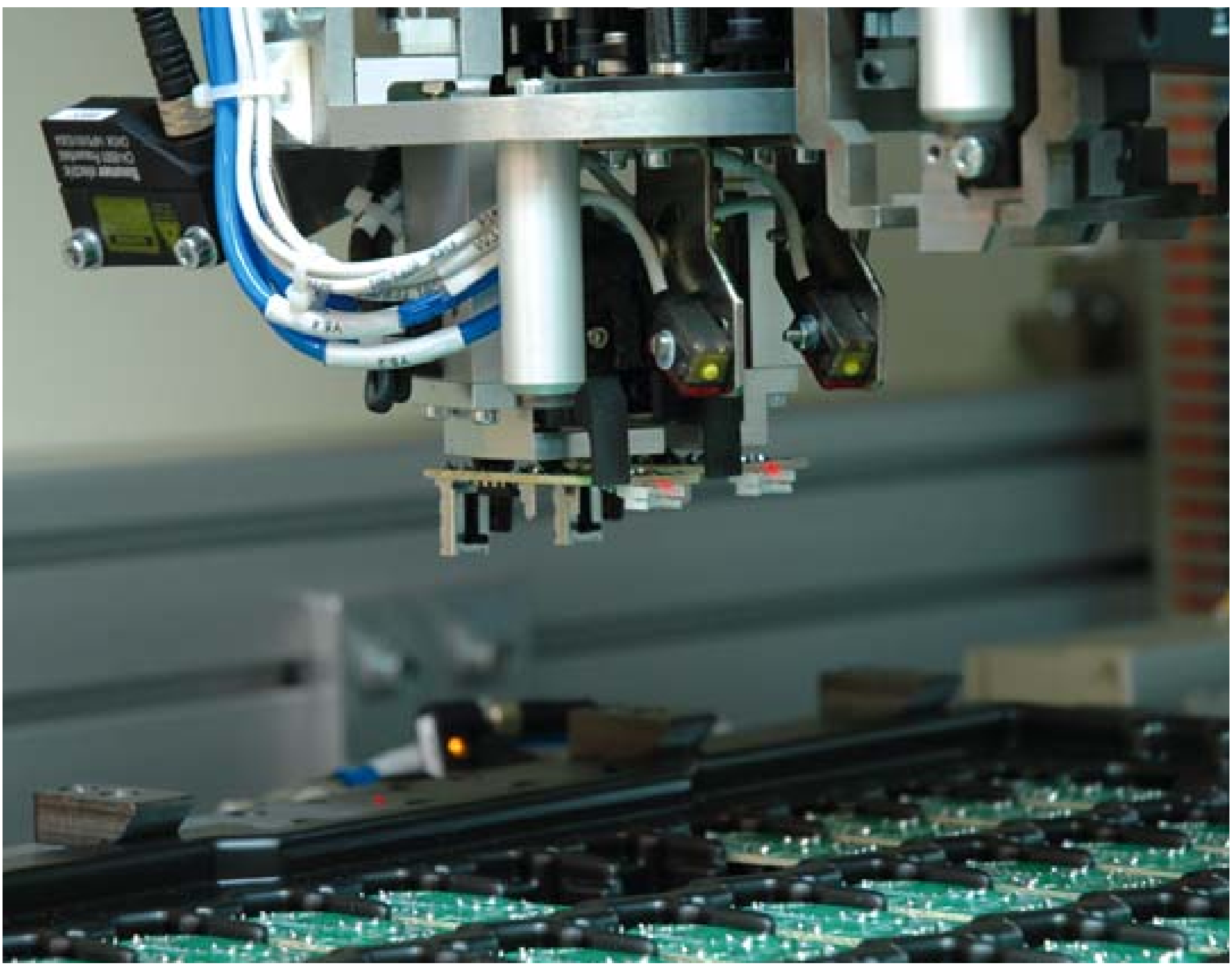
Annual Report
2005



Contents

Company profile - Strategy	p 1
Interview with Managing Director Huub Baren	p 2
IPTE – Experts in Factory Automation	p 4
ConnectSystems – Integrated Subcontractors	p 8
Organisation	p 11
Company structure	p 11
Report from the Board of Directors	p 12
Operating results	p 13
Balance sheet	p 14
Factory Automation	p 15
Contract Manufacturing	p 16
Personnel	p 17
Corporate Governance	p 18
Consolidated Financial Statements	p 22
Individual Financial Statements	p 72

Financial calendar

Result Q1	May 18, 2006
Result Q2	August 17, 2006
Result Q3	November 16, 2006
Annual results 2006	February 22, 2007
General shareholders meeting 2006	April 24, 2007

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Huub Baren, Managing Director IPTE nv
Hugo Ciroux, CFO IPTE nv

Key figures in € '000

IPTE Group
Annual Results at 31/12 2005, 31/12 2004 and 31/12 2003 (in € '000)

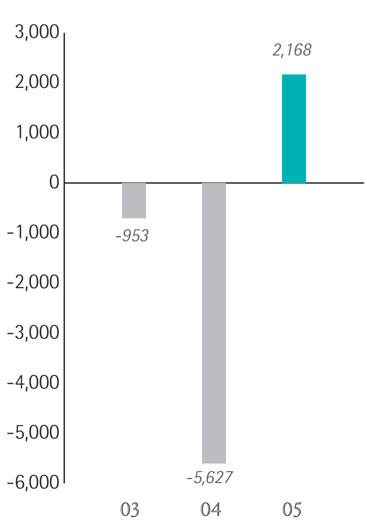
	2005 31/12/2005 € '000	%	2004 31/12/2004 € '000	%	2003 31/12/2003 € '000	%
Sales	126,662	100.0	128,587	100.0	110,251	100
Cost of sales	-97,886	-77.3	-103,797	-80.7	-85,083	-77.1
Gross margin	28,776	22.7	24,790	19.3	25,168	22.9
Research and development costs	-5,802	-4.6	-5,680	-4.4	-6,472	-5.8
General and administrative costs	-8,757	-6.9	-8,212	-6.4	-6,415	-5.8
Sales costs	-10,010	-7.9	-11,915	-9.3	-9,693	-8.7
Amortisation of goodwill**	0	0.0	-765	-0.6	-1,545	-1.4
Other operating income/expenses (net)	-10	0.0	-28	0.0	10	0.0
Operating profit/loss	4,197	3.3	-1,810	-1.4	1,053	1.0
Financial charges	-2,041	-1.6	-1,842	-1.4	-1,905	-1.7
Sale of subsidiary	0	0.0	-1,969	-1.5	0	0
Profit/loss before taxes	2,156	1.7	-5,621	-4.4	-852	-0.8
Taxes	12	0.0	-6	0.0	-101	-0.1
Profit/loss after taxes	2,168	1.7	-5,627	-4.4	-953	-0.9
Attributable to:		0.0				
Group	2,046	1.6	-5,600	-4.4	-701	-0.6
Minorities	122	0.1	-27	0.0	-252	-0.2
Number of shares 5,476,092						
Number of warrants 1,641,182						
Profit per share in EUR	0.37		-1.02		-0.13	
Diluted profit per share in EUR	0.37		-1.02		-0.13	

(**) 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 to be applied to previously recognised goodwill (IFRS 3.79).

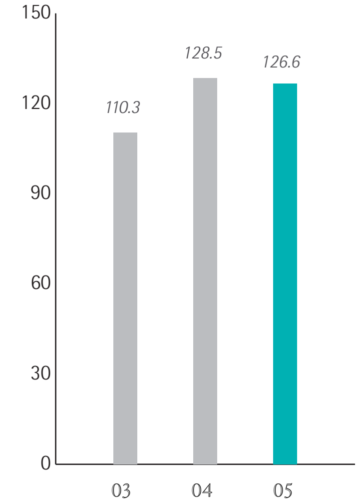
IPTE Group – Balance sheet

	31/12/2005 € '000	31/12/2004 € '000	31/12/2003 € '000
Intangible fixed assets	253	410	555
Positive consolidation differences (goodwill)	5,942	5,134	6,572
Tangible fixed assets	12,000	10,656	11,192
Deferred taxes (DR)	901	915	1,088
Amounts receivable after more than one year	1,502	1,437	1,434
Inventories and contracts in progress	23,988	22,814	20,616
Trade receivables	26,267	32,260	35,281
Other receivables	2,539	2,773	3,010
Cash, bank deposits and current investments	3,695	2,852	15,069
Other current assets	390	319	203
Total assets	**77,477**	**79,570**	**95,020**
Shareholders' equity	22,894	19,609	24,692
Subordinated loan	7,000	7,000	3,500
Provisions	2,342	4,150	4,593
Deferred taxes (CR)	901	915	1,222
Long-term financial debt	2,750	2,728	3,188
Short-term financial debt	18,147	18,056	29,030
Other short-term debt	692	620	1,167
Trade debts	14,852	17,896	18,981
Other liabilities and provisions	5,866	6,789	6,210
Other amounts payable	2,033	1,807	2,437
Total liabilities	**77,477**	**79,570**	**95,020**

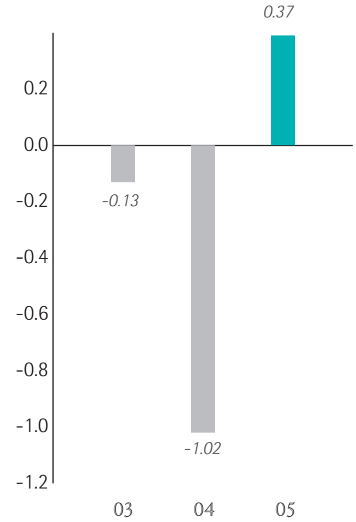
Net result (in € '000)



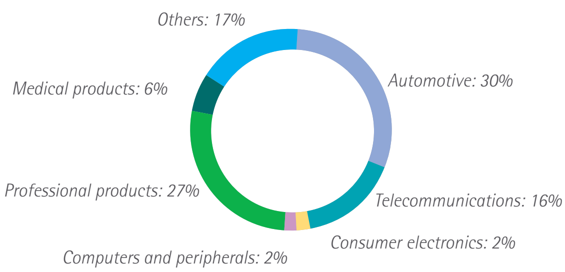
Sales (in € million)



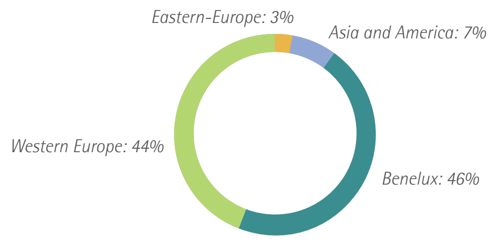
Net result per share (in €)



Sales by markets (2005)



Sales by region (2005)



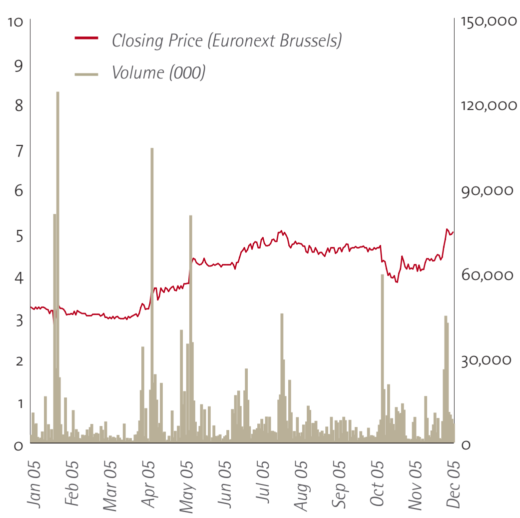
Stock market quotation (at 30/12/2005)

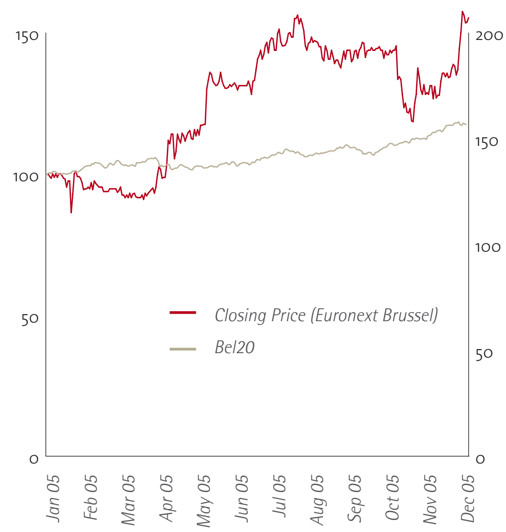
Shares	Highest price	5.15 EUR
	Lowest price	2.50 EUR
	Average price (accounting average)	3.95 EUR
	Price at 30/12/2005	4.34 EUR
Number of shares		5,476,092
Number of warrants		1,641,182
Average volume traded		7,656
Stock market capitalisation (at 30/12/2005)		23,766,239

Key figures per share (at 30/12/2005) in €

	2005	2004	2003
Equity	4.18	3.50	4.42
Operating profit/loss (EBIT)	0.77	-0.33	0.19
Cash flow from operations*	1.01	0.33	1.11
Earnings per share – basis (EPS)	0.37	-1.02	-0.17
Price / Earnings	11.13	n/a	n/a
Price / Sales	0.19	0.13	0.16

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





IPTE nv
Company profile

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 ConnectSystems division delivers, as a contract manufacturer, 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 product range. 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 strategy is tailored to the changing economic environment”

Interview with Managing Director Huub Baren

IPTE reported distinctly better results in 2005. Do these positive figures square with the prevailing economic climate?

Looking from the vantage point of the end user or consumer, recent figures show that economic growth differs from one region to another. In Western Europe the economy has recovered slightly since 2003 with a growth of 2% a year. In 2005, however, growth remained below the hoped-for 2%, telling us that Europe is growing less rapidly than expected. Against this the United States of America grew by 4% a year in recent years, and is again looking for 4% in 2006. The difference between the two lies in the greater emphasis placed in Europe on social development than on industrial growth.

In the Far East we see growth of 10% in 2005, with China again expecting growth of 9 to 10% in 2006. In India economic growth is speeding up significantly and should reach 8 to 10% in 2006. These are two examples of industries that give priority to industrial growth. The result is that GNP in these regions is constantly growing, with structural consequences for Europe. Worldwide the economy is growing therefore at two speeds.

More specifically in our own sector in Europe we are seeing the confirmation of a number of trends. One is the transfer of various manufacturing facilities from Western to Eastern Europe. Not only OEMs (original equipment manufacturers) but also more and more subcontractors are relocating their production eastwards. Production for consumer goods and mobile phones is already concentrated in China.

But the Western European automotive industry has clearly opted to stay here, given the great importance these companies attach to their image of Western European manufacturers. A second point is the quality aspect. The well-known quality of Japanese and Korean manufacturers represents a threat which will force Western European manufacturers to make the necessary investments to match this quality. For IPTE this can be an advantage: quality improvement means automation.

A changing, more competitive world economy. Does this apply also to the electronics industry?

In Western and Northern Europe we are experiencing a weaker but no less competitive situation.

Growth, in particular in the automotive industry, is located primarily in Spain-Portugal and in Eastern Europe. Our Automation division has taken good advantage of this trend by setting up a production facility in Portugal and building up a sales organization in Eastern Europe. Even so, Germany remains the driving force for IPTE.

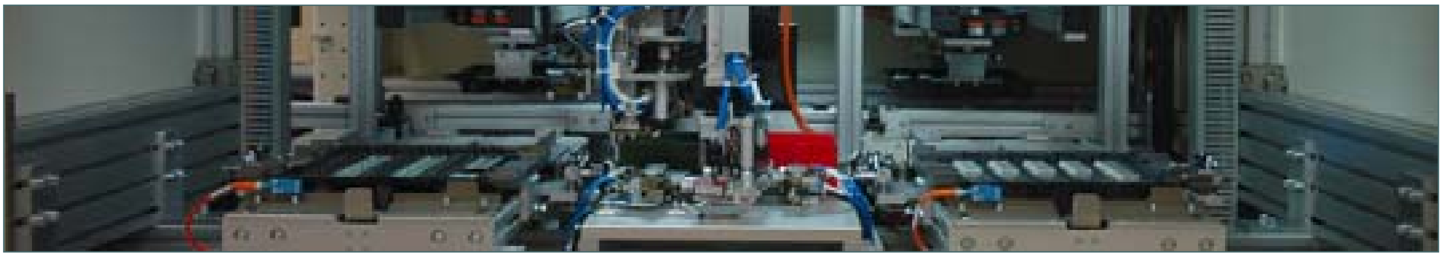
Companies, large or small, that opt to stay in Western Europe, will have to invest in quality and efficiency to be able to compete with the global players. As I indicated earlier, quality is the key word here, and certainly within the automotive industry.

In addition few, if any new plants are being built. The focus is now clearly on improving existing plants and production lines. We are seeing the same trend with contract manufacturers which are optimizing their existing lines in order to better adapt to the changing market situation.

Is the strategic adaptation you made at the end of 2004 in line with this trend?

One year later we can indeed say that we are on the right track with our strategy change.

Our product policy is now concentrated on three sub-areas. The first area is test and test automation, from test handling and application to software. A major advantage here is the fact of operating locally and being able to offer an on-site service to our customers. IPTE is locally present in France, Belgium, Germany, Portugal and Eastern Europe.



Our second major area is our standard products. In 2005 we launched a brand-new range of PCB transport systems, and we extended our expertise in various specialty areas with new standard systems. Today we have total product ranges within our laser marking, odd-form placement and depaneling specialties. With better machines, a streamlined sales organization and targeted pricing policy, we are ready to turn the standardization trend to our advantage.

For automation projects, finally, we are limiting ourselves to accepting projects based on existing know-how. In concrete terms this means that we now accept only projects with a minimum 70% standard parts content, as against 50% earlier.

ConnectSystems is IPTE's growth area. Will this remain so?

ConnectSystems is on course. If we look closely at the market in which the division operates, the growth of contract manufacturing in Western Europe was less explicit in 2005 and I believe will be less explicit in the coming years. This trend is explained by increasing market saturation. On the one hand we have the continuing relocation of OEMs to Eastern Europe and Asia. On the other hand we see the trend of OEMs concentrating increasingly on their core businesses and outsourcing their production to subcontractors, is coming to a halt.

How will ConnectSystems handle this evolving situation?

We already anticipated this a few years ago when we started our production facilities in Eastern Europe. In 2005 our employee count grew to 1,100, with more than half in Eastern Europe. For 2006 we certainly see further growth.

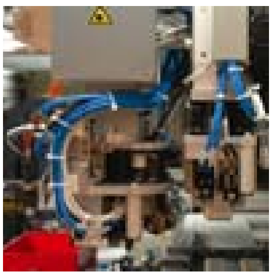
At the same time the division is clearly evolving in terms of market share and market situation. Starting from Belgium, where we have a strong market position, our market share is growing in the Netherlands, where we were able to add certain major customers to our customer portfolio in 2005. In Germany, after a more difficult start than expected, our market share increased significantly in the second half of the year. Consequently the German sales organization is now being extended.

Even so, the division grew less in 2005 than in earlier years.

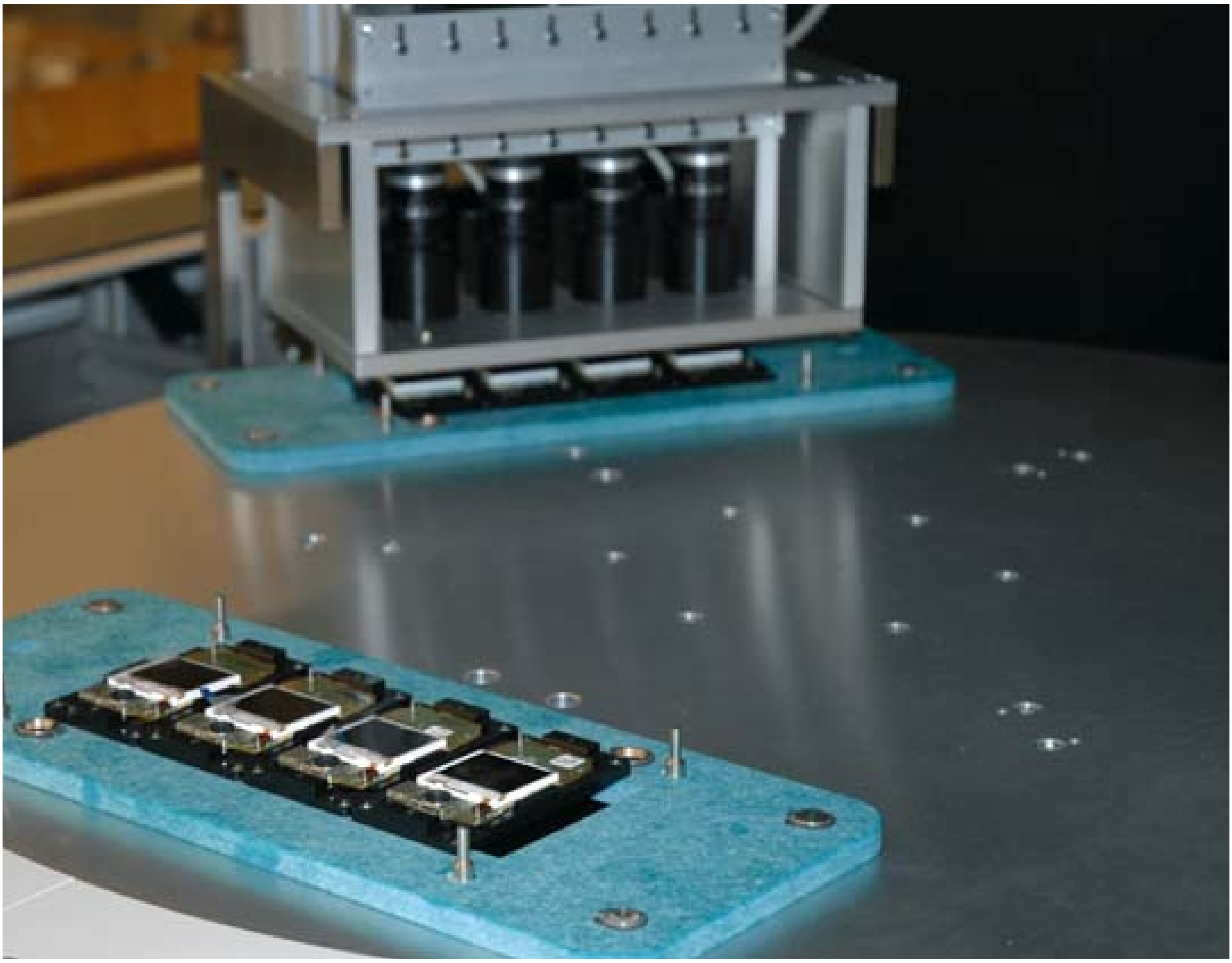
That's true. The fact that ConnectSystems' growth is less strong than in previous years can be ascribed mainly to that fact that a number of customers asked us in the last quarter of 2005 to postpone deliveries to the new year. Our orderbook has grown by 13%. Our ambition for 2006/2007 is to maintain, and if possible improve, our profit margin within our contract manufacturing division.

Thus both the factory automation division and contract manufacturing division are looking to the future with confidence.

Very much so. The restructuring in the factory automation division has instilled a new dynamism, and ConnectSystems remains no less ambitious in every area.



IPTE – Experts in Factory Automation



Vladimir Dobosch, CCO Factory Automation

"Following the restructuring and the strategy adjustment at the end of 2004, the Factory Automation division shifted its focus in 2005 from revenue to profitability and to concentrating on offering standard solutions for our clients.
We used and further developed our extensive experience of production technologies to offer a wide range of standard products. In depaneling, odd-form placement and laser marking IPTE now offers a product range that meets our customers' needs from manual through to fully automated solutions. In 2005 the division launched a totally new portfolio of transportation modules. Our 'Easy Line' program offers 14 modules for efficient PCB transporting in electronic production lines.

The entire product range has been designed to the highest standards of quality and reliability, whilst striving for maximum standardization of parts, design, software and operation.

Our 2005 results show that this strategy change was indeed the right step.

A significant event in 2005 was the transfer of our Germany production facility to new premises north of Nürnberg. By opting for a new state-of-the-art facility in Germany we are sending a clear signal to our European clients. IPTE Factory Automation is keeping its knowledge centre in Western Europe."

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.

Today we provide solutions for every single process in the production and testing of PCBs 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.

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Test and test automation

IPTE is a global test engineering partner. Test capabilities are made even more profitable by optimizing manual testing or integrating existing manual test equipment into fully automated processes. IPTE masters all capabilities in test and test automation, offering manual, semi-automated and automated test solutions. In addition, IPTE designs in-house software packages to improve the implementation of automation functions.

IPTE provides turnkey solutions, including fixtures and application programming. This service is available at test-on-board level (both ICT and functional), or for final testing of the assembled product.

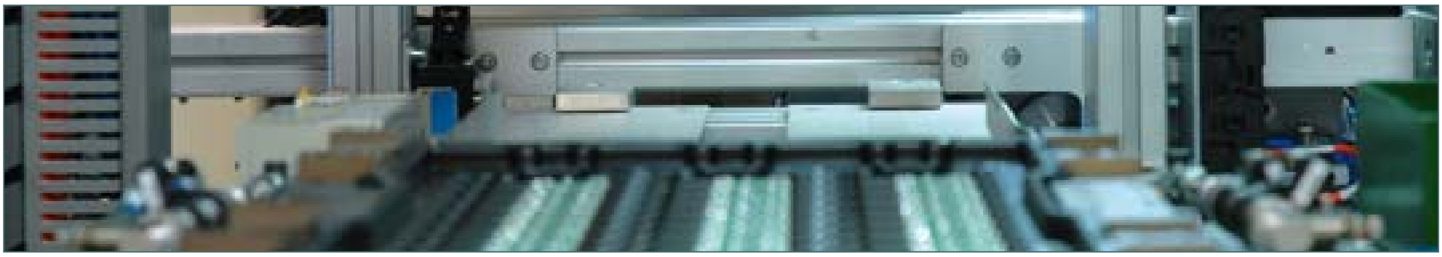
Board assembly and final assembly

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

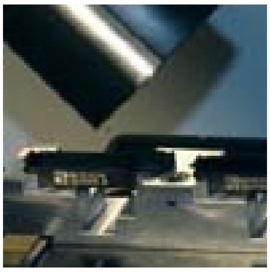
High-technology multiproduct shaped printed circuit boards require a precise, stress-free separation process to prevent damage to the PCBs and components. Shop floor practice requires all normally sized PCBs, substrates or board assemblies to be singulated from a large multi-product panel. IPTE has provided a full range of cutting equipment, based on its SpeedRouter depaneler, since 1998. With its FlexRouter launched in 2005, IPTE now offers a full range of in-line solutions. IPTE's TopRouter off-line depaneler completes the product range in this nichee



PCB assembly cells

IPTE supplies flexible and modular assembly cells for electronics production. The modulable 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.

Laser marking



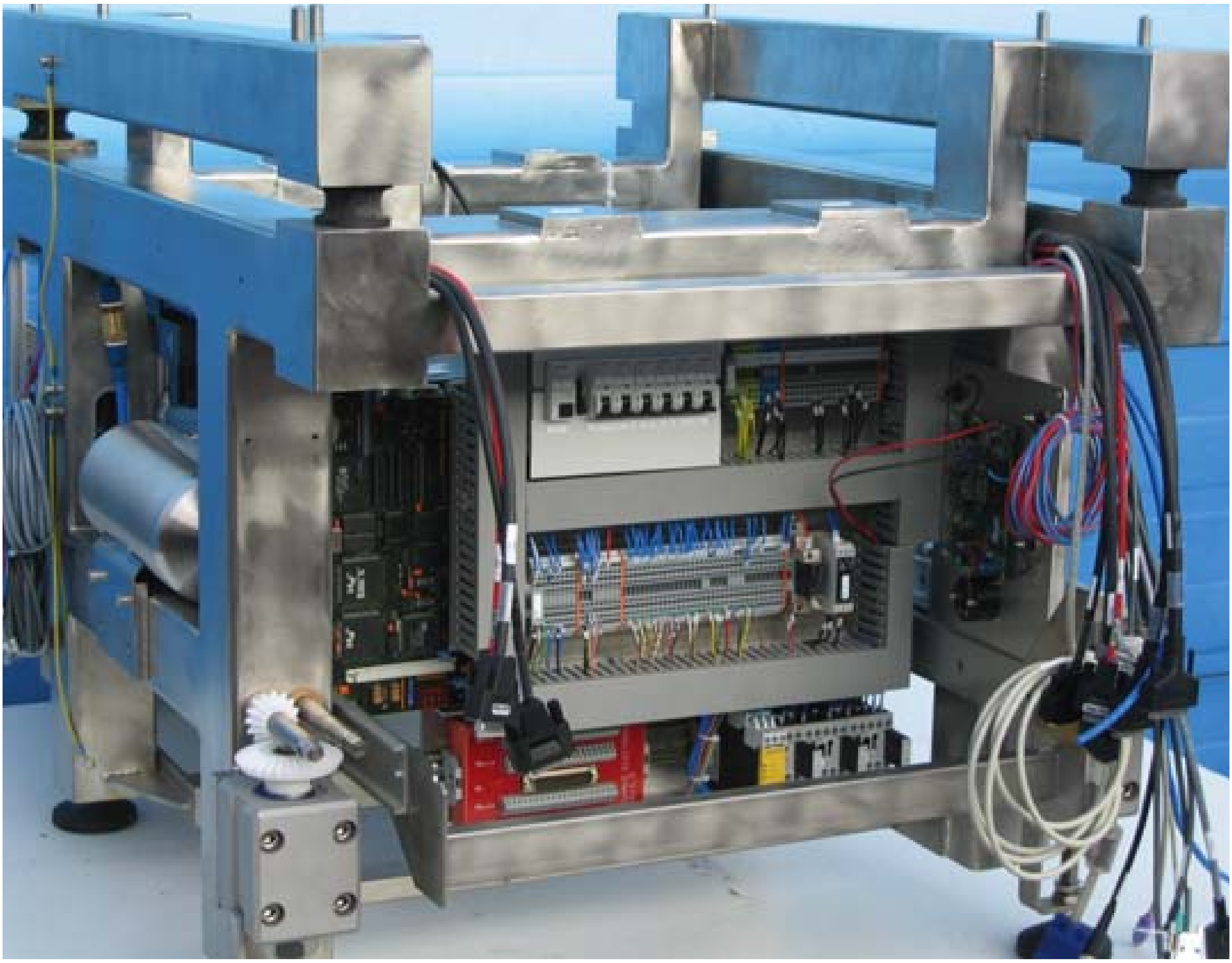
IIPTE provides a series of standard laser cells for direct marking on board assemblies, electronic modules or products. The integrated laser unit can automatically write text, serial numbers, conventional codes and data matrix codes on a wide variety of surfaces. The marking is then immediately verified to ensure the validity of the data.

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 round-table 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 test handlers 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.

ConnectSystems
Integrated Subcontractors



Luc Switten, CEO ConnectSystems

"Last year was an investment year for ConnectSystems on several fronts:
in production capacity, new technologies, well-trained employees and in cooperation with our customers.

Our first major investment in 2005 was to extend our production capacity in Romania by moving into a second building, which gives us the space to grow further. We have introduced new technologies and given our workers additional training. In spring 2005 we organized a factory visit to introduce our Romanian production facility to our Western European customers.

We also invested at home. ConnectSystems has brought its production apparatus into line with the new European environmental standards which come into effect on 1 July 2006. The Restriction on the Use of Hazardous Substances (RoHS) Directive 2002/95/EC of 27 January 2003 requires that the use of lead and other substances be avoided in electronics production as from 1 July 2006. In 2005 ConnectSystems invested in adapting its machinery and in adjusting its production and logistics processes.

We also checked the impact of the new legislation on other components and processes, examining all products and processes in consultation with our customers and suppliers and making any necessary adjustments."

In spring we began our Flex-Ops ('flexible operation') activity, where we develop the electronics and cabling for a product jointly with the customer, at its premises. Offering this co-development activity enables us to present the best possible and most cost-saving solutions based on our experience and know-how. In so doing we are following the continuing market trend whereby our customers outsource more and more activities to concentrate on producing and marketing their core products.

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.

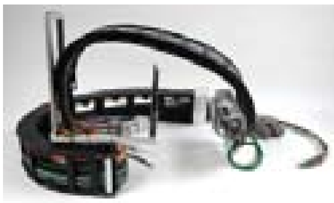
ConnectSystems with factories in Belgium, the Netherlands, Slovakia and Romania concentrates on cables, harnesses and racks.

The other factories in Belgium, Germany and Romania, operating as 'Connectronics', specialize in prototyping, PCB assembly and testing, and assembly and 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.

ConnectSystems
Integrated Subcontractors

Cable assembly



Cabling services using copper, coaxial and fiber-optic technologies offer a complete answer to the interconnection needs of OEMs 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 wire-wrap, 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 process 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.

Organization

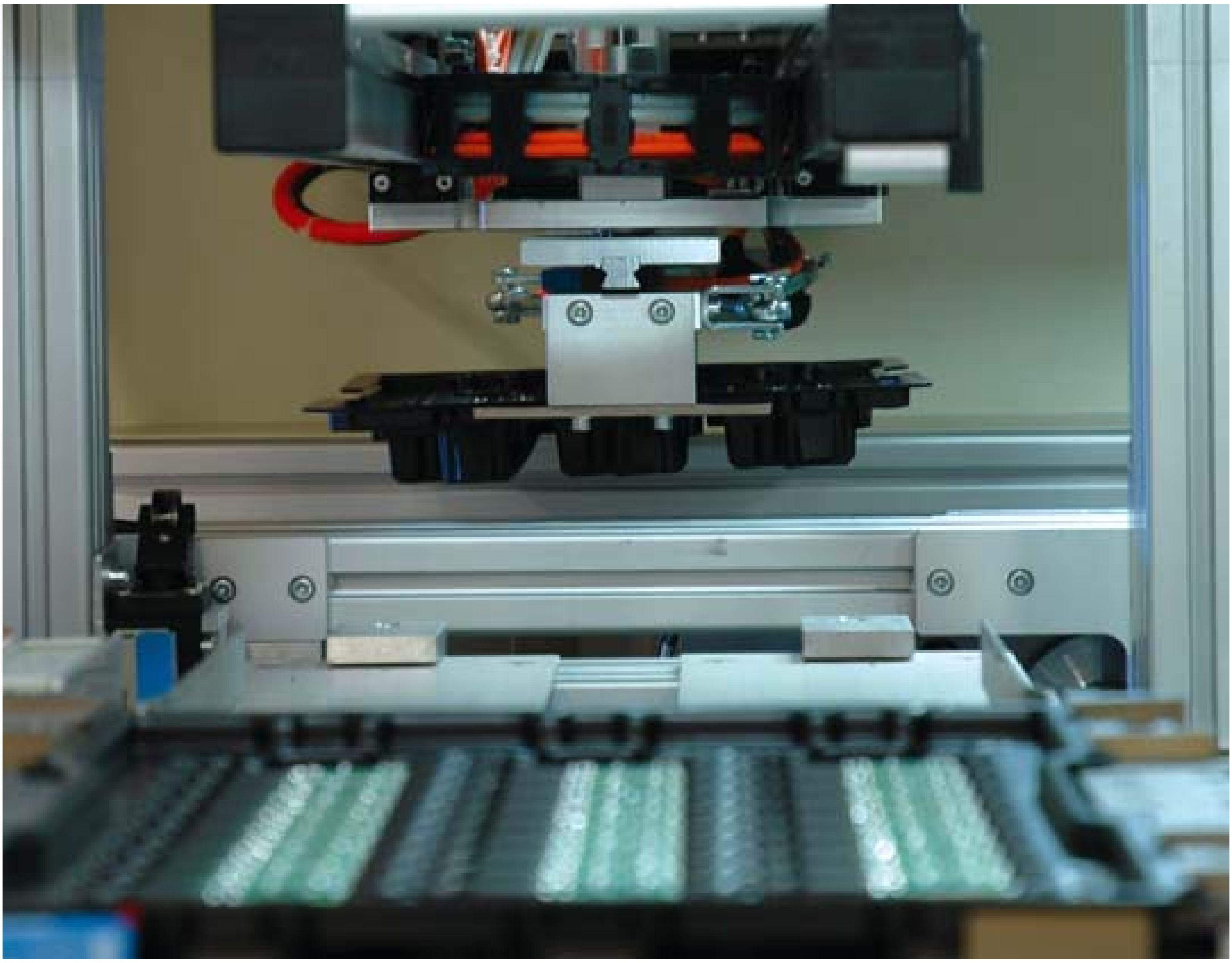
Company structure

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 34.

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
	ConnectSystems Romania S.R.L.	Romania
	Connectronics Romania S.R.L.	Romania
	ConnectSystems Slovakia spol. s.r.o	Slovakia

Report
from the Board of Directors



Operating results

Group sales on an annual basis fell from € 128.5 million in 2004 to € 126.6 million in 2005 (-1.4%). Group sales in 2004 included € 1.9 million of revenue from Autoveyor, which was sold on 1 March 2004 and € 6.4 million of revenue from Connectronics GmbH, acquired in June of the same year. Connectronics GmbH's sales revenue for the whole of 2005 was € 10.8 million.

On a comparable basis, excluding divestments and acquisitions made in 2004 and 2005, group sales fell by 3.2% from € 118.9 million to € 115 million. The reduction is ascribable entirely to the Factory Automation division, where sales reduced from € 52.7 million to 48 million. Sales in the Contract Manufacturing division remained stable at € 67.5 million compared with € 67.7 million in 2005.

The lower sales in the Factory Automation division reflect the decisions taken by the Board of Directors in the fourth quarter of 2004 to restructure the business unit, pare back the general cost structure and focus on profitability instead of market share. This decision has meant turning down projects where the technical risk was too high, or where profitability was uncertain and certain criteria were not met.

The restructuring begun in the fourth quarter of 2004 is now complete. Headcount in the Factory Automation division was further reduced from 394 at the end of 2004 to 359 at end-2005. The net impact of the restructuring on the 2005 operating result was € + 0.1 million, with severance indemnities costing € 0.6 million less than the provision set up at the end of 2004, but with a € 0.5 million charge for the closing of ARF in France.

In 2005 the Factory Automation division recorded an additional € 0.6 million loss from additional development costs on a high risk project accepted in 2004. This project is now completed and accepted by the customer.

The Contract Manufacturing division was able to reverse a provision of € 0.4 million set up in 2000 following a dispute with the authorities, which has since been concluded without costs for the company.

Operating result improved from a € 1.8 million loss in 2004 to a € 4.2 million profit in 2005. The net profit for 2005 was € 2.1 million compared with a loss of € 5.6 million in 2004.

The IPTE group's annual sales of € 126.6 million break down into: automotive 30%, telecommunications 16%, consumer electronics 2%, computers 2%, industrial products 27%, medical products 6% and other 17%.

Geographically, IPTE's annual sales break down into: Benelux 46% rest of Europe 47% and America / Asia 7%.

The order book at the end of the reporting period stood at € 43.2 million (2004: € 36.8 million). € 12.9 million of this relates to Factory Automation (€ 14.3 million at end 2004). The Connect Systems order book amounted to € 30.3 million (end 2004: € 22.5 million).

Mr Schadnusch Nejad, who was appointed CEO of the Factory Automation division in August 2004, left the company in September 2005. His responsibilities were taken over by IPTE group managing director Mr Huub Baren.

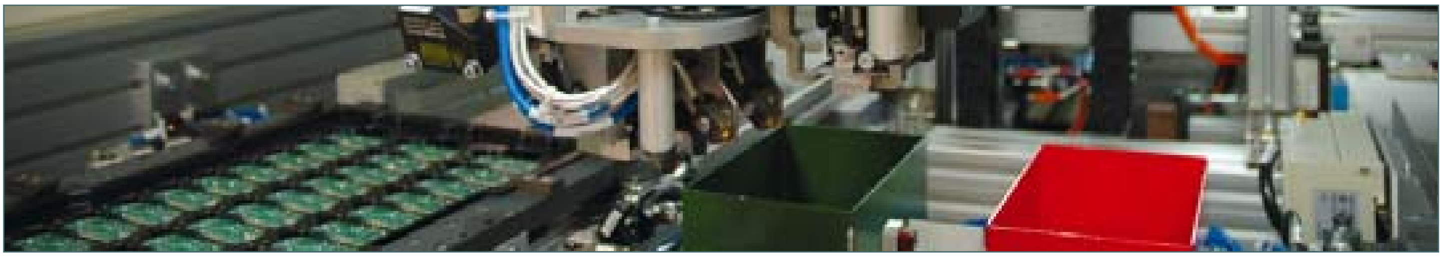
Report
from the Board of Directors

Balance sheet

'Positive consolidation differences' rose by € 0.8 million with the application of IFRS 3.81, leading to a € 0.8 million negative consolidation difference being included in shareholders' equity. Investments of € 3.7 million were undertaken in 2005, primarily at ConnectSystems in Romania (capacity extension) and at Connectronics NV (adapting the entire production apparatus to lead-free assembly in compliance with the new European directive 2002/95/EC of 27 January 2003 on the Restriction of the Use of certain Hazardous Substances). Provisions fell from € 4.1 million to 2.3 million, owing mainly to the completion of the restructuring which was initiated at the end of 2004 in the Factory Automation division and completed in 2005. Net financial debt (long and short-term financial debt less cash, bank deposits and current investments) remained virtually unchanged (€ 17.9 million in 2005 and in 2004). Group shareholders' equity improved from € 19.6 million in 2004 (24.6% of the balance sheet total) to € 22.9 million (29.5% of the balance sheet total).

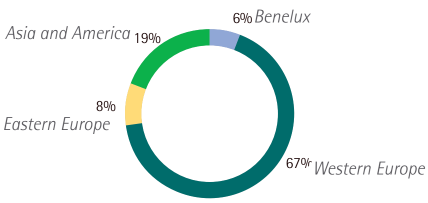
Balance sheet at 31 December (€ '000)

	2005	2004	2003
Intangible fixed assets	253	410	**555**
Positive consolidation differences (goodwill)	5,942	5,134	6,572
Tangible fixed assets	12,000	10,656	11,192
Deferred taxes (DR)	901	915	1,088
Amounts receivable after more than one year	1,502	1,437	1,434
Inventories and contracts in progress	23,988	22,814	20,616
Trade receivables	26,267	32,260	35,281
Other receivables	2,539	2,773	3,010
Cash, bank deposits and current investments	3,695	2,852	15,069
Other current assets	390	319	203
Total assets	**77,477**	**79,570**	**95,020**
Shareholders' equity	22,894	19,609	24,692
Subordinated loan	7,000	7,000	3,500
Provisions	2,342	4,150	4,593
Deferred taxes (CR)	901	915	1,222
Long-term financial debt	2,750	2,728	3,188
Short-term financial debt	18,147	18,056	29,030
Short-term liabilities	692	620	1,167
Trade debts	14,852	17,896	18,981
Other liabilities and provisions	5,866	6,789	6,210
Other amounts payable	2,033	1,807	2,437
Total liabilities	**77,477**	**79,570**	**95,020**

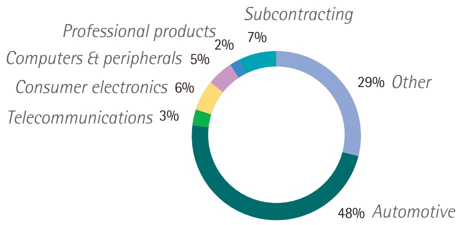


IPTE Factory Automation

Factory Automation by region



Factory Automation by market segment



Sales in the Factory Automation division fell from € 54.6 million to € 48.1 million (-12%). € 1.9 million of this fall is due to the divestment of the activities of Autoveyor in April 2005 and the decision taken by the Board of Directors in the fourth quarter of 2004 to restructure the automation activity in the light of below-forecast demand for automation projects. The Factory Automation division's strategy in 2005 was adapted to the changed market situation, with the division concentrating on its existing fields of expertise with a view to increasing profitability rather than sales. The division decided it would no longer accept projects that lie so far outside the applications of its existing expertise as to represent a potential technical risk. Projects which would have had to be accepted at such low margins that they would only contribute marginally to profitability were examined very critically before accepting them. The success of this strategy is shown by the fact that the operating result has turned positive again (€ +0.4 million in 2005 against a € 4.6 million loss in 2004.)

The restructuring initiated in the fourth quarter of 2004 is now complete.
Headcount in the Factory Automation division was further reduced from 394 at the end of 2004 to 359 at end-2005. The net impact of the restructuring on the 2005 operating result was € +0.1 million, with severance indemnities costing € 0.6 million less than the provision set up at the end of 2004, but with a € 0.5 million charge for the closing of ARF in France.
In 2005 the Factory Automation division recorded an additional € 0.6 million loss from additional development costs on a high risk project accepted in 2004. This project is now completed and accepted by the customer.

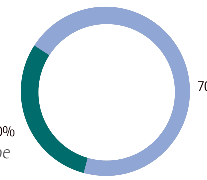
Factory Automation customers come primarily from the automotive (48%), consumer electronics (35%) and subcontracting (7%) market segments.

Factory Automation's order book at the end of 2005 was € 12.9 million (end 2004: € 14.3 million).

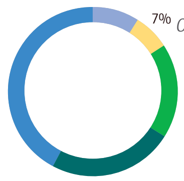
Report
from the Board of Directors

ConnectSystems

ConnectSystems by region



ConnectSystems by market



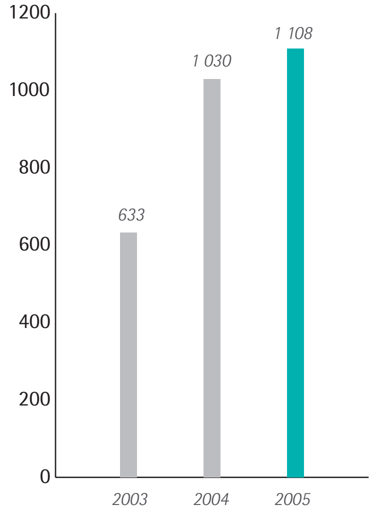
Sales by the Contract Manufacturing division rose by 6% from € 74.2 million to € 78.8 million. This growth reflects the acquisition of Connectronics GmbH in 2004. During the fourth quarter 2005 the division faced postponed deliveries to customers. For various reasons a number of major customers asked to postpone deliveries to the new year. Management is convinced that this represents only a temporary halt in sales growth. This is borne out by the order book which at the end of 2005 stood at over € 30 million compared with € 22.5 million at end-2004 (+ 33%).
The operating profit remained stable compared with 2004 (4.9% of sales).
ConnectSystem's customers come mainly from the industrial products (42%) and telecommunications (24%) sectors and the automotive industry (18%).

Personnel

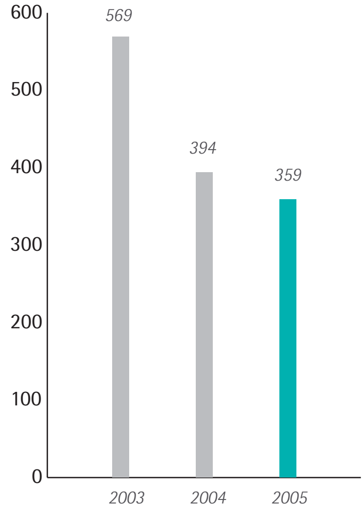
Overview by country (as of 31 December 2005)

	Factory Automation	Contract Manufacturing	Total
Belgium	105	340	445
Netherlands	0	105	105
Germany	98	96	194
France	109	0	109
United Kingdom	2	0	2
Portugal	11	0	11
Romania	0	419	419
Slovakia	0	148	148
Singapore	4	0	4
China	25	0	25
USA	5	0	5
Total	**359**	**1,108**	**1,467**

Contract Manufacturing



Factory Automation



Corporate Governance

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 NV (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) (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 2005 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 B.V.B.A., represented by Mr Huub Baren** (appointed on 25 April 2005 for a six-year term). Managing Director. Dominant shareholder holding 35% of the shares.
- **Vladimir Dobosch B.V.B.A., represented by Mr Vladimir Dobosch** (appointed on 16 April 2004 for a six-year term). Dominant shareholder.
- **Luc Switten B.V.B.A., represented by Mr Luc Switten** (appointed on 16 April 2004 for a six-year term). Dominant shareholder.
- **Stokklinx B.V.B.A., represented by Mr Guy van Dievoet** (appointed on 25 April 2005 for a six-year term). Independent Director, dominant shareholder.
- **Mr Dominique Moorken**s (appointed on 21 April 2000 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 B.V.B.A., 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 2005 the Board of Directors met on 17/01, 14/02, 14/03, 21/03, 26/04, 19/05, 20/06, 16/08, 09/11. 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

Auditcomitee

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 twice in 2005.
In 2006 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 financial and administrative director, and the CEO 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 € 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 2005 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 p 23

2. Individual Financial Statements p 72

1. Consolidated Financial Statements

1.1. Independent Auditor's Report

To the Shareholders of IPTE NV

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.

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 31 December 2005, 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 € 77,477 (000) and a consolidated profit of € 2,046 (000) for the year then ended. We have also performed those specific additional audit procedures required by the Companies Code.

The Board of Directors of the company is responsible for the preparation of the consolidated financial statements and the directors' report on the consolidated financial statements, for the assessment of the information that should be included in the directors' report on the consolidated financial statements, and for the company's compliance with the requirements of the Companies Code and the articles of association.

Our audit of the consolidated financial statements was conducted in accordance with legal requirements and auditing standards applicable in Belgium, as issued by the "Institut des Reviseurs d'Entreprises/ Instituut der Bedrijfsrevisoren".

The financial statements of several significant entities included in the scope of consolidation which represent total assets of € 28,702 (000) and a total turnover of € 41,061 (000) 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 solely upon the reports of those other auditors.

Unqualified audit opinion on the consolidated financial statements

The forementioned auditing standards require that we plan and perform our audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

In accordance with these standards, we considered the group's administrative and accounting organization as well as its internal control processes. We have obtained the explanations and information required for our audit. We have examined, on a test basis, the evidence supporting the amounts in the consolidated financial statements. We have assessed the basis of the accounting methods used, the consolidation policies and significant estimates made by management as well as evaluating the presentation of the

consolidated financial statements taken as a whole. We believe that our audit, together with the reports of other auditors on which we have relied, provides a reasonable basis for our opinion.
In our opinion, and based, to the extent necessary upon the reports of other auditors, the consolidated financial statements give a true and fair view of the group's financial position as of 31 December 2005, 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 attestations

We supplement our report with the following attestations which do not modify 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 principle 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.

The Statutory Auditor,

DELOITTE BEDRIJFSREVISOREN
Represented by

Guy Wygaerts **Dominique Roux**

March 28, 2006

1.2. Detailed Consolidated Financial Statements (in €)

Consolidated Balance Sheets as of December 31

IPTE NV	2005	2004	2003
Assets			
Current assets:			
Cash and cash equivalents (notes 1.3.7.a)	3,694,792	2,851,667	15,069,367
Trade receivables (notes 1.3.7.b)	26,266,649	32,259,909	35,281,144
Other receivables	2,538,922	2,772,983	3,010,327
Inventories (notes 1.3.7.c)	23,987,772	22,814,304	20,616,399
Other current assets	390,068	318,695	202,462
Total current assets	**56,878,203**	**61,017,558**	**74,179,699**
Non-current assets:			
Other receivables	1,502,044	1,436,592	1,433,518
Deferred tax assets (notes 1.3.7.l)	901,553	915,000	1,088,000
Property, plant and equipment (notes 1.3.7.d)	11,999,604	10,656,304	11,192,051
Intangible assets (notes 1.3.7.e)	253,554	410,531	555,527
Goodwill/negative goodwill (notes 1.3.7.f)	5,942,561	5,134,453	6,571,807
Total non-current assets	**20,599,316**	**18,552,880**	**20,840,903**
Total assets	**77,477,519**	**79,570,438**	**95,020,602**
Liabilities and equity			
Current liabilities:			
Bank loans and overdrafts (notes 1.3.7.h)	18,147,209	18,056,117	29,029,917
Current portion of long-term debt (notes 1.3.7.i)	691,787	619,900	1,167,105
Trade payables	14,852,232	17,895,880	18,981,220
Accrued expenses, payroll and related taxes and deferred income (notes 1.3.7.g)	5,865,737	6,789,120	6,209,981
Provisions (notes 1.3.7.j)	2,341,780	4,150,389	4,593,380
Other current liabilities	2,032,942	1,807,564	2,436,927
Total current liabilities	**43,931,687**	**49,318,970**	**62,418,530**
Non-current liabilities:			
Long-term debt less current portion (notes 1.3.7.i)	9,749,930	9,728,101	6,687,777
Deferred tax liability (notes 1.3.7.l)	901,553	915,000	1,222,439
Total non-current liabilities	**10,651,483**	**10,643,101**	**7,910,216**
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	(10,626,062)	(5,834,027)	(5,133,282)
Current year's profit/(loss)	2,046,008	(5,600,143)	(700,745)
Cumulative translation adjustment	261,274	(48,340)	(592,721)
Equity attributable to equity holders of the parent	**22,359,271**	**19,195,541**	**24,251,303**
Minority interests	535,078	412,826	440,553
Total equity	**22,894,349**	**19,608,367**	**24,691,856**
Total liabilities and equity	**77,477,519**	**79,570,438**	**95,020,602**

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 €)

IPTE NV	2005	2004	2003
Sales (notes 1.3.7.m)	126,662,471	128,587,563	110,251,352
Cost of sales (notes 1.3.7.n)	(97,885,671)	(103,796,659)	(85,083,226)
Gross Profit	28,776,800	24,790,904	25,168,126
Research and development expenses (notes 1.3.7.o)	(5,801,681)	(5,680,004)	(6,471,980)
General and administrative expenses (notes 1.3.7.p)	(8,756,865)	(8,212,018)	(6,414,795)
Selling expenses (notes 1.3.7.q)	(10,010,522)	(11,915,456)	(9,693,411)
Amortization of goodwill/negative goodwill (notes 1.3.7.f)	-	(765,409)	(1,544,486)
Other income (expense) net	(10,982)	(28,117)	9,513
Profit/(loss) from operations	4,196,750	(1,810,100)	1,052,967
Financial income (notes 1.3.7.t)	437,638	751,419	693,739
Financial charges (notes 1.3.7.t)	(2,478,271)	(2,593,377)	(2,598,737)
Loss on disposal of discontinuing operations (notes 1.3.7.x)	-	(1,969,373)	-
Profit/(loss) before taxes	2,156,117	(5,621,431)	(852,032)
Income taxes (notes 1.3.7.u)	12,143	(6,439)	(101,063)
Profit/(loss) for the years	2,168,260	(5,627,870)	(953,095)
Attributable to:			
Equity holders of the parent	2,046,008	(5,600,143)	(700,745)
Minority interest (notes 1.3.7.k)	122,252	(27,727)	(252,350)
Earnings per share			
Basic earnings per share (notes 1.3.7.v)	0.37	(1,02)	(0.13)
Diluted earnings per share (*) (notes 1.3.7.v)	0.37	(1,02)	(0.93)

(*) Taking into account the number of additional ordinary shares, which would have been outstanding assuming the conversion of all warrants into ordinary shares.

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 outstanding	Capital	Legal reserve	Share premium	Profit/loss carried forward	Cumulative translation adjustment	Attributable to equity holders of the parent	Minority interests	Total
31/12/02		**5,476,092**	**339,411**	**33,941**	**30,304,699**	**(5,161,172)**	**(225,516)**	**25,291,363**	**692,903**	**25,984,266**
	Net income					(700,745)		(700,745)	(252,350)	(953,095)
	Reserve own shares (1)					27,890		27,890		27,890
	Cumulative translation adjustment						(367,205)	(367,205)		(367,205)
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 (2)					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**

(1) The company acquired in the course of 2001, 9,684 own shares. In accordance with IFRS, treasury shares are presented as a deduction from equity. These shares were sold in 2003.

(2) 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.

Consolidated Cash Flow Statements
for the 12 month period ending December 31 (in €)

IPTE NV	2005	2004	2003
Profit/(loss) from operations	**4,196,750**	**(1,810,100)**	**1,052,967**
Adjustments for:			
Amortization goodwill/negative goodwill	-	765,409	1,544,486
Allowance for doubtful receivables and obsolete stock	403,779	89,842	815,000
Depreciation and amortization	2,566,599	3,198,487	2,958,525
Provisions	(1,808,608)	(442,991)	(109,940)
Operating profit before changes in working capital	**5,358,520**	**1,800,647**	**6,261,038**
Inventories	(1,194,965)	(2,460,072)	(732,633)
Trade receivables	5,611,125	3,088,777	(1,973,716)
Trade payables	(3,043,648)	666,353	3,773,581
Accrued expenses, payroll and related taxes and deferred income	(912,439)	366,729	(1,086,656)
Other receivables	183,667	142,207	(1,036,938)
Other current assets	(71,430)	(115,847)	(77,806)
Other payables	214,600	(1,123,625)	(1,045,611)
Cash flow from operating activities	**6,145,430**	**2,365,169**	**4,081,259**
Taxes	12,143	(6,439)	(101,063)
Exchange differences	(135,751)	(384,968)	(382,844)
Interests	(1,929,825)	(1,638,676)	(1,578,257)
Other	294,300	79,571	-
Net cash from/(used in) operating activities	**4,386,297**	**414,657**	**2,019,095**
Cash flows from investing activities			
Acquisition of new subsidiaries, net of cash acquired (notes 1.3.7.x)	-	(713,040)	3,565,956
Disposal of investment Autoveyor	-	(512,317)	-
Investments in intangible assets	(86,900)	(94,098)	(30,499)
Investments in property, plant and equipment	(3,666,022)	(2,709,025)	(2,512,357)
Interest received	24,943	181,686	56,102
Cash flows used in investing activities	**(3,727,979)**	**(3,846,794)**	**1,079,202**
Cash flows from financing activities			
Proceeds from issuance of share capital	-	-	-
Proceeds/(repayments) from long-term debts	21,828	2,522,170	3,098,532
Proceeds/(repayments) from current portion of long-term debt	71,887	(553,051)	3,216
Proceeds/(repayments) from bank loans and overdrafts	91,092	(10,769,862)	6,553,124
Net cash provided by financing activities	**184,807**	**(8,800,743)**	**9,654,872**
Monetary (loss)/gain on cash and cash equivalents	-	15,180	(380)
Increase/(decrease) in cash and cash equivalents	843,125	(12,217,700)	12,752,789
Cash and cash equivalents at the beginning of the period	2,851,667	15,069,367	2,316,578
Cash and cash equivalents at the end of the period	3,694,792	2,851,667	15,069,367

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), 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 1,467 in 2005, 1,424 in 2004, 1,202 in 2003 and 946 in 2002.

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 27, 2006 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 2005 results and cash flow are positive.
– Budget 2006 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 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas that have affected the amounts reported for the current or prior years:

Goodwill (IFRS 3)

The impact of these changes in accounting policies is discussed in detail later in note 1.3.7.f.
There is no impact on basic and diluted earnings per share.
At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 6	*Exploration for and Evaluation of Mineral Resources (applicable for accounting years beginning on or after January 1, 2006)*
IFRS 7	*Financial Instruments: Disclosures (applicable for accounting years beginning on or after January 1, 2007)*
IAS 1	*Presentation of Financial Statements - Amendment - Capital Disclosures (applicable for accounting years beginning on or after January 1, 2007)*
IAS 19	*Employee Benefits - Amendment - Actuarial Gains and Losses, Group Plans and Disclosures (applicable for accounting years beginning on or after January 1, 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 January 1, 2006)*
IAS 39	*Financial Instruments: Recognition and Measurement - Amendment – The Fair Value Option (applicable for accounting years beginning on or after January 1, 2006)*
IAS 39	*Financial Instruments: Recognition and Measurement - Amendment – Financial Guarantee Contracts (applicable for accounting years beginning on or after January 1, 2006)*
IFRIC 4	*Determining whether an Arrangement contains a Lease (applicable for accounting years beginning on or after January 1, 2006)*
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitations Funds (applicable for accounting years beginning on or after January 1, 2006)*
IFRIC 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (applicable for accounting years beginning on or after December 1, 2005)*
IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (applicable for accounting years beginning on or after March 1, 2006)*

IFRIC 8 Scope of IFRS 2 (applicable for accounting years beginning on or after May 1, 2006)

IFRIC 9 Reassessment of Embedded Derivatives (applicable for accounting years beginning on or after June 1, 2006)

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 2005. The charge in 2004 and 2003 was € 765,409 and € 1,544,486.

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 € 808,108 is made to opening retained earnings and negative goodwill at January 1, 2005.

Under the previous accounting policy, € 243,439 of negative goodwill would have been released to income during 2005, leaving a balance of negative goodwill of € 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 € 243,439 and an increase in net assets at December 31, 2005 of € 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.

List of subsidiaries consolidated as of December 31

Entity	Ownership interest		
	2005	2004	2003
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	-	-
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	-
IPTE RF SARL	100	100	100
And Elec SARL	100	100	100
Antest SARL	52	52	52
IPTE ASIA Holdings PTE LTD	100	100	100
IPTE Industrial Automation (Shanghai) Co. Ltd	100	100	52
Prodel Automation SA	100	100	100
Prodel Technologies SA	100	100	100
Prodel USA	100	100	100
Prodel GmbH	-	100	100
IPTE Iberia – Automaçao Industrial, Lda	100	100	-
Autoveyor (M) Sdn Bhd	-	-	52
Autoveyor (Singapore) PTE LTD	-	-	52
Autoveyor De Mexico SA DE CV	-	-	52
Autoveyor Philippines Corporation	-	-	52

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.

The year-end exchange rates (used to translate assets and liabilities in the financial statements) are as follows:

Date	GBP/€	SGD/€	SEK/€	USD/€
December 31, 2005	1.459	0.510	0.107	0.848
December 31, 2004	1.418	0.449	0.110	0.734
December 31, 2003	1.419	0.466	0.110	0.792

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

Year	GBP/€	SGD/€	SEK/€	USD/€
2005	1.457	0.480	0.108	0.797
2004	1.467	0.480	0.109	0.814
2003	1.453	0.510	0.109	0.889

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 realisable 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 FIFO 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 (inclusive of depreciation). Net realisable 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, and are subsequently measured at amortised cost using the effective interest rate method. 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 policy does not engage in speculative transactions nor does it issue or hold financial instruments for trading purposes.

Derivatives are initially recorded at cost and re-measured to fair value 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:	Credit risks:	Liquidity 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.	The Group has no significant concentration of credit risks and has policies in place to monitor the credit risks on customers. For major projects the intervention of credit insurance companies or similar organizations is requested.	Liquidity risk is linked to the evolution of our working capital. The Group monitors the change in working capital through focused actions.

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 June 30, 2003 IPTE NV acquired 52% of the shares of Antest SARL for a cash consideration of € 609,700. The acquisition was financed with short-term bank loans.
Antest SARL is a French limited liability company. The excess of the purchase price over the fair value of the net assets acquired was € 533,069 and has been recorded as goodwill that is being amortized on a straight-line basis over 10 years.

In October 2003, IPTE NV acquired all shares of Prodel Holding SAS for a cash consideration of € 9,531,909. The acquisition was financed with short-term bank loans.
Prodel Holding SAS is a French limited liability company. The excess of the purchase price over the fair value of the net assets acquired was (€ 3,670,210) of which € 1,239,780 has been recorded as negative goodwill to be amortized over the same period as the underlying non-monetary assets and of which € 2,430,430 has been released in the income statement.

On July 1, 2004 Connect Systems International NV, acquired all shares of Connectronics GmbH (previously known as Infotron GmbH) for a cash consideration of € 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 € 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.

1.3.7. Notes

a. Cash and cash equivalents

	2005	2004	2003
Cash at bank and on hand	3,544,967	544,971	4,050,584
Cash equivalents	149,825	2,306,696	11,018,783
Total	**3,694,792**	**2,851,667**	**15,069,367**

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, 2005, 2004 and 2003 served as guarantee for straight loans and short-term commercial loans taken up with commercial banks. The restricted cash balance amounts to respectively approximately € 268,785 in 2005, € 1,503,000 in 2004 and € 10,820,000 in 2003.

b. Trade receivables - net

	2005	2004	2003
Trade receivables	26,849,866	32,821,629	37,185,941
Allowance for doubtful accounts	(583,217)	(561,720)	(1,904,797)
Trade receivables (net)	**26,266,649**	**32,259,909**	**35,281,144**

Allowance for doubtful accounts:

Balance at December 31, 2003	**1,904,797**
New allowances of 2004	246,693
Allowances used/reversed in 2004	(1,589,770)
Acquired from third parties	-
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**

c. Inventories

	2005	2004	2003
Raw materials and supplies, at cost	24,330,798	21,803,477	17,895,390
Work in progress, at cost	2,875,621	4,195,676	3,244,283
Finished goods, at cost	3,112,308	3,241,438	3,107,903
Goods purchased for resale	-	-	236,860
Contracts in progress	1,283,517	806,051	1,931,381
Reserve for obsolete inventories	(7,614,472)	(7,232,338)	(5,799,418)
Net	**23,987,772**	**22,814,304**	**20,616,399**

d. Property, plant and equipment

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed asset under construction	Total
Year ended December 2003					
Acquisition value:					
Beginning of the period	8,985,958	9,742,436	5,067,466	7,500	23,803,360
Additions of the year	217,551	1,908,930	783,081	-	2,909,562
Acquired from third parties	3,447,507	491,878	2,243,998	-	6,183,383
Retirements	(40,821)	(398,775)	(796,246)	-	(1,235,842)
CTA	(295,057)	(92,688)	(190,145)	-	(577,890)
Transfers	(277,461)	(15,352)	300,313	(7,500)	0
End of the period	12,037,677	11,636,429	7,408,467	-	31,082,573
Accumulated depreciation:					
Beginning of the period	2,502,145	7,396,045	3,866,868	-	13,765,058
Additions of the year	443,104	1,435,676	788,484	-	2,667,264
Acquired from third parties	2,363,933	419,904	2,090,891	-	4,874,728
Retirements	(32,660)	(343,380)	(738,947)	-	(1,114,987)
CTA	(105,246)	(56,829)	(139,466)	-	(301,541)
Transfers	(44,215)	(11,435)	55,650	-	0
End of the period	5,127,061	8,839,981	5,923,480	-	19,890,522
Net book value at December 2003	**6,910,616**	**2,796,448**	**1,484,987**	**-**	**11,192,051**

	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**

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

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

There are mortgages for an amount of € 5,500,001 on the buildings of IPTE NV, Connect Systems NV and Connectronics NV. These buildings have a book value of € 2,701,000.

e. Intangible fixed assets

	Development Costs	Licenses	Goodwill	Other	Total
Year ended December 2003					
Cost:					
Beginning of the period	1,620,351	700,867	296,489	165,838	2,783,545
Additions of the year	22,862	-	-	8,273	31,135
Acquired from third parties	-	28,694	-	25,252	53,946
Retirements	-	-	-	-	-
Transfers	-	-	-	-	-
CTA	(675)	-	-	-	(675)
End of the period	1,642,538	729,561	296,489	199,363	2,867,951
Accumulated amortization:	-	-	-	-	-
Beginning of the period	1,265,809	378,433	261,624	84,228	1,990,094
Additions of the year	137,239	105,937	15,450	32,635	291,261
Acquired from third parties	-	20,423	-	10,685	31,108
Retirements	-	-	-	-	-
Transfers	-	-	-	-	-
CTA	(507)	-	-	468	(39)
End of the period	1,402,541	504,793	277,074	128,016	2,312,424
Net book value December 2003	**239,997**	**224,768**	**19,415**	**71,347**	**555,527**

	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**	**0**	**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**	**-**	**58,188**	**253,554**

f. Goodwill

IPTE group acquired in June 2003, 52% of the shares of Antest SARL and in October 2003, 100 % of the shares of the French Prodel Group. Antest was consolidated for 6 months in 2003. Prodel group was consolidated for 3 months in 2003. The negative goodwill is determined as the difference between the cost of the acquisition and the fair value of the identifiable assets and liabilities as of the acquisition date. The total goodwill paid for the Antest acquisition amounts to € 533,069 and is amortized over a period of 10 years from July 1, 2003 onwards. A negative goodwill of € 3,670,210 was recorded as a result of the acquisition of the Prodel group of which € 1,239,780 was recorded for non-monetary assets to be amortized over the same period as the underlying non-monetary assets and of which € 2,430,430 was released in the income statement.

The company recorded in 2003 an additional goodwill of € 70,000 on the acquisition of Connect Systems Slovakia in 2002. This goodwill is amortized over a period of 5 years.

During 2003, IPTE fully amortized the remaining of the goodwill paid for the acquisition of IPTE RF in 2001 as it was considered to have no value.

In April 2004, IPTE sold its participation in the Autoveyor group to the minority shareholder for € 1. On disposal of this subsidiary, the carrying amount of the goodwill amounted to € 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 € 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, 2005, 2004 and 2003 is as follows:

	Acquisition value	Amortization	Net carrying amount
Goodwill at January 1, 2003	**15,235,651**	**(4,143,122)**	**11,092,529**
Arising on acquisitions during 2003	600,068		
Amortization of the year		(3,974,916)	
Goodwill at December 31, 2003	**15,835,719**	**(8,118,038)**	**7,717,681**
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**

The book value of the negative goodwill at December 31, 2005, 2004 and 2003 is as follows:

	Acquisition value	Amortization	Net carrying amount
Negative goodwill at January 1, 2003	**-**	**-**	**-**
Arising on acquisitions during 2003	3,575,853	-	-
Amortization of the year	-	(2,430,431)	-
Negative goodwill at December 31, 2003	**3,575,853**	**(2,430,431)**	**1,145,422**
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	
Negative goodwill on January 31, 2005	**0**	**0**	**0**

Negative goodwill is 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 arised 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, 2005 is for € 4,648,712 allocated to the Connect Systems business and for € 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 8 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 per cent.

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

	2005	2004	2003
Vacation pay accruals	2,315,704	2,361,832	1,997,903
Other social debt	2,385,623	2,707,593	2,168,395
VAT debt	248,561	544,462	665,075
Income taxes	104,884	366,127	464,877
Withholding taxes	8,583	3,518	-
Accrued interests	36,818	34,105	253,733
Deferred income	250,742	428,070	302,372
Accrued expenses on projects	10,391	12,092	128,489
Other	504,431	331,321	229,137
Total	**5,865,737**	**6,789,120**	**6,209,981**

h. Current bank loans and overdrafts

	2005	2004	2003
Secured	18,147,209	18,056,117	29,029,917

As of December 31, 2005 and 2004 IPTE NV has credit lines for a total amount of € 20 million at different Belgian commercial banks and for € 3 million credit lines at foreign banks. As of December 31, 2003 IPTE NV has credit lines for a total amount of € 22.3 million at different Belgian commercial 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. As of December 31, 2005, € 15,618,458 of these credit lines at the Belgian commercial banks were used. As of December 31, 2004, € 15,794,006 of these credit lines were used. As of December 31, 2003 € 18,232,735 was used. All bankborrowings are in Euro. Average interest rate on creditlines is based on Euribor plus 1,5% bankers margin.

To secure these loans at the Belgian commercial banks, following guarantees have been given (existing as of December 31, 2005, 2004 and 2003):

- Pledge on the commercial funds of IPTE NV, Connect Systems NV, Connect Systems International NV and Connectronics NV for a total value of € 20,000,000;
- Mortgages for an amount of € 5,500,001 on the buildings of IPTE NV, Connect Systems NV and Connectronics NV. These buildings have a book value of € 2,701,000:
- A pledge of € 20,000,000 on all current and future trade receivables of IPTE NV.

Furthermore, the following bank covenants need to be respected on a consolidated level:
a) Solvency ratio (*) minimum 30% as of December 31, 2005. The solvency ratio as of December 31, 2005 was reached;
b) The consolidated cash flow (**) on a quarterly basis needs to be positive.

Both covenants were reached as of December 31, 2005.

(*) 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

	2005	2004	2003
Secured debt	3,441,717	3,348,001	4,354,882
Unsecured debt	7,000,000	7,000,000	3,500,000
Subordinated loans	7,000,000	7,000,000	3,500,000
Total long-term debt	10,441,717	10,348,001	7,854,882
Less current maturities	(691,787)	(619,900)	(1,167,105)
Total	**9,749,930**	**9,728,101**	**6,687,777**

Repayments of long-term debt on December 31, 2005 are scheduled as follows:

2007	659,559
2008	7,834,079
2009	273,910
2010	239,002
2011	197,659
Beyond 2011	545,721
Total	**9,749,930**

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 € 7 million of which € 3,500,000 was granted in 2003 and € 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 € 4.8.

3.5 million of the interest bearing loan was given with a start date April 18, 2003 and with maturity April 28, 2008 and 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 were created. All these warrants B1 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.

j. Provisions

	Warranty	Restructuring	Other	Total
Balance at December 31, 2003	**571,860**	**-**	**4,021,520**	**4,593,380**
New provisions recorded in 2004	357,912	1,468,000	1,434,887	3,260,799
Provisions used in 2004	(571,860)	-	(2,381,801)	(2,953,661)
Provisions reversed in 2004	-	-	(750,129)	(750,129)
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**

Provisions have been presented as current liabilities as of December 31, 2004 and as of December 31, 2005 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 € 520,781 as of December 31, 2005, and respectively € 357,912 and € 571,860 per December 31, 2004 and 2003. 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 € 1,468,000 was recorded. The restructuring was completed in 2005 and € 567,356 provision was reversed. The group incurred for € 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.
The company finalised a dispute with a government for which a provision of € 453,947 was set up in 2000. As no costs were incurred, the provision of € 453,947 was fully reversed in 2005.

k. Shareholders' equity and rights attached to the shares

As of December 31, 2005 the common stock consisted of 5,476,092 issued and outstanding ordinary shares without face value.
On May 22, 2000 IPTE made a public offering of 1,194,396 new shares. At the same time, the company split the existing shares by 2000. The subordinated loan of € 4,957,870 given by NIB Capital (7/8) and Artesia (1/8) was converted to capital at the same occasion.
In compliance with IFRS the costs of the IPO (€ 1,397,266), net of tax effects (€ 558,900), were deducted from the share premium account.

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 € 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.

The company concluded a financing agreement with LRM and the company's management for a total amount of € 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 € 4.8.
During the shareholders meeting, 1,458,332 warrants B1 were created. All these warrants B1 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 € 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.

Nothing is recognized in the financial statements, nor for the warrants granted to the personnel, nor for the warrants of the subordinated loan.

I. Deferred taxes

Components of deferred tax assets and liabilities are as follows:

	Balance at December 2005	Taxes in result of 2005	Balance at December 2004	Taxes in result of 2004	Balance at December 2003	Taxes in result of 2003	Balance at December 2002
Deferred tax – assets	901,553	(13,447)	915,000	(173,000)	1,088,000	246,523	841,477
• Research costs	89,331	(77,669)	167,000	(14,830)	181,830	157,888	23,942
• Losses consolidated companies	602,910	(145,090)	748,000	(158,170)	906,170	88,635	817,535
• Other provisions	209,312	(209,312)	-	-	-	-	-
Deferred taxes – liabilities	(901,553)	13,447	(915,000)	307,439	(1,222,439)	(258,739)	(963,700)
• Tangible fixed assets	(364,273)	19,727	(384,000)	99,780	(483,780)	17,277	(501,057)
• Inventories	(537,280)	(6,280)	(531,000)	183,360	(714,360)	(314,084)	(400,276)
• Other	-	-	-	24,299	(24,299)	38,068	(62,367)
Net deferred income tax expense/(income)	-	-	-	134,439	-	(12,216)	-

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 for fiscal reasons in local books economically not justifiable;
- 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 € 36,774,000, € 27,731,000 and € 13,194,000 respectively at December 31, 2005, 2004 and 2003 with no expiry date and for € 10,117, € 7,596,000 and € 3,339,000 tax assets not recognized as at December 31, 2005, 2004 and 2003 .
Temporary differences on investments in subsidiaries (undistributed earnings) were approximately € 43,700,000, € 39,000,000 and € 39,200,000 respectively at December 31, 2005, 2004 and 2003. 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 € 5,430,087 contract revenue, arising from projects not completed, recognized as revenue in 2005. This has been booked against trade receivables for € 2,167,391 for the amounts not billed and against advances for € 3,262,696 for the part already billed to customers. The cost of sales recognized on these not completed projects amounts to € 2,754,013.

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

Sales include € 6,083,930 contract revenue, arising from projects not completed, recognized as revenue in 2003. This has been booked against trade receivables for € 2,236,302 for the amounts not billed and against advances for € 3,847,628 for the part already billed to customers. The cost of sales recognized on these not completed projects amounts to € 3,171,622.

n. Cost of sales

	2005	2004	2003
Purchases of material	67,867,814	70,126,737	59,099,399
Personnel expenses	24,424,147	27,144,414	21,018,254
Depreciation/amortization	1,842,202	2,419,851	2,048,769
Investment grants	(7,185)	(17,398)	(31,355)
Repair and maintenance	650,846	802,173	568,363
Other	3,107,565	3,320,882	2,379,796
Total	**97,885,530**	**103,796,659**	**85,083,226**

o. Research and development expenses

	2005	2004	2003
Personnel expenses	5,067,793	4,743,247	5,502,944
Depreciation/amortization	261,346	426,516	514,901
Investment grants	(10,669)	(25,833)	(46,558)
Other	483,211	536,074	500,693
Total	**5,801,681**	**5,680,004**	**6,471,980**

p. General and administrative expenses

	2005	2004	2003
Personnel expenses	5,764,000	6,197,661	3,955,466
Depreciation/amortization	366,865	235,195	236,905
Investment grants	(2,830)	(6,854)	(12,352)
Professional fees	1,464,376	2,152,421	665,853
Other	1,164,454	(366,405)	1,568,923
Total	**8,756,865**	**8,212,018**	**6,414,795**

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

q. Selling expenses

	2005	2004	2003
Personnel expenses	5,195,759	6,396,932	5,321,969
Representation and travel expenses	1,359,346	1,546,780	1,498,648
Publicity	269,898	320,161	242,749
Depreciation/amortization	117,957	169,645	157,948
Investment grants	(1,089)	(2,636)	(4,751)
Transportation costs	1,793,328	1,821,000	1,394,000
Fair, exhibitions and other	1,275,323	1,663,574	1,082,848
Total	**10,010,522**	**11,915,456**	**9,693,411**

r. Personnel expenses and average number of employees

	2005	2004	2003
Wages and salaries	38,290,371	42,293,473	33,878,705
Insurance	587,087	581,726	419,392
Other	1,574,241	1,607,055	1,500,536
Total	**40,451,699**	**44,482,254**	**35,798,633**

The average number of employees was 1,434 in 2005, 1,302 in 2004 and 1,168 in 2003. The main reasons for the increase in the number of employees in 2005, 2004 and 2003 was the expansion of the Connect business in Romania in 2005, the acquisition of Connectronics GmbH and the growth of the contract manufacturing activities in 2004 and the acquisition of the Prodel group in October 2003.

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 € 291,332, € 372,908 and € 296,135 as of December 31, 2005, 2004 and 2003 respectively.

s. Depreciation charges and amortization

	2005	2004	2003
Property, plant and equipment	2,344,493	3,012,262	2,667,262
Cost of sales	1,598,325	2,180,906	1,757,508
General and administration costs	366,865	235,195	236,905
Selling expenses	117,957	169,645	157,948
Research and development costs	261,346	426,516	514,901
Intangible fixed assets	243,877	238,946	291,261
Cost of sales	243,877	238,946	291,261
Total depreciation charges	**2,588,370**	**3,251,208**	**2,958,523**

t. Financial results

	2005	2004	2003
Interest income	24,943	177,020	59,130
Exchange differences	412,695	569,478	634,158
Other	-	4,921	451
Total financial income	**437,638**	**751,419**	**693,739**
Interest charges	1,756,496	1,466,957	1,407,929
Bank charges	158,002	171,719	173,806
Exchange differences	563,773	954,701	1,017,002
Total financial charges	**(2,478,271)**	**2,593,377**	**2,598,737**
Net financial results	**(2,040,633)**	**(1,841,958)**	**(1,904,998)**

The interest charges in 2005 include € 864,244 interests on the subordinated loans (€420,000 in 2004).

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.

	2005	2004	2003
Income taxes of the current year	266,129	140,605	34,072
Income taxes of the prior year	(278,272)	273	54,775
Deferred tax expense/(income)	-	(134,439)	12,216
Total	**(12,143)**	**6,439**	**101,063**

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

	2005	2004	2003
Profit/(loss) before taxes	2,156,118	(5,621,431)	(852,032)
Non deductible costs			
Amortization of goodwill	-	765,409	1,544,486
Effect of companies reporting losses	3,214,000	10,099,244	2,433,237
Tax savings			
Use of tax losses to offset current year's profits	(2,172,118)	-	(1,434,072)
Non taxable income	(2,330,000)	(4,899,203)	(1,581,709)
Taxable profit	778,000	344,019	109,910
Income taxes	266,129	140,605	34,072
In %	34.2 %	40.9 %	31 %

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, 2005 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 were created. All these warrants B1 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 € 7,000,000 (€ 3,500,000 in April 2003 and € 3,500,000 in December 2004).

	2005	2004	2003
Net profit/(loss) available for distribution	2,046,008	(5,600,143)	(700,745)
Weighted average number of shares – basic	5,476,092	5,476,092	5,476,092
Earnings per share – basic/net profit available for distribution	0.37	(1,02)	(0.13)
Weighted average number of shares – diluted	5,476,092	5,476,092	5,476,092
Earnings per share/diluted/net profit available for distribution	0.37	(1,02)	(0.13)

There are 182,850 warrants given to employees that can be exercised at a rate of € 20 and 1,458,332 warrants were given to LRM (1,250,000) and management members (208,332) at an exercise price of € 4.8 (see note 1.3.7.k). As at the end of December 2005, 2004 and 2003 the share value amounted to respectively € 4.34, € 3.20 and € 3.29, none of the existing warrants were taken in the diluted earnings per share value.

w. Notes to the Cash Flow Statements

Acquired entities in 2003 include the Prodel group and Antest SARL.

Acquired entities in 2004 include Connectronics GmbH.

Acquired entities	2005	2004	2003
Cash and cash equivalents	-	-	13,678,370
Receivables	-	1,013,148	4,234,126
Inventories	-	2,344,388	2,610,593
Property, plant and equipment	-	781,520	1,308,656
Intangible fixed assets	-	-	22,838
Other current assets	-	78,019	1,861,630
Total assets acquired	**-**	**4,217,075**	**23,716,213**
Accounts payable and accrued expenses	-	(2,069,620)	(3,022,068)
Short-term and long-term loans	-	(1,650,006)	(171,750)
Other current liabilities	-	(497,437)	(3,981,680)
Provisions	-	(12)	(3,361,155)
Net assets acquired	-	-	13,179,560
Goodwill (badwill) consolidation	-	713,040	(3,067,146)
Purchase price (=cash consideration)	-	713,040	10,112,414
Acquired cash	-	-	13,678,370
Net cash effect from acquisition	**-**	**713,040**	**(3,565,956)**

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 and at December 31, 2003 were as follows:

	31/03/2004	31/12/3003
Property, plant and equipment	1,066,901	1,096,505
Investments	-	-
Inventories	1,173,636	1,272,431
Trade receivables	2,288,683	2,156,784
Other current assets	154,574	176,281
Cash and bank	272,807	349,376
Long-term debt	(113,526)	(120,870)
Current portion of long-term debt	(48,219)	(563,311)
Bank loans and overdrafts	(1,157,200)	(1,194,803)
Trade debts	(3,178,552)	(2,464,199)
Accrued expenses	(304,472)	(358,660)
Other current liabilities	(154,183)	(1,748)
Total	**449**	**347,786**
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 December 31, 2005	Period ended March 31, 2004	Year ended December 31, 2003
Revenue	-	1,951,417	9,724,876
Operating costs	-	(2,181,227)	(9,849,733)
Operating result before depreciation	-	(229,810)	(124,857)
Depreciation	-	(45,327)	(171,507)
Restructuring costs	-	(1,969,373)	-
Finance costs	-	(38,988)	(124,932)
Result before taxes	**-**	**(2,283,498)**	**(421,296)**
Taxes	-	(2,733)	(29,081)
Result after taxes	**-**	**(2,286,231)**	**(450,377)**

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 € 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):

	2005	In %	2004	In %	2003	In %
Sales	48,076,131	100	54,557,415	100	58,030,354	100
Cost of sales	(33,443,749)	(69.6)	(43,378,780)	(79.5)	(42,635,814)	(73.5)
Gross margin	14,632,382	30.4	11,178,635	20.5	15,394,540	26.5
Research and development expenses	(5,068,356)	(10.5)	(5,004,479)	(9.2)	(5,951,097)	(10.3)
General and Administrative expenses	(5,129,738)	(10.6)	(4,379,787)	(8.0)	(3,773,193)	(6.5)
Selling expenses	(4,847,252)	(10.0)	(7,181,198)	(13.2)	(5,896,595)	(10.2)
Other income (expense) net	768,476	1.6	693,881	1.3	1,173,663	2.0
Operating income (before amortization of goodwill)	355,512	0.7	(4,692,948)	(8.6)	947,318	1.6

The income statements for the contract manufacturing segment are as follows:

	2005	In %	2004	In %	2003	In %
Sales	78,856,801	100	74,253,652	100	52,329,578	100
Cost of sales	(64,712,375)	(82.1)	(60,640,577)	(81.7)	(42,986,996)	(82.1)
Gross margin	14,144,426	17.9	13,613,075	18.3	9,342,582	17.9
Research and development expenses	(733,324)	(0.9)	(675,537)	(0.9)	(520,883)	(1.0)
General and administrative expenses	(3,627,128)	(4.6)	(3,830,551)	(5.2)	(2,235,481)	(4.3)
Selling expenses	(5,163,278)	(6.5)	(4,735,868)	(6.4)	(3,796,860)	(7.3)
Other income (expense) net	(779,457)	(0.9)	(722,862)	(1)	(1,139,095)	(2.2)
Operating income (before amortization of goodwill)	3,841,239	4.9	3,648,257	4.9	1,650,263	3.2

Reconciliation to consolidated result:

	2005	2004	2003
Operating income factory automation	355,512	(4,692,948)	947,318
Operating income contract manufacturing	3,841,239	3,648,257	1,650,263
Financial income (expense)	(2,040,633)	(1,841,958)	(1,904,998)
Loss on sale of investment	-	(1,969,373)	-
Other (net)	-	-	(129)
Income taxes	12,143	(6,439)	(101,063)
Amortization of goodwill	-	(765,409)	(1,544,486)
Factory automation	-	139,717	(639,359)
Contract manufacturing	-	(905,126)	(905,127)
Minorities	(122,253)	27,727	252,350
Consolidated result	2,046,008	(5,600,143)	(700,745)

Depreciation and amortization charges are as follows:

	2005	2004	2003
Factory automation	1,177,153	1,899,753	1,674,956
Contract manufacturing	1,411,217	1,351,455	1,283,567

Capital expenditure is as follows:

	2005	2004	2003
Factory automation	1,262,566	639,543	1,369,550
Contract manufacturing	2,829,691	2,163,580	1,578,915

Intersegment sales:

	2005	2004	2003
External sales Automation	48,069,706	54,437,277	58,013,900
Intersegment sales Automation	6,425	120,138	16,454
External sales Contract Manufacturing	78,592,765	74,150,286	52,237,452
Intersegment sales Contract Manufacturing	264,036	103,366	92,127
Eliminations	(270,461)	(223,504)	(108,581)
Total sales	126,662,471	128,587,563	110,251,352

Intersegment sales are charged at prevailing market prices.

The balance sheet per segment as of December 31, 2005 and the comparitive figures for 2004 and 2003 are as follows:

	2005		2004		2003	
	Factory automation	Contract manufacturing	Factory automation	Contract manufacturing	Factory automation	Contract manufacturing
Assets						
Current assets						
Cash and bank deposits	3,239,260	455,532	2,249,137	602,530	14,378,765	690,602
Trade receivables	12,912,206	13,354,443	16,248,647	16,036,903	21,792,156	13,488,988
Other receivables	1,734,059	804,863	2,012,155	735,196	3,010,327	-
Inventories	6,975,970	17,011,802	8,182,916	14,631,388	11,742,560	8,873,839
Other current assets	253,998	136,127	271,275	47,420	90,979	111,483
Total current assets	**25,115,493**	**31,762,767**	**28,964,130**	**32,053,437**	**51,014,787**	**23,164,912**
Other receivables	1,502,044	-	1,426,008	-	1,433,518	-
Deferred taxes – assets	901,553	-	915,000	-	1,088,000	-
Financial fixed assets	66,356,232	-	28,913,262	-	29,125,392	-
Tangible fixed assets	4,378,910	7,620,695	4,279,944	6,376,360	6,341,943	4,850,108
Intangible fixed assets	253,554	-	397,030	13,501	524,026	31,501
Goodwill	1,293,849	4,648,712	485,740	4,648,712	1,731,010	4,840,797
Intercompany receivables	246,027	34,274,087	16,738,831	14,276,857	14,468,747	29,578,701
Total assets	**100,047,662**	**78,306,261**	**82,119,945**	**57,368,867**	**105,727,423**	**62,466,019**
Liabilities and equity						
Short-term debts						
Bank debts	10,214,605	7,932,604	9,059,235	7,839,752	22,879,811	6,150,106
Current portion of amounts payable after more than one year	423,054	268,733	351,167	268,733	896,331	270,774
Trade debts	4,273,148	10,579,084	6,271,736	11,598,511	9,932,619	9,048,601
Accrued charges, deferred income, remunerations and taxes	3,229,310	2,586,443	5,732,638	2,228,382	4,161,546	2,048,435
Other debts	2,077,655	5,330	1,766,324	22,429	2,420,489	16,438
Provisions	2,338,637	3,143	3,693,286	457,103	4,136,312	457,068
Total short-term debts	**22,556,409**	**21,375,337**	**26,874,386**	**22,414,910**	**44,427,108**	**17,991,422**
Amounts payable after more than one year	9,218,033	531,897	8,946,117	800,630	5,715,036	972,741
Deferred taxes – liabilities	901,553	-	915,000	-	712,650	509,789
Equity	**32,562,502**	**56,153,000**	**30,694,759**	**17,414,496**	**24,853,375**	**28,523,320**
Minorities	535,078	-	412,826	-	440,553	-
Intercompany payables	34,274,087	246,027	14,276,857	16,738,831	29,578,701	14,468,747
Total liabilities	**100,047,662**	**78,306,261**	**82,119,945**	**57,368,867**	**105,727,423**	**62,466,019**

Reconciliation to consolidated equity:

	2005
Equity factory automation	32,562,502
Equity contract manufacturing	56,153,000
Elimination participation	(66,356,232)
Equity attributable to equity of the parent	22,359,270

Reconciliation of total assets:

	2005
Assets factory automation	100,047,662
Assets contract manufacturing	78,306,261
Elimination intercompanies	(34,520,172)
Elimination participation	(66,356,232)
Total assets	77,477,519

B. Geographical segments

The IPTE group's activities are conducted predominantly in Europe (80%); America and Asia count for 20% of the business.

The geographical spread by business segment (in % of sales by destination) is as follows:

	2005		2004		2003	
	Factory automation	**Contract manufacturing**	**Factory automation**	**Contract manufacturing**	**Factory automation**	**Contract manufacturing**
Western Europe	67	30	66	21	49	13
Northern Europe	-	-	-	-	1	-
Benelux	6	70	6	79	5	87
Eastern Europe	8	-	5	-	6	-
Total Europe	**81**	**100**	**77**	**100**	**61**	**100**
Asia and America	**19**	**–**	**23**	**–**	**39**	**–**
Total	**100**	**100**	**100**	**100**	**100**	**100**

The geographical spread in € 000 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 € 000 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

The geographical spread in € 000 for 2003 is as follows:

All amounts in K	Europe	US	Asia	Total
Revenues (by origin)	88,200	2,778	19,273	110,251
Segments assets	85,574	2,002	7,444	95,020
Capital expenditure	2,876	5	60	2,941

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. 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 swap contracts to manage its exposure to fluctuation in interest rates on their short-term loans. Till December 31, 2005, € 7.5 mio was hedged at a maximum intrest rate of 2.75. The effect of the fair value adjustment of these intrest rate swaps in immaterial.

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

	2005	2004	2003
Bank overdrafts (%)	4.39	4.7	3.9

(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.

ac. Commitments

As of December 31, 2005 the company had no material purchase commitments for property, plant and equipment.

ad. Related party transactions

The company purchased € 1,701,309 mio (net amounts) in the course of 2005 (respectively € 1.6 mio in 2004 and 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 Directors members provided a subordinated loan amounting to € 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 € 7,000,000. The conditions of the loan were defined by the external investor (see note 1.3.4.k). The respective Management and Board of Directors 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 € 1,037,000 in 2005, € 1,060,000 in 2004 and € 730,000 in 2003. Of these amounts, € 863,000 in 2005, € 940,000 in 2004 and € 730,000 in 2003 are fixed remunerations and € 174,000 in 2005, € 120,000 in 2004 relates to bonuses.

The interest charges paid to management as remuneration for the subordinated loan are included in the financial expenses and amount to € 79,952 (€ 60,000 in 2004).
The total amount of shares held by the members of the Board of Directors amounted to 2,900,000 in 2005, 2,900,000 in 2004 and 2,900,000 in 2003.
The total amount of warrants held by members of the Board of Directors amounted to 1,458,332 in 2005, 1,458,332 in 2004 and 729,166 in 2003.

Personnel

No loans are granted to personnel.

ae. 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
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, 3700 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 Block 105, No 19 Yu Xiu Road Songjiang Zone, Shanghai	15/09/2003	15/09/2006	30 days before end lease date	19,373	1,284

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.

The matter of emphasis paragraph relates to the fact that the company has a significant investment and receivable on a group company which incurred further losses. The realization of this investment and receivable is subject to the improvement of the financial results of this group company or obtaining alternative financing. No adjustments were made with respect to the valuation or classification of these assets.

2.1. Report Board of Directors

DIRECTORS' REPORT FOR 2005

We are pleased to report to you on the company's activities during 2005.

2005 was a difficult year for the company. The market for automation started strong in the beginning of the year but weakened afterwards. Our expectations are that the automation market will remain weak in 2006. All companies within automation suffered from this trend.

Total sales for the year decreased with 18% compared to 2004. This decrease was mainly the result of a slow down in the optronics activities. The operational result however improved from € 5,154,000 loss in 2004 to € 642,000 loss in 2005. The loss of 2004 was mainly influenced by a write-off of the valuation of some participations (€ 3 mio) and a restructuring end 2004 completed in 2005 which had an impact on remuneration costs of € 1.3 mio.

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

Interest cost increased due to:

- In December 2004, LRM and management members provided the second tranche (€ 3.5 mio) of a subordinated loan of € 7 mio in total. This resulted in an additional interest cost of € 260,000 in 2005;
- In December 2004, a loan of € 36 mio was negociated between IPTE NV and Connect Systems International NV. This was the result of the sale of Connect Systems BV by Connect Systems International NV to IPTE NV. For 2005, this resulted in an interest cost of € 884,000.

A full review of the activities of the IPTE Group is included in the Board of Directors report on the consolidated financial statements.
The amount of fees recorded in the income statement for services, which are charged by the Statutory Auditor amounts to € 27,899 for fiscal advise.

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.

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

Genk, March 27, 2006

2.2. Condensed financial statements (in € 000)

Balance sheet	2005	2004
ASSETS		
FIXED ASSETS	**92,911**	**110,136**
I. Formation expenses		
II. Intangible assets	274	569
III. Tangible assets	1,792	2,044
A. Land & buildings	1,568	1,709
B. Plant, machinery & equipment	30	122
C. Furniture and vehicles	191	206
D. Leasing and other similar rights	3	7
E. Other tangible assets		
F. Assets under construction		
IV. Financial assets	90,845	107,523
A. Affiliated enterprises	90,800	107,469
1. Participating interests	72,877	72,878
2. Amounts receivable	17,923	34,591
B. Other enterprises linked by participating Interests		
1. Participating interests		
2. Amounts receivable		
C. Other financial assets	45	54
1. Shares		
2. Amounts receivable and cash guarantees	45	54
CURRENT ASSETS	**12,013**	**12,204**
V. Amounts receivable after one year		
A. Trade debtors		
B. Other amounts receivable		
VI. Stocks and contracts in progress	6,866	6,913
A. Stocks	2,066	2,356
1. Raw materials	1,044	1,623
2. Work in progress	605	396
3. Finished goods	417	337
4. Goods purchased for resale		
5. Immovable property acquired or constructed for resale		
6. Advance payments		
B. Contracts in progress	4,800	4,557
VII. Amounts receivable within one year	4,836	5,061
A. Trade debtors	4,255	4,362
B. Other amounts receivable	581	699
VIII. Investments	0	0
A. Own shares		
B. Other investments and deposits		
IX. Cash at bank and in hand	282	202
X. Deferred charges and accrued income	29	28
TOTAL ASSETS	**104,924**	**122,340**

	2005	2004
LIABILITIES		
CAPITAL AND RESERVES	**36,080**	**38,175**
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	4,483	6,545
VI. Investment grants	81	114
VII. Provisions and deferred taxation	2,170	1,442
A. Provision for liabilities and charges	2,128	1,383
1. Pension and similar rights		
2. Taxation		
3. Major repair and maintenance		
4. Other liabilities and charges	2,128	1,383
B. Deferred taxation	42	59
CREDITORS	**66,674**	**82,723**
VIII. Amounts payable after one year	25,404	44,535
A. Financial debts	25,404	44,535
1. Subordinated loans	7,000	7,000
2. Unsubordinated debentures		
3. Leasing and other similar obligations	2	6
4. Credit institutions	1,402	1,529
5. Other loans	17,000	36,000
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	40,627	37,639
A. Current portion of amounts payable after one year	169	196
B. Financial debt	32,693	28,198
1. Credit institutions	10,145	8,985
2. Other loans	22,548	19,213
C. Trade debts	2,754	2,727
1. Suppliers	2,754	2,727
2. Bills of exchange payable		
D. Advances received on contracts in progress	3,955	5,350
E. Taxes, remuneration and social security	1,056	1,167
1. Taxes	135	224
2. Remuneration and social security	921	943
F. Other amounts payable		1
X. Accrued charges and deferred income	643	549
TOTAL LIABILITIES	**104,924**	**122,340**

2. Income statement		2005	2004
I. Operating income		**20,161**	**24,260**
A.	Turnover	18,110	22,008
B.	Variations in inventory	721	620
C.	Fixed assets own construction		
D.	Other operating income	1,330	1,632
II. Operating charges		**-20,803**	**-29,414**
A.	Raw materials, consumables and goods for resale	9,604	12,497
	1. Purchases	9,121	12,689
	2. Movements in stock	483	- 192
B.	Services and other goods	4,278	4,595
C.	Remuneration, social security and pensions	5,586	6,905
D.	Depreciation, write off formation expenses	651	1,280
E.	Write off of inventory, receivables	- 87	3,079
F.	Increase/decrease in provisions for liabilities & charges	745	1,022
G.	Other operating charges	26	36
H.	Operating charges capitalised as reorganization costs		
III. Operating profit/(loss)		**- 642**	**-5,154**
IV. Financial income		**1,671**	**1,761**
A.	Income from financial fixed assets		2
B.	Income from current assets	1,306	1,484
C.	Other financial income	365	275
V. Financial charges		**-3,113**	**-4,331**
A.	Interests and other debt charges	2,954	1,629
B.	Increase/decrease in amounts written off on current assets		2,142
C.	Other financial charges	159	560
VI. Profit/(loss) on ordinary act. Before taxes		**-2,084**	**-7,724**
VII. Extraordinary income		**4**	**13,097**
A.	Adjustments to depreciation of and to other amounts intangible & tangible 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	3	13,096
E.	Other extraordinary income		1
VIII. Extraordinary charges		**0**	**-16,233**
A.	Extraordinary depreciation of & extraordinary amounts written off form. expenses, tangible and intangible assets		
B.	Amounts written off financial fixed assets		9,532
C.	Provisions for extraordinary liabilities and charges		
D.	Loss on disposal of fixed assets		6,689
E.	Other extraordinary charges		12
F.	Extraordinary costs capitalised as restructuring costs		
IX. Profit (loss) for the year before taxes		**-2,080**	**-10,860**
A.	Transfers from deferred taxes	17	30
B.	Transfers to deferred taxes		
X. Income taxes		**1**	**26**
A.	Income taxes		
B.	Adjustment of income taxes and write-back of tax provisions	1	26
XI. Profit (loss) for the year		**-2,062**	**-10,804**
XII. Transfer to untaxed reserves			
XIII. Profit (loss) for the year available for appropriation		**-2,062**	**-10,804**

Appropriation account		
A. PROFIT/(LOSS) TO BE APPROPRIATED	**4,483**	**6,545**
1. Profit/(loss) for the period avalable for appropriation	-2,062	-10,804
2. Profit/(loss) brought forward	6,545	17,349
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	- 4,483	- 6,545
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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