63,757
2.	Tax advice	EUR 25,217
3.	Other non- audit services	EUR 18,408
4.	Due diligence services	EUR 26,500

According to art. 96 of the company law, the Board of directors reviewed the preparation of the financial statements under the going concern principle.
Taken into account financial means and situation, the Board of Directors is convinced that the preparation of the financial statements under the going concern principle is fully justified.
The Board of Directors has reviewed the risks and uncertainties which the company is facing. The Board of Directors concluded that apart from the ongoing business risks which are inherent to macro economic climate and the risks for which provisions are recorded, there are no specific risks or uncertainties to report.

On December 20th 2006, IPTE NV and BARCO NV signed an agreement relating the transfer of the PCB assembly activity of the Barco Manufacturing Service division (BEM).
From 1 January 2007, Barco's PCB assembly activity (BEM) will be part of the IPTE group. This assembly activity takes place in two plants, at Poperinge (Belgium) and at Kladno (Czech Republic). More than 400 persons are employed in this activity, 240 at Poperinge and 160 at Kladno. The plant in Poperinge will be part of IPTE NV and the plant in Kladno will be included in a newly created company in the Czech Republic.

No other significant events have taken place since the end of the financial year.

Genk, March 19th, 2007

2.2 CONDENSED FINANCIAL STATEMENTS (IN 000 EUR)

1. BALANCE SHEET	2006	2005
ASSETS		
FIXED ASSETS	**87 263**	**92 911**
I.FORMATION EXPENSES		
II.INTANGIBLE ASSETS	**84**	**274**
III.TANGIBLE ASSETS	**1 633**	**1 792**
A. Land & buildings	1 451	1 568
B. Plant, macchinery & equipment	5	30
C. Furniture and vehicles	177	191
D. Leasing and other similar rights		3
E. Other tangible assets		
F. Assets under construction		
IV.FINANCIAL ASSETS	**85 546**	**90 845**
A. Affiliated enterprises	85 520	90 800
1. Participating interests	74 158	72 877
2. Amounts receivable	11 362	17 923
B. Other enterprises linked by particip. interests		
1. Participating interests		
2. Amounts receivable		
C. Other financial assets	26	45
1. Shares		
2. Amounts receivable and cash guarantees	26	45
CURRENT ASSETS	**18 630**	**12 013**
V.AMOUNTS RECEIVABLE AFTER ONE YEAR		
A. Trade debtors		
B. Other amounts receivable		
VI.STOCKS AND CONTRACTS IN PROGRESS	**11 623**	**6 866**
A. Stocks	2 262	2 066
1.Raw materials	970	1 044
2.Work in progress	766	605
3.Finished goods	526	417
4.Goods purchased for resale		
5.Immovable property acquired or constructed for resale		
6.Advance payments		
B. Contracts in progress	9 361	4 800
VII.AMOUNTS RECEIVABLE WITHIN ONE YEAR	**6 121**	**4 836**
A. Trade debtors	5 862	4 255
B. Other amounts receivable	259	581
VIII.INVESTMENTS	**0**	**0**
A. Own shares		
B. Other investments and deposits		
IX.CASH AT BANK AND IN HAND	**747**	**282**
X.DEFERRED CHARGES AND ACCRUED INCOME	**139**	**29**
TOTAL ASSETS	**105 893**	**104 924**

	2006	2005
LIABILITIES		
CAPITAL AND RESERVES	**35 120**	**36 080**
I.CAPITAL	**339**	**339**
A. Issued capital	339	339
B. Uncalled capital		
II.SHARE PREMIUM ACCOUNT	31 143	31 143
III.REVALUATION SURPLUS		
IV.RESERVES	**34**	**34**
A. Legal reserves	34	34
B. Reserves not available for distribution		
1. In respect of own shares hold		
2. Other		
C. Untaxed reserves		
D. Reserves available for distribution		
V.PROFIT/LOSS CARRIED FORWARD	**3 546**	**4 483**
VI.INVESTMENT GRANTS	**58**	**81**
PROVISIONS AND DEFERRED TAXATION	**1 628**	**2 170**
VII. A. PROVISION FOR LIABILITIES AND CHARGES	**1 598**	**2 170**
1. Pension and similar rights		
2. Taxation		
3. Major repair and maintenance		
4. Other liabilities and charges	1 598	2 128
B. DEFERRED TAXATION	**30**	**42**
CREDITORS	**69 145**	**66 674**
VIII.AMOUNTS PAYABLE AFTER ONE YEAR	**36 345**	**25 404**
A. Financial debts	36 345	25 404
1. Subordinated loans	0	7 000
2. Unsubordinated debentures		
3. Leasing and other similar obligations		2
4. Credit institutions	1 198	1 402
5. Ohter loans	35 147	17 000
B.Trade debts		
1. Suppliers		
2. Bills of exchange payable		
C. Advances received on contracts in progress		
D. Other amounts payable		
IX.AMOUNTS PAYABLE WITHIN ONE YEAR	**32 469**	**40 627**
A. Current portion of amounts payable after one year	7 216	169
B. Financial debt	12 675	32 693
1. Credit institutions	9 673	10 145
2. Other loans	3 002	22 548
C. Trade debts	4 704	2 754
1. Suppliers	4 704	2 754
2. Bills of exchang payable		
D. Advances received on contracts in progress	6 897	3 955
E. Taxes, remuneration and social security	952	1 056
1. Taxes	203	135
2. Remuneration and social security	749	921
F. Other amounts payable	25	
X.ACCRUED CHARGES AND DEFERRED INCOME	**331**	**643**
TOTAL LIABILITIES	**105 893**	**104 924**

2. INCOME STATEMENT

2. INCOME STATEMENT	2006	2005
I.OPERATING INCOME	**21 325**	**20 161**
A. Turnover	14 745	18 110
B. Variations in inventory	4 747	721
C. Fixed assets own construction		
D. Other operating income	1 833	1 330
II.OPERATING CHARGES	**-21 645**	**-20 803**
A. Raw materials, consumables and goods for resale	12 266	9 604
1. Purchases	12 223	9 121
2. Movements in stock	43	483
B. Services and other goods	4 124	4 278
C. Remuneration, social security and pensions	5 445	5 586
D. Depreciation, write off formation expenses	411	651
E. Write off of inventory, receivables	-121	-87
F. Increase/decrease in prov. for liabil. & charges	-530	745
G. Other operating charges	50	26
H. Operating charges capitalised as reorganization costs		
III.OPERATING PROFIT/(LOSS)	**-320**	**-642**
IV.FINANCIAL INCOME	**1 686**	**1 671**
A. Income from financial fixed assets	850	
B. Income from current assets	770	1 306
C. Other financial income	66	365
V.FINANCIAL CHARGES	**-2 948**	**-3 113**
A. Interests and other debt charges	2 534	2 954
B. Increase/decrease in amounts written off on current assets		
C. Other financial charges	414	159
VI.PROFIT/(LOSS) ON ORDINARY ACT. BEFORE TAXES	**-1 582**	**-2 084**
VII.EXTRAORDINARY INCOME	**638**	**4**
A. Adjustments to depreciation of and to other amounts intang. & tangibl. assets		1
B. Adjustments to amounts written off financial fixed assets		
C. Adjustments to provisions for extraordinary liabilities and charges		
D. Gain on disposal of fixed assets	638	3
E. Other extraordinary income		
VIII.EXTRAORDINARY CHARGES	**0**	**0**
A. Extraord. deprec. of & extraord. amounts written off form. expenses, tang. and intang. assets		
B. Amounts written off financial fixed assets		
C. Provisions for extraord. liabilities and charges		
D. Loss on disposal of fixed assets		
E. Other extraordinary charges		
F. Extraordinary costs capitalised as restructuring costs		

INCOME STATEMENT	2006	2005
IX.PROFIT (LOSS) FOR THE YEAR BEFORE TAXES	**-944**	**-2 080**
A. Transfers from deferred taxes	7	17
B. Transfers to deferred taxes		
X.INCOME TAXES	**0**	**1**
A. Income taxes		
B. Adjustment of income taxes and write-back of tax provisions	0	1
XI.PROFIT (LOSS) FOR THE YEAR	**-937**	**-2 062**
XII.TRANSFER TO UNTAXED RESERVES		
XIII.PROFIT (LOSS) FOR THE YEAR AVAIL. FOR APPROPRIATION	**-937**	**-2 062**

	2006	2005
APPROPRIATION ACCOUNT		
A. PROFIT / (LOSS) TO BE APPROPRIATED	**3 546**	**4 483**
1. Profit/(loss) for the period avalable for appropriation	-937	-2 062
2. Profit/(loss) brought forward	4 483	6 545
B. TRANSFERS FROM CAPITAL AND RESERVES		
1. From capital and share premium account		
2. From reserves		
C. TRANSFERS TO CAPITAL AND RESERVES		
1. To capital and share premium account		
2. To legal reserve		
3. To other reserves		
D. RESULT TO BE CARRIED FORWARD		
1. Profit to be carried forward	**-3 546**	**-4 483**
2. Loss to be carried forward		
E. SHAREHOLDERS' CONTRIBUTION IN RESPECT OF LOSSES		
F. DISTRIBUTION OF PROFIT		
1. Dividends		
2. Directors' emoluments		
3. Other allocations		

2.3 SUMMARY OF THE VALUATION RULES

1. ASSETS

I. Formation Expenses

Formation expenses are expensed as incurred.

II Intangible fixed assets

Intangible fixed assets are valued at acquisition cost. These assets are amortized over the contractual period, if any, or the estimated useful life, using the straight-line method:

Research and Development Costs:	20% - 33%
Goodwill:	20%
Brands:	10%

III. Tangible fixed assets

Tangible fixed assets are valued at acquisition cost or production cost in case of own construction. Tangible fixed assets are depreciated over their estimated useful economic lives using the following:

Annual depreciation rates are:

• Buildings:	5% double-declining
• Plant, machinery and equipment:	20% straight-line
• Furniture:	20% straight-line
• Vehicles:	25% straight-line
• Computer equipment:	33% straight-line
• Second-hand equipment	50-100% straight-line

Fixed assets under construction:

• Formation expenses related to buildings:	20% double declining
• Buildings:	5% double-declining
• Furniture:	20% straight-line

IV. Financial fixed assets

Financial fixed assets are valued at acquisition cost. The Board of Directors evaluates with sincerity, prudence and good faith whether impairment is permanent in nature and determines the corresponding write down.

V. Inventories and Work in progress

Inventories are valued at acquisition cost according to the weighted moving average pricing method. Obsolete or slow-moving inventories are written down if the book value exceeds the net realizable value. The results of work in progress for projects are recognized in accordance to the completed contract method. Losses on projects are recognized immediately. The production costs include the costs of raw materials and consumables; direct labour costs and other direct attributable production costs.

VI. Receivables

Receivables are recorded at their face value. They are written down in case their estimated realizable value at closing date is below their book value.

Receivables in foreign currencies are valued at the year-end exchange rates. Exchange gains or losses resulting from the conversion are included in the profit and loss statement.

VII. Cash and cash equivalents

Cash and cash equivalents are recorded at their face value.

2. LIABILITIES

I. Short-term and long-term debts

These debts are recorded at their face value.

Debts in foreign currencies are valued at the year-end exchange rates. Exchange gains or losses resulting from the conversion are included in the profit and loss statement.

II. Provisions for liabilities and charges.

At the end of the year, the Board of Directors determines with sincerity, prudence and good faith the provisions necessary to cover risks or potential losses arising from the current period or from the prior periods.

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