# INTRACOM SA
# DEFENSE ELECTRONIC SYSTEMS

## Financial statements
## in accordance with International Financial Reporting Standards
## as adopted by the European Union

## 31 December 2011

*These financial statements have been translated from the original statutory financial statements that have been prepared in the Greek language. In the event that differences exist between this translation and the original Greek language financial statements, the Greek language financial statements will prevail over this document.*

## Contents

# ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE

**Company named**

**"INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS",**

**TRADING NAME: "INTRACOM DEFENSE ELECTRONICS",**

**Concerning the Financial Statements**

**For the fiscal year from January 1st to December 31st 2011**

**To: the Annual General Meeting of Shareholders**
**Messrs. Shareholders,**

We submit for approval the financial statements of the Company's financial year from January 1 to December 31, 2011.
The financial statements for the fiscal year, as the previous ones, have been prepared in accordance with International Accounting Standards, as adopted by the European Union. This Annual Report of the Board of Directors was prepared in accordance with the provisions of Article 43a paragraph 3 of CL 2190/1920.
The main object of Company's activity concerns the industrial production of defense electronic systems, trade, design, development, manufacture, installation of defense electronic systems and the provision of related services.

## FINANCIAL RESULTS – ACTIVITY REVIEW

The company sales in fiscal year 2011, amounted to € 46.567 thousand against € 43.292 thousand in fiscal year 2010 increased by 7,57%.

The Company's operating results (EBITDA), amounted to € (584) thousand recording losses against profit of € 2.540 thousand in 2010, despite the increase in sales. This change in operating results is attributed to the project mix of the works invoiced in 2011 compared with 2010.

In terms of income before taxes (EBT), the company reported losses € (2.755) thousand against profit of € 548 for the year 2010, while the after tax losses amounted to € (2.580) thousand against net profit of € 115 thousand for the year 2010.

The stock has reduced by 14,66% compared to the previous year, rising to the level of € 26.159 thousand.

Trade receivables and other receivables decreased to € 24.704 thousand. Current tax assets related to taxes withheld or paid in advance amounted to € 771 thousand.

Total liabilities amounted to € 28.177 thousand, of which bank borrowings amounted to € 1.000 thousand.

Administrative expenses amounted to € 3.713 thousand and are reduced by 15, 98% compared to the previous year.

Net financial cost amounted to € 168 thousand for the current year.

Cash and cash equivalents at the end of the fiscal year amounted to € 7.059 thousand compared to € 5.715 thousand at the end of the previous fiscal year.

The equity of the Company at the end of the year 2011 amounted to € 80.852 thousand against € 83.432 in the year 2010.

Key financial ratios depicting the Group's and Company's financial condition in a static format are as follows:

**a. Financial Structure Ratios**

| | 2011 | 2010 |
|---|---|---|
| Current Assets / Total Assets | 53,8% | 59,9% |
| Total Equity / Total Liabilities | 286,9% | 183,2% |
| Total Equity / Fixed Assets | 160,6% | 161,3% |
| Current Assets / Short-term Liabilities | 224,7% | 177,6% |

**b. Profitability Ratios**

| | 2011 | 2010 |
|---|---|---|
| Net Profit / Sales | -5,5% | 0,3% |
| Gross Profit / Sales | 20,2% | 31,6% |
| Sales / Total Equity | 57,6% | 51,9% |

## MAIN EVENTS

During the year 2011 the company undertook new projects with a total budget of € 96.3 million, the more significant concerns the following:

- With NORTHROP GRUMMAN, contracts worth 3.6 million U.S. dollars for the production of F-16 aircraft's electronic systems for a third country.
- With the RAYTHEON company, a contract worth 1.9 million USD. The contract relates to the production of electronic systems for the surface-to-air missile system RAM.
- With the RAYTHEON company, a contract worth 30.1 million USD. The contract relates to the production of assemblies of PATRIOT air defense system to meet needs in third countries.
- With the RAYTHEON company, contracts worth 83.2 million USD. This agreement is a continuation of previous agreements for the production of launcher and radar subsystems of the most advanced version of antiaircraft systems PATRIOT.

## GOALS – PERSPECTIVES

INTRACOM DEFENSE ELECTRONICS has established a solid position in the Greek defense market. Although the Greek crisis and the massive shortfall in funds for defense spending (-26%), the company policy was oriented to enhance openness in order to reverse the negative effects of internal market. Using specialized know-how, the company has developed a successful strategy for products, not only for telecommunications equipment but also for a wide range of defense materials. Under this framework, collaborates with large companies and organizations through international defense programs. By focusing on modern infrastructure, the highly skilled staff, efficiency and reliability of its own products, has been established as a reliable partner at the international market, holding official position on NATO's vendors list.

The Company operating in a very difficult domestic and international economic environment has set as its main strategic objectives:

- The establishment of agreements and cooperation with leading companies in the defense sector in order IDE’s products to be included in their integrated solutions and jointly promote these solutions to third countries
- strengthening its presence in new markets by promoting innovative products of its own development, in areas such as Africa and the Middle East
- the expansion of activities in maintenance services offered to NAMSA (NATO Maintenance and Supply Agency) and the provision and maintenance of similar services to other customers such as the Ministry of National Defense.

Additionally, by applying structural reforms and cost reducing measures, the company aims to further improve its competitiveness in the international environment. Moreover, limited loans and the efficient working capital management, contributes to its efforts.

The backlog of contracts of the Company on 31.12.2011 amounted to € 137 million.

## RISKS AND UNCERTAINTIES

**<u>Risks associated with the company's activity</u>**

*<u>Defense market trend</u>*

The unfavorable economic conditions in the European market continue as long as the banking sector instability and Eurozone rising recession creates negative perceptions in the investment landscape. This uncertainty and the restrictive policies of European countries have direct impact on defense spending which once more remain negative this year.

As concerning the global defense market in 2011, it was slightly higher than 2010 by 0.3% (in fact, remained at the same level of 2010 after 13 years of continuous increase in demand).

More specifically, in the U.S. recorded decline of 1.2% (first decrease since 1998) while a further decline is expected until 2013 (according to the National Defense Budget).

Western and Central Europe showed a 1.9% reduction as a result of restrictive fiscal policies. More specifically, Greece reduced defense spending by 26%, Spain 18%, Italy 16%, while France, Germany and England by 5% with a trend of further reduction in the coming years. Latin America also showed a 3.3% decrease due mainly to Brazil.

On the contrary, an increase appeared in Russia, Norway Poland and mostly in Azerbaijan (89% increase, which is the biggest worldwide). Increasing trend is also showed in the Middle East, Asia, Africa and Oceania.

In Greece which suffers deep recession, the market awaits developments which will determine the course of the country and the fiscal stability. Under current conditions, defense spending cuts and the postponement of defense programs implementation, continues.

Greek defense industry owes to be released from the Greek market restraints and move in a global environment in order to maintain its competitive position in the international defense sector. The small size of Greek companies and the lack of international orientation remain the biggest problems in the defense sector which make the companies vulnerable to the domestic crisis consequences. The lack of liquidity in the market due to the banking crisis is exacerbating the problem.

**Financial Risks**

*Foreign Exchange Risks*

The Company intends to maintain a minimum amount of cash in foreign currency, to meet short-term liabilities in that currency. In case of exceeding the holding amount, for the excess amount of currency, the company has the ability to use hedging mechanisms of exchange rate risk through appropriate bank products or using equivalent loans in foreign currency.

*Cash flow and fair value interest rate risk*

The company is in minimal exposure to interest rate risk, due to the small borrowings (€ 1mil) and the short-term horizon of the cash deposits.

*Credit risk*

Due to the nature of the company's activities, credit risk concerning customers receivables, is limited (Special certified clients or Public Organizations).

*Liquidity risk*

The Company holds sufficient liquidity in cash and cash equivalents and has the ability to use available undrawn borrowing facilities.

**PERSONNEL**

The number of company’s employees on 31.12.2011 reached 428 employees compared to 499 employees at 31.12.2010.

Directors’ remuneration and key management compensation amounted to € 783.963 during the year 2011 in comparison to € 910.625 during the previous year. There were no requirements or obligations to the management at year end.

**OTHER SIGNIFICANT EVENTS**

Until the date of submission of this report, no other event has occurred that could significantly affect the financial position and progress of the Company.

True copy from the minutes' Book of the Board of Directors

**Koropi, April 20, 2012**

**THE MANAGING DIRECTOR (CEO)**

**GEORGE TROULLINOS**

# INDEPENDENT AUDITOR'S REPORT

**To the Shareholders of "INTRACOM S.A DEFENSE ELECTRONIC SYSTEMS"**

***Report on the Financial Statements***

We have audited the accompanying financial statements of "INTRACOM S.A DEFENSE ELECTRONIC SYSTEMS", which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

**Report on Other Legal and Regulatory Requirements**

We verified the consistency and the correspondence of the content of the Report of the Board of Directors with the accompanying financial statements, under the legal frame of the articles 43a and 37 of c.L. 2190/1920.

**Athens, 17th May 2012**

**ZOE D.SOFOU**
**Certified Public Accountant Auditor**
**Institute of CPA (SOEL) Reg. No.14701**

SOL
CERTIFIED PUBLIC ACCOUNTANTS
Crowe Horwath

**Associated Certified Public Accountants s.a.**
**member of Crowe Horwath International**
**3, Fok. Negri Street – 112 57 Athens, Greece**
**Institute of CPA (SOEL) Reg. No. 125**

## Statement of financial position

| | Note | 31/12/2011 | 31/12/2010 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 6 | 44.446.645 | 40.705.585 |
| Intangible assets | 7 | 1.067.335 | 1.375.180 |
| Investment property | 8 | 4.781.545 | 9.605.683 |
| Trade and other receivables | 9 | 41.030 | 41.030 |
| | | **50.336.554** | **51.727.477** |
| **Current assets** | | | |
| Inventories | 10 | 26.158.989 | 30.652.180 |
| Trade and other receivables | 9 | 24.704.164 | 40.586.161 |
| Current income tax assets | | 770.629 | 291.368 |
| Cash and cash equivalents | 11 | 7.058.982 | 5.715.320 |
| | | **58.692.763** | **77.245.030** |
| **Total assets** | | **109.029.317** | **128.972.507** |
| **EQUITY** | | | |
| **Capital and reserves attributable to the Company's equity holders** | | | |
| Share capital | 12 | 67.923.717 | 67.923.717 |
| Reserves | 13 | 10.190.820 | 10.169.987 |
| Retained earnings | | 2.737.662 | 5.339.084 |
| | | **80.852.199** | **83.432.788** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | 15 | 222.760 | 371.516 |
| Retirement benefit obligations | 16 | 1.073.750 | 1.103.497 |
| Provisions for other liabilities and charges | 17 | 758.265 | 566.181 |
| | | **2.054.775** | **2.041.195** |
| **Current liabilities** | | | |
| Trade and other payables | 18 | 24.695.343 | 40.796.956 |
| Current income tax liabilities | | 0 | 124.568 |
| Borrowings | 14 | 1.000.000 | 2.000.000 |
| Provisions for other liabilities and charges | 17 | 427.000 | 577.000 |
| | | **26.122.343** | **43.498.524** |
| **Total liabilities** | | **28.177.118** | **45.539.719** |
| **Total equity and liabilities** | | **109.029.317** | **128.972.507** |

The notes on pages 15 to 47 are an integral part of these financial statements.

## Statement of Comprehensive Income

| | Note | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|---|
| Sales | 19 | 46.567.389 | 43.292.272 |
| Cost of goods sold | 20 | (37.141.999) | (29.602.501) |
| **Gross profit** | | **9.425.391** | **13.689.772** |
| Selling and research costs | 20 | (8.722.356) | (9.277.489) |
| Administrative expenses | 20 | (3.712.858) | (4.419.057) |
| Other income | 22 | 363.658 | 474.043 |
| Other gains/(losses) - net | 23 | 58.727 | (53.160) |
| **Operating profit** | | **(2.587.439)** | **414.108** |
| Finance income | 24 | 51.437 | 111.306 |
| Finance costs | 24 | (219.915) | 22.829 |
| Finance costs - net | | **(168.477)** | **134.135** |
| **Profit before income tax** | | **(2.755.917)** | **548.244** |
| Income tax expense | 25 | 175.328 | (433.367) |
| **Profit after income tax** | | **(2.580.589)** | **114.876** |
| | | | |
| **Other comprehensive income:** | | | |
| **Other Comprehensive income for the year, net of tax** | | **-** | **-** |
| **Total comprehensive income for the year** | | **(2.580.589)** | **114.876** |
| | | | |
| **Earning per share profit attributable to the equity holders of the company during the year** | | | |
| *Basic* | 26 | **(0,112)** | **0,005** |

The notes on pages 15 to 47 are an integral part of these financial statements.

## Statement of changes in equity

| | Note | Share capital | Other reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Balance at 1 January 2010** | | **67.923.717** | **10.031.859** | **5.424.335** | **83.379.911** |
| Total comprehensive income for the year | | | | 114.876 | 114.876 |
| Transfer | 13 | | 138.128 | (138.128) | |
| Dividends relating to year 2009 | | | | (200.000) | (200.000) |
| Distribution of treasury shares of the parent company INTRACOM HOLDINGS | | | | 138.000 | 138.000 |
| **Balance at 31 December 2010** | | **67.923.717** | **10.169.987** | **5.339.084** | **83.432.788** |
| | | | | | |
| **Balance at 1 January 2011** | | **67.923.717** | **10.169.987** | **5.339.084** | **83.432.788** |
| Total comprehansive income for the year | | | | (2.580.589) | (2.580.589) |
| Transfer | 13 | | 20.833 | (20.833) | - |
| **Balance at 31 December 2011** | | **67.923.717** | **10.190.820** | **2.737.662** | **80.852.199** |

The notes on pages 15 to 47 are an integral part of these financial statements.

## Cash flow statement

| | Note | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 27 | 3.701.134 | 1.761.337 |
| Interest paid | 27 | (219.915) | 22.829 |
| Income tax paid | | (577.256) | (264.965) |
| **Net cash from operating activities** | | **2.903.963** | **1.519.201** |
| | | - | - |
| **Cash flows from investing activities** | | - | - |
| Purchase of property, plant and equipment (PPE) | 6 | (577.818) | (425.853) |
| Purchase of intangible assets | 7 | (48.252) | (88.643) |
| Proceeds from sale of PPE | | 14.332 | 2.151 |
| Interest received | 27 | 51.437 | 111.306 |
| **Net cash from investing activities** | | **(560.302)** | **(401.038)** |
| **Cash flows from financing activities** | | | |
| Dividends paid | | - | (200.000) |
| Αποπληρωμή δανεισμού | | (1.000.000) | - |
| **Net cash from financing activities** | | **(1.000.000)** | **(200.000)** |
| **Net decrease in cash and cash equivalents** | | **1.343.661** | **918.162** |
| Cash and cash equivalents at beginning of year | | 5.715.320 | 4.797.158 |
| **Cash and cash equivalents at end of year** | 11 | **7.058.982** | **5.715.320** |

The notes on pages 15 to 47 are an integral part of these financial statements.

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

## 1. General Information

Intracom SA Defense Electronics Systems ("Intracom Defense", "the Company") was founded in Greece and operates mainly in the design, development and manufacturing of defense electronic products, systems and applications and the provision of technical support services and maintenance.

The company operates in Greece and in foreign countries.

The Company's registered office is at 21 km Markopoulou Ave., Peania Attikis, Greece.

The Company is 100% subsidiary of Intracom Holdings SA ("Intracom Holdings", "Intracom Holdings Group"). The annual consolidated financial statements of Intracom Holdings SA for the year ended 31 December 2011 have been published on its website at ***www.intracom.com***.

These financial statements have been approved for issue by the Board of Directors on April 20th and are subject to approval by the Annual General Meeting of the Shareholders.

## 2. Summary of significant accounting policies

### Basis of preparation

These financial statements have been prepared under the historical cost and the going concern conventions. These financial statements are in accordance with International Financial Reporting Standards ("IFRS"), issued by the International Accounting Standards Board ("IASB") as well as their interpretations issued by the Interpretations committee (IFRIC) and had approved by the European Union (EU).

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

The accounting policies that have been used for the financial statements preparations are consistent with those used in the previous financial year. They have been under consideration all the revised standards and their interpretations that are in use from 1 January of 2011.

### New standards, interpretations and amendments

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning during the current reporting period and subsequent reporting periods. The Group's evaluation of the effect of these new standards, amendments to standards and interpretations is as follows:

## a) Standards/ interpretations effective in 2011

**IAS 24 (Revised) "Related Party Disclosures"**

This amendment attempts to reduce disclosures of transactions between government-related entities and clarify related-party definition. More specifically, it removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities, clarifies and simplifies the definition of a related party and requires the disclosure not only of the relationships, transactions and outstanding balances between related parties, but of commitments as well in both the consolidated and the individual financial statements. This revision does not affect the company's financial statements.

**IAS 32 (Amendment) "Financial Instruments: Presentation"**

This amendment clarifies how certain rights issues should be classified. In particular, based on this amendment, rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. This amendment does not affect the company's financial statements.

**IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"**

The interpretation 19 addresses the accounting by the entity that issues equity instruments to a creditor in order to settle, in full or in part, a financial liability. This interpretation is not relevant to the company.

**IFRIC 14 (Amendment) "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"**

The amendments apply in limited circumstances: when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset. This interpretation is not relevant to the company.

Amendments to standards that form part of the IASB's 2010 annual improvements project

The amendments set out below describe the key changes to IFRSs following the publication in May 2010 of the results of the IASB's annual improvements project. The amendments set out below are effective for annual periods beginning on or after 1 January 2011. Unless otherwise stated the following amendments do not have a material impact on company's financial statements.

**IFRS 3 "Business Combinations"**

The amendments provide additional guidance with respect to: (a) contingent consideration arrangements arising from business combinations with acquisition dates preceding the application of IFRS 3 (2008); (b) measuring non-controlling interests; and (c) accounting for share-based payment transactions that are part of a business combination, including un-replaced and voluntarily replaced share-based payment awards.

**IFRS 7 "Financial Instruments: Disclosures"**

The amendments include multiple clarifications related to the disclosure of financial instruments.

**IAS 1 "Presentation of Financial Statements"**

The amendment clarifies that entities may present an analysis of the components of other comprehensive income either in the statement of changes in equity or within the notes.

**IAS 27 "Consolidated and Separate Financial Statements"**

The amendment clarifies that the consequential amendments to IAS 21, IAS 28 and IAS 31 resulting from the 2008 revisions to IAS 27 are to be applied prospectively.

**IAS 34 "Interim Financial Reporting"**

The amendment places greater emphasis on the disclosure principles that should be applied with respect to significant events and transactions, including changes to fair value measurements, and the need to update relevant information from the most recent annual report.

**IFRIC 13 "Customer Loyalty Programmes"**

The amendment clarifies the meaning of the term 'fair value' in the context of measuring award credits under customer loyalty programmes.

**(b) Standards/ interpretations that are not yet effective and have not been early adopted by the company**

**IAS 1 (Amendment) "Presentation of Financial Statements"** (effective for annual periods beginning on or after 1 July 2012)

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. This amendment has not yet been endorsed by the EU.

**IAS 12 (Amendment) "Income Taxes"** *(effective for annual periods beginning on or after 1 January 2012)*

The amendment to IAS 12 provides a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 "Investment Property". Under IAS 12, the measurement of deferred tax depends on whether an entity expects to recover an asset through use or through sale. However, it is often difficult and subjective to determine the expected manner of recovery with respect to investment property measured at fair value in terms of IAS 40. To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The presumption cannot be rebutted for freehold land that is an investment property, because land can only be recovered through sale. This amendment has not yet been endorsed by the EU.

**IAS 19 (Amendment) "Employee Benefits"** (effective for annual periods beginning on or after 1 January 2013)

This amendment makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits (eliminates the corridor approach) and to the disclosures for all employee benefits. The key changes relate mainly to recognition of actuarial gains and losses, recognition of past service cost / curtailment, measurement of pension expense, disclosure requirements, treatment of expenses and taxes relating to employee benefit plans and distinction between "short-term" and "other long-term" benefits. This amendment has not yet been endorsed by the EU.

**IAS 32 (Amendment) "Financial Instruments: Presentation"** (effective for annual periods beginning on or after 1 January 2014)

This amendment to the application guidance in IAS 32 clarifies some of the requirements for offsetting financial assets and financial liabilities on the statement of financial position. This amendment has not yet been endorsed by the EU.

**IFRS 7 (Amendment) "Financial Instruments: Disclosures" – transfers of financial assets** (effective for annual periods beginning on or after 1 July 2011)

This amendment sets out disclosure requirements for transferred financial assets not derecognised in their entirety as well as on transferred financial assets derecognised in their entirety but in which the reporting entity has continuing involvement. It also provides guidance on applying the disclosure requirements. This amendment has not yet been endorsed by the EU.

**IFRS 7 (Amendment) "Financial Instruments: Disclosures"** (effective for annual periods beginning on or after 1 January 2013)

The IASB has published this amendment to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This amendment has not yet been endorsed by the EU.

**IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2015)

IFRS 9 is the first Phase of the Board's project to replace IAS 39 and deals with the classification and measurement of financial assets and financial liabilities. The IASB intends to expand IFRS 9 in subsequent phases in order to add new requirements for impairment and hedge accounting. The Group is currently investigating the impact of IFRS 9 on its financial statements. The Group cannot currently early adopt IFRS 9 as it has not been endorsed by the EU. Only once approved will the Group decide if IFRS 9 will be adopted prior to 1 January 2015.

**IFRS 13 "Fair Value Measurement"** (Effective for annual periods beginning on or after 1 January 2013)

IFRS 13 provides new guidance on fair value measurement and disclosure requirements. These requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. Disclosure requirements are enhanced and apply to all assets and liabilities measured at fair value, not just financial ones. This standard has not yet been endorsed by the EU.

**IFRIC 20 "Stripping costs in the production phase of a surface mine"** (Effective for annual periods beginning on or after 1 January 2013)

This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body. IFRIC 20 applies only to stripping costs that are incurred in surface mining activity during the production phase of the mine, while it does not address underground mining activity or oil and natural gas activity. This interpretation has not yet been endorsed by the EU.

Group of standards on consolidation and joint arrangements (effective for annual periods beginning on or after 1 January 2013)

The IASB has published five new standards on consolidation and joint arrangements: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 (amendment) "Separate Financial Statements" and IAS 28 (amendment) "Investments in Associates and Joint Ventures". These standards are effective for annual periods beginning on or after 1 January 2013. The standards and the amendments do not affect company's financial statement.

## Segment Information

As business segment is considered a distinguishable part of a company, that it is engaged in providing individualized products or services or a group of related products or services which sustain risks and odds that differ from those of other business segments.

As geographical segment is considered a distinguishable part of a company, that it is engaged in providing products or services in a special economic environment and sustains risks and rewards which differ from those segments which operate in a different financial environment.

The company operates in defense electronic systems segment. The geographical areas that company operates are Greece, European Union, rest of Europe and rest of the world.

## Foreign currency translation

### (a) Functional and presentation currency

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

### (b) Transactions and balances

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

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

## Investment property

Investment property, principally comprising land and buildings, is held by the Company for long-term rental yields. Investment property is measured at cost less depreciation. Land is not depreciated. Buildings are depreciated using the straight line method to allocate cost over their useful lives, estimated at 33-34 years.

When the carrying amounts of the investment property exceed their recoverable amounts, the difference (impairment) is charged directly in the income statement.

## Property, plant and equipment

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

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

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

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

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

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

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

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

## Leases

### (a) Finance leases

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

### (b) Operating leases

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

## Intangible assets

### Computer software

Software licenses are stated at historical cost less subsequent amortisation. Amortisation is calculated using the straight-line method over the useful economic lives, not exceeding a period of 3-8 years.

## Impairment of assets

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

## Financial assets

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

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

This category refers to financial assets acquired principally for the purpose of selling in the short term or if so designated by Management. Derivatives are also categorised as held for trading unless they are designated as hedges. If these assets are either held for trading or are expected to be realised within 12 months of the balance sheet date these assets are classified as current assets. During the year, the Company did not hold any investments in this category.

### (b) Loans and receivables

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

### (c) Held-to-maturity investments

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

### (d) Available-for-sale financial assets

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

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

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

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

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

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

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

## Inventories

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

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

## Trade receivables

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

## Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents have low risk of changes in value.

## Share capital

The share capital includes the Ordinary shares of the company. Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown after the reduction of the relative income tax in reduction to the product of issue.

## Borrowings

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

## Borrowing Costs

Borrowing costs directly attributable to the construction of qualifying assets are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

## Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## Trade and other payables

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

## Deferred income tax

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

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

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

## Employee benefits

### (a) Pension obligations

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

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

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

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

### (b) Termination benefits

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

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

## Provisions

Provisions are recognized when:

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

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

iii. The amount can be reliably estimated.

### (a) Warranties

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

### (b) Compensated absences

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

### (c) Loss-making contracts

The Company recognizes a provision with an immediate charge to the income statement for long-term service contracts when the expected revenues are lower than the unavoidable expenses which are estimated to arise in order that the contract commitments are met.

## Revenue and Expenses recognition

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

### (a) Sales of goods

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

### (b) Sales of services

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

### (c) Interest income

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

## Expenses

The expenses are recognized in the results on an accrued basis

## Dividend distribution

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

## Roundings

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

# 3. Financial risk management

## Financial risk factors

Intracom Defense is exposed to a variety of financial risks, including market risk (the effects of changes in foreign currency exchange rates, interest rates and debt and equity market prices), credit risk, liquidity risk and cash flow and fair value interest rate risk. The Company's risk management operates under the guidelines set by the overall risk management programme of Intracom Holdings which focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group as a whole.

The financial liabilities of the Company (apart from trade payables) include short-term bank loans and finance lease agreements, through which the Company finances its working capital and capital expenditure needs.

Moreover, the Company manages financial assets, mainly short-term bank deposits arising from operating activities.

At the end of the current period there are no open positions in derivatives. In any case, such instruments are used exclusively for the hedging of interest or exchange rate risk, since according to the approved policy by Intracom Holdings Group speculative use is not permitted.

In summary, the financial risks that arise from the above are market risk, credit risk, liquidity risk and interest rate risk which are analyzed below.

## (a) Market risk

### Foreign exchange risk

The foreign exchange risk of the Company is limited, since for most of the foreign currency receivables, there are corresponding payables in the same currency. Almost all foreign currency contracts for both assets and liabilities are denominated in USD.

In cases where natural hedge is not adequate due to large amounts of foreign currency payables, the Company may convert part of the borrowings to that currency or may use forward currency contracts.

The Company's policy is to maintain a minimum amount of cash in foreign currency, to meet short-term liabilities in that currency.

The following table presents the sensitivity of the Company's net profit in possible fluctuations of the foreign exchange rates for the years 2007 and 2008. This analysis takes into consideration borrowings and cash and cash equivalents of the Company, as well as trade receivables and payables in USD as at 31st December 2009 and 2008 respectively.

| Change in EUR/USD rate by | Effect on Net Profit 31/12/2011 | Effect on Net Profit 31/12/2010 |
|---:|---:|---:|
| -12,00% | 68.312 | (1.088.684) |
| -9,00% | 51.234 | (816.513) |
| -6,00% | 34.156 | (544.342) |
| -3,00% | 17.078 | (272.171) |
| 3,00% | (17.078) | 272.171 |
| 6,00% | (34.156) | 544.342 |
| 9,00% | (51.234) | 816.513 |
| 12,00% | (68.312) | 1.088.684 |

### Price risk

The Entity has no exposure to price risk.

### Cash flow and fair value interest rate risk

The interest-rate risk arises mainly from the fact that almost all of the Company's borrowings carry floating interest rates. The Company assesses that during the current period, interest rate risk is limited since it is expected that interest rates will either remain stable or drop in the medium-term.

The following tables present the sensitivity of the Company's net profit in possible fluctuations of the interest rates for the years 2008 and 2007. The analysis takes into consideration borrowings and cash and cash equivalents of the Company as at 31st December 2008 and 2007 respectively.

Financial instruments in Euro

| Change in interest rates (base units) | Effect on Net Profit 31/12/2011 | Effect on Net Profit 31/12/2010 |
|---|---|---|
| -100 | (17.953) | 8.483 |
| -75 | (13.465) | 6.362 |
| -50 | (8.976) | 4.241 |
| -25 | (4.488) | 2.121 |
| 25 | 4.488 | (2.121) |
| 50 | 8.976 | (4.241) |
| 75 | 13.465 | (6.362) |
| 100 | 17.953 | (8.483) |

Financial instruments in USD

| Change in interest rates (base units) | Effect on Net Profit 31/12/2011 | Effect on Net Profit 31/12/2010 |
|---|---|---|
| -100 | (33.333) | (46.145) |
| -75 | (25.000) | (34.609) |
| -50 | (16.667) | (23.073) |
| -25 | (8.333) | (11.536) |
| 25 | 8.333 | 11.536 |
| 50 | 16.667 | 23.073 |
| 75 | 25.000 | 34.609 |
| 100 | 33.333 | 46.145 |

### (b) Credit risk

The sales transactions of the Company are made to private companies and public sector organisations with an appropriate credit history, with which in many cases there is a long standing relationship. In cases that vendor financing to an overseas customer is required, the Company insures its credit risk via the Export Credit Insurance Organisation (ECIO). As a result, the risk of doubtful debts is considered limited.

Regarding credit risk related to cash deposits, the Company collaborates only with financial institutions of high credit rating.

### (c) Liquidity risk

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

## Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain an optimal structure to reduce the cost of capital.

Company's capital is concerned sufficient on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital employed is calculated as 'equity attributable to the Company's equity holders' as shown in the balance sheet plus net debt.

| | 1/1 - 31/12/2011 | 1/1 - 31/12/2010 |
|---|---|---|
| Total borrowings (note 14) | 1.000.000 | 2.000.000 |
| Less: Cash and cash equivalents (note 11) | 7.058.982 | 5.715.320 |
| **Net debt** | **(6.058.982)** | **(3.715.320)** |
| Total equity | 80.852.199 | 83.432.788 |
| **Total capital employed** | **74.793.217** | **79.717.467** |
| Gearing ratio | -8,1% | -4,7% |

## Fair value estimation

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

## 4. Critical accounting estimates and judgements

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

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

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

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

## 5. Segment Information

The company operates in defense electronic systems segment.

### Geographical segment

The Company's home-country is Greece. The geographical areas the company operates are Greece, countries in European Union, rest of Europe and rest of the world.

The sales breakdown to the geographical areas is according to the customer's home-country.

The Assets and Capital expenditure breakdown to the geographical areas is according to the customer's home-country.

| | Sales | | Non-current assets (*) | |
|---|---|---|---|---|
| | 1/1-31/12/2011 | 1/1-31/12/2010 | 31/12/2011 | 31/12/2010 |
| Greece | 722.372 | 11.861.106 | 50.295.524 | 51.686.447 |
| European Union | 9.372.745 | 15.956.760 | - | - |
| Other European countries | 3.600 | 1.279 | - | - |
| Other countries | 36.468.672 | 15.473.127 | - | - |
| **Total** | **46.567.389** | **43.292.272** | **50.295.524** | **51.686.447** |

(*) Financial assets does not included

### Sales by nature

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| Products | 41.137.825 | 36.723.166 |
| Goods | 14.000 | 560 |
| Services | 5.415.564 | 6.568.546 |
| **Total** | **46.567.389** | **43.292.272** |

# 6. Property, plant and equipment

| | Land | Buildings | Machinery | Vehicles | Furniture & other equipment | Prepayments and assets under construction | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2010** | **21.329.449** | **22.910.839** | **14.958.181** | **210.225** | **3.751.191** | **-** | **63.159.885** |
| Additions | - | - | 259.751 | - | 154.144 | 11.959 | 425.853 |
| Disposals | - | - | (17.000) | - | (1.359) | - | (18.359) |
| **Balance at 31 December 2010** | **22.354.827** | **22.922.798** | **15.200.932** | **210.225** | **3.903.975** | **-** | **64.592.758** |
| | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| **Balance at 1 January 2010** | - | **7.566.550** | **11.763.545** | **135.822** | **2.730.725** | - | **22.196.642** |
| Depreciation charge | - | 688.062 | 663.257 | 26.303 | 312.177 | - | 1.689.799 |
| Disposals | - | - | (10.200) | - | (1.094) | - | (11.294) |
| **Balance at 31 December 2010** | **-** | **8.266.637** | **12.416.602** | **162.125** | **3.041.808** | **-** | **23.887.173** |
| | | | | | | | |
| **Net book amount at 31 December 2010** | **22.354.827** | **14.656.161** | **2.784.330** | **48.100** | **862.167** | **-** | **40.705.585** |
| | | | | | | | |
| **Balance at 1 January 2011** | **22.354.827** | **22.922.798** | **15.200.932** | **210.225** | **3.903.975** | **-** | **64.592.758** |
| Additions | - | 1.000 | 264.532 | 10.584 | 57.427 | 244.275 | 577.818 |
| Disposals | - | - | (6.754) | (18.509) | (47.689) | - | (72.952) |
| Reclassifications | - | 232.879 | - | - | - | (232.879) | - |
| Transfer from investment property | 3.277.579 | 2.211.543 | - | - | - | - | 5.489.122 |
| **Net book amount at 31 December 2011** | **25.632.407** | **25.368.220** | **15.458.710** | **202.300** | **3.913.714** | **11.396** | **70.586.747** |
| | | | | | | | |
| **Accumulated depreciation** | | | | | | | |
| **Balance at 1 January 2011** | - | **8.266.637** | **12.416.602** | **162.125** | **3.041.808** | - | **23.887.173** |
| Depreciation charge | - | 754.789 | 595.250 | 22.413 | 254.492 | - | 1.626.944 |
| Disposals | - | - | (6.754) | (7.862) | (44.823) | - | (59.439) |
| Transfer from investment property | - | 685.424 | - | - | - | - | 685.424 |
| **Balance at 31 December 2011** | **-** | **9.706.851** | **13.005.098** | **176.676** | **3.251.477** | **-** | **26.140.102** |
| | | | | | | | |
| **Net book amount at 31 December 2011** | **25.632.407** | **15.661.369** | **2.453.613** | **25.624** | **662.236** | **11.396** | **44.446.645** |

There are no pledges on the Company's assets. In 31.12.2011 the Company had not contractual obligations to purchase fixed assets.

## 7. Intangible assets

| | Trademarks and licences | Software | Other | Total |
|---|---|---|---|---|
| **Balance at 1 January 2010** | 40.240 | 6.093.008 | - | 6.133.247 |
| Additions | - | 88.643 | | 88.643 |
| **Balance at 31 December 2010** | **40.240** | **6.181.650** | **-** | **6.221.890** |
| **Accumulated depreciation** | | | | |
| **Balance at 1 January 2010** | 40.240 | 4.457.079 | - | 4.497.318 |
| Depreciation charge | - | 349.392 | | 349.392 |
| **Balance at 31 December 2010** | **40.240** | **4.806.471** | **-** | **4.846.710** |
| **Net book amount at 31 December 2010** | **-** | **1.375.180** | **-** | **1.375.180** |
| **Balance at 1 January 2011** | 40.240 | 6.181.650 | - | 6.221.890 |
| Additions | - | 37.252 | 11.000 | 48.252 |
| **Net book amount at 31 December 2011** | **40.240** | **6.218.903** | **11.000** | **6.270.142** |
| **Accumulated depreciation** | | | | |
| **Balance at 1 January 2011** | 40.240 | 4.806.471 | | 4.846.710 |
| Depreciation charge | - | 353.897 | 2.200 | 356.097 |
| **Balance at 31 December 2011** | **40.240** | **5.160.368** | **2.200** | **5.202.807** |
| **Net book amount at 31 December 2011** | **-** | **1.058.535** | **8.800** | **1.067.335** |

## 8. Investment property

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Cost** | | |
| **Balance at beginning of year** | **10.475.677** | **11.501.055** |
| Transfer to investment property | (5.489.122) | (1.025.378) |
| **Balance at end of year** | **4.986.554** | **10.475.677** |
| | | |
| **Accumulated depreciation** | | |
| **Balance at beginning of year** | **869.994** | **795.234** |
| Depreciation charge | 20.440 | 86.786 |
| Transfer to investment property | (685.424) | (12.026) |
| **Balance at end of year** | **205.009** | **869.994** |
| | | |
| **Net book amount at end of year** | **4.781.545** | **9.605.683** |

Rental income for 2011 and 2010 amounted to € 291.130 and € 398.529 respectively (note 22).

## 9. Trade and other receivables

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Trade receivables | 7.688.251 | 19.514.354 |
| Less: provision for impairment | (341.171) | - |
| **Trade receivables - net** | **7.347.080** | **19.514.354** |
| Receivables from related parties (note 30) | 489.484 | 258.039 |
| Prepayments to creditors | 14.640.578 | 19.542.413 |
| Other prepayments | 134.452 | 97.582 |
| Accrued income | - | 250.000 |
| Other receivables | 2.133.600 | 964.802 |
| **Total** | **24.745.193** | **40.627.191** |
| | | |
| Non-current assets | 41.030 | 41.030 |
| Current assets | 24.704.164 | 40.586.161 |
| | **24.745.193** | **40.627.191** |

The fair value of receivables approximates their carrying amounts.

The analysis of trade receivables at the end of each year is as follows:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Not past due and not impaired at the balance sheet date** | **2.779.798** | **7.241.034** |
| **Provision made for the following amount:** | **(341.171)** | **0** |
| **Not impaired at the balance sheet date but past due in the following periods:** | | |
| < 90 days | 1.013.631 | 1.987.520 |
| 90-180 days | 107.162 | 3.011.812 |
| 180-270 days | 12.156 | 2.980.109 |
| 270-365 days | 7.831 | 698.709 |
| 1- 2 yrs | 186.203 | 3.594.422 |
| >2 yrs | 3.581.470 | 748 |
| | **4.908.454** | **12.273.320** |
| | **7.347.080** | **19.514.354** |

As most of the receivables relates to a small number of customers, there is a concentration of credit risk. These customers, however, are customers of high credit quality.

Trade and other receivables are denominated in the following currencies:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Euro | 7.387.654 | 18.531.646 |
| US Dollar | 17.358.154 | 22.095.479 |
| Other | (615) | 66 |
| | **24.745.193** | **40.627.191** |

## 10. Inventories

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Raw & auxiliary materials | 14.689.620 | 17.589.965 |
| Semi-finished goods | 8.155.823 | 7.497.508 |
| Finished goods | 4.392.635 | 6.343.810 |
| Work in progress | 1.086.521 | 1.014.762 |
| Merchandise | 9.531 | 9.631 |
| **Total** | **28.334.130** | **32.455.676** |
| Less: Provisions for obsolete inventories | | |
| Raw & auxiliary materials | 1.786.784 | 1.420.080 |
| Semi-finished goods | 373.375 | 369.992 |
| Finished goods | 14.981 | 13.424 |
| | **2.175.140** | **1.803.496** |
| **Net realisable value** | **26.158.989** | **30.652.180** |

| **The movement of the provision is as follows:** | **31/12/2011** | **31/12/2010** |
|---|---|---|
| At the beginning of the year | 1.803.496 | 1.363.268 |
| Provision for impairment | 532.376 | 440.227 |
| Amount of provision reversed during the year | (160.732) | - |
| **At the year end** | **2.175.140** | **1.803.496** |

## 11. Cash and cash equivalents

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Cash at bank and in hand | 1.750.597 | 894.800 |
| Short-term bank deposits | 5.308.385 | 4.820.521 |
| **Total** | **7.058.982** | **5.715.320** |

The effective interest rate on short-term bank deposits in Euro and USD was 1,63% and 0,87% respectively (2010: 1,20% and 1,33% respectively).

The above amounts are the cash and cash equivalents for the purposes of the cash flow statement.

Cash and cash equivalents are analyzed in the following currencies:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Euro (EUR) | 3.770.706 | 1.163.358 |
| US Dollar (USD) | 3.287.681 | 4.551.301 |
| Other | 595 | 662 |
| | **7.058.982** | **5.715.320** |

## 12. Share capital

| | Number of Shares | Common Shares | Total |
|---|---|---|---|
| Balance at 1 January 2010 | 23.103.305 | 67.923.717 | **67.923.717** |
| Balance at 31 December 2010 | 23.103.305 | 67.923.717 | **67.923.717** |
| **Balance at 31 December 2011** | **23.103.305** | **67.923.717** | **67.923.717** |

As at 31 December 2011 the share capital of the Company was divided into 23.103.305 shares with nominal value € 2,94 each.

## 13. Reserves

| | Statutory reserves | Tax free reserves | Extraordinary reserves | Total |
|---|---|---|---|---|
| **Balance at 1 January 2010** | **530.723** | **9.160.095** | **341.041** | **10.031.859** |
| Transfer to retained earnings | 23.409 | 114.719 | - | **138.128** |
| **Balance at 31 December 2010** | **554.132** | **9.274.814** | **341.041** | **10.169.987** |
| Transfer from retained earnings | 20.833 | - | - | **20.833** |
| **Balance at 31 December 2011** | **574.965** | **9.274.814** | **341.041** | **10.190.820** |

### (a) Statutory reserve

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

### (b) Tax free reserve

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

### (c) Special reserve

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

## 14. Borrowings

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Current borrowings** | | |
| Bank loans | 1.000.000 | 2.000.000 |
| **Total current borrowings** | **1.000.000** | **2.000.000** |
| **Total borrowings** | **1.000.000** | **2.000.000** |

The weighted average interest rate for the Company's borrowings for 2011 was around 6,721% (2010: 5,411%). Total borrowings are denominated in Euro. The bank loans have been guaranteed by the parent company, Intracom Holdings.

## 15. Deferred income tax

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

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Deferred tax assets:** | | |
| To be recovered after more than 12 months | 823.870 | 681.607 |
| To be recovered within 12 months | 136.867 | 142.229 |
| | **960.737** | **823.836** |
| **Deferred tax liabilities** | | |
| To be settled after more than 12 months | (1.133.455) | (1.180.318) |
| To be settled within 12 months | (50.042) | (15.034) |
| | **(1.183.497)** | **(1.195.352)** |
| | **(222.760)** | **(371.516)** |

The total movement in deferred tax is as follows:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Balance at the beginning of the year:** | (371.516) | (273.979) |
| Charged/ (credited) to the income statement | 148.756 | (97.537) |
| **Balance at the end of the year** | **(222.760)** | **(371.516)** |

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

| | Accelerated tax depreciation | Provision for bad debts | Other | Total |
|---|---|---|---|---|
| **Balance at 1 January 2010** | **(1.191.306)** | **(70.141)** | **(15.034)** | **(1.276.481)** |
| Charged / (credited) to the income statement | 80.032 | 36.106 | (35.009) | 81.129 |
| **Balance at 31 December 2010** | **(1.111.274)** | **(34.036)** | **(50.042)** | **(1.195.352)** |
| Charged / (credited) to the income statement | (66.902) | 34.036 | 44.721 | 11.855 |
| **Balance at 31 December 2011** | **(1.178.176)** | **0** | **(5.321)** | **(1.183.497)** |

**Deferred tax liabilities:**

| | Provisions /impairment losses | Other / Provisions | Accrued expenses | Other | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2010** | **327.184** | **-** | **634.304** | **41.014** | **1.002.502** |
| Charged / (credited) to the income statement | 33.515 | 3.072 | (192.634) | (22.619) | (178.666) |
| **Balance at 31 December 2010** | **360.699** | **3.072** | **441.669** | **18.395** | **823.836** |
| Charged / (credited) to the income statement | 74.329 | (3.072) | 70.701 | (5.057) | 136.901 |
| **Balance at 31 December 2011** | **435.028** | **-** | **512.371** | **13.338** | **960.737** |

## 16. Retirement benefit obligations

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Balance sheet obligations for :** | | |
| Pension benefits | 1.073.750 | 1.103.497 |
| **Total** | **1.073.750** | **1.103.497** |
| | | |
| **Income statement charge** | | |
| Pension benefits | 728.218 | 844.074 |
| **Total** | **728.218** | **844.074** |

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

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Present value of unfunded obligations | 1.311.061 | 1.494.998 |
| Unrecognized actuarial losses | (237.311) | (391.501) |
| **Liability in the Balance Sheet** | **1.073.750** | **1.103.497** |

The amounts recognized in the income statement are as follows:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Current service cost | 177.857 | 199.715 |
| Interest cost | 83.720 | 85.937 |
| Net actuarial losses recognized during the year | 11.862 | 9.837 |
| Losses on curtailment | 454.779 | 548.584 |
| **Total, included in staff costs (note 21)** | **728.218** | **844.074** |

The total charge is allocated as follows:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Cost of goods sold | 387.227 | 451.362 |
| Selling and research costs | 248.300 | 292.046 |
| Administrative expenses | 92.691 | 100.665 |
| | **728.218** | **844.074** |

The movement in liability recognized in the balance sheet is as follows:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Balance at the beginning of the year** | 1.103.497 | 1.173.731 |
| Total expense charged / (credited) in the income statement | 728.218 | 844.074 |
| Contributions paid | (757.965) | (914.307) |
| **Balance at the end of the year** | **1.073.750** | **1.103.497** |

The principal actuarial assumptions used were as follows:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| | % | % |
| Discount rate | 5,20 | 5,60 |
| Future salary increases | 2,50 | 4,50 |

## 17. Provisions

| | Warranties | Unused compensated absences | Litigation & tax provisions | Other provisions | Total |
|---|---|---|---|---|---|
| **Balance at 1 January 2010** | 1.054.321 | 31.880 | 100.643 | 476.503 | 1.663.347 |
| Provisions for the year | 419.789 | - | 16.272 | - | 436.060 |
| Provisions used during the year | (696.260) | (31.880) | (100.643) | (127.443) | (956.226) |
| **Balance at 31 December 2010** | **777.850** | **-** | **16.272** | **349.060** | **1.143.181** |
| Additional provisions | 378.401 | - | - | - | 378.401 |
| Provisions used during the year | (336.317) | - | - | - | (336.317) |
| **Balance at 31 December 2011** | **819.933** | **-** | **16.272** | **349.060** | **1.185.265** |

Analysis of total provisions:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Current liabilities | 427.000 | 577.000 |
| Non- current liabilities | 758.265 | 566.181 |
| **Total** | **1.185.265** | **1.143.181** |

Provisions for repairs or materials replacement concerning projects under warranty period, included in the warranties.

## 18. Trade and other payables

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Trade payables | 2.451.387 | 3.037.398 |
| Amounts due to related parties (note 30) | 751.269 | 1.409.088 |
| Accrued expenses | 63.688 | 840.997 |
| Social security and other taxes | 973.125 | 1.110.593 |
| Advances from customers | 20.443.516 | 34.374.087 |
| Other liabilities | 12.358 | 24.794 |
| **Total** | **24.695.343** | **40.796.956** |
| | | |
| Non-current liabilities | | |
| Current liabilities | 24.695.343 | 40.796.956 |
| | **24.695.343** | **40.796.956** |

Trade and other payables are denominated in the following currencies:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Euro (EUR) | 3.352.427 | 5.055.156 |
| US Dollar (USD) | 21.340.189 | 35.719.143 |
| Great Britain Pound (GBP) | 2.272 | 22.138 |
| Other | 455 | 520 |
| | **24.695.343** | **40.796.956** |

The average credit payment terms of the Company's liabilities are 60 days.

## 19. Sales by nature

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| Sales of products | 41.137.825 | 36.723.166 |
| Sales of goods | 14.000 | 560 |
| Revenue from services | 5.415.564 | 6.568.546 |
| **Total** | **46.567.389** | **43.292.272** |

## 20. Expenses by nature

| | Note | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|---|
| Employee benefit expense | 21 | (16.735.414) | (19.418.101) |
| Inventory cost recognised in cost of goods sold | | (25.242.292) | (14.455.514) |
| Depreciation of PPE | | - | - |
| -Freehold property | 6 | (1.626.944) | (1.689.799) |
| -Leasehold property | | - | - |
| Depreciation of investment property | 8 | (20.440) | (86.786) |
| Amortisation of intangible assets | 7 | (356.097) | (349.392) |
| Impairment of inventories | | (371.645) | (440.227) |
| Subcontractors' fees | | (388.839) | (1.732.897) |
| Repairs and maintenance | | (874.634) | (997.043) |
| Operating lease payments | | - | - |
| -buildings | | - | - |
| -Vehicles and machinery | | (214.793) | (208.844) |
| -Furniture and other equipment | | (168) | (106) |
| Transportation and travelling expenses | | (841.752) | (1.117.614) |
| Advertisement | | (269.440) | (404.020) |
| Telecommunication, lighting & heating | | (978.460) | (973.247) |
| Third party fees | | (902.006) | (717.516) |
| Taxes and duties | | (1.704) | (376.218) |
| Other expenses | | (411.415) | (331.722) |
| **Total** | | **(49.577.213)** | **(43.299.046)** |
| | | | |
| **Split by function:** | | | |
| Cost of goods sold | | (37.141.999) | (29.602.501) |
| Selling and research costs | | (8.722.356) | (9.277.489) |
| Administrative expenses | | (3.712.858) | (4.419.057) |
| | | **(49.577.213)** | **(43.299.046)** |
| | | | |
| **Split of depreciation and amortisation by function:** | | (1.116.128) | (1.181.118) |
| Cost of goods sold | | (576.405) | (641.651) |
| Selling and research costs | | (310.947) | (303.208) |
| Administrative expenses | | **(2.003.480)** | **(2.125.977)** |

## 21. Employee benefits

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| Wages and salaries | 12.503.703 | 14.460.584 |
| Social security costs | 3.199.388 | 3.602.984 |
| Other employers' contributions and expenses | 304.105 | 372.460 |
| Pension costs - defined contribution plans | - | 138.000 |
| Pension costs - defined benefit plans (note 16) | 728.218 | 844.074 |
| **Total** | **16.735.414** | **19.418.101** |

The total number of employees as at 31/12/2011 was 428 (2010: 499).

## 22. Other operating income

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| Income from grants | 25.562 | 52.340 |
| Rental income | 291.130 | 398.529 |
| Other | 46.966 | 23.173 |
| **Total** | **363.658** | **474.043** |

## 23. Other gains/ (losses) –net

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| Net foreign exchange gains / (losses) | 58.198 | (48.246) |
| Gains/ (losses) from sale of PPE | 819 | (4.914) |
| Other | (290) | - |
| **Total** | **58.727** | **(53.160)** |

## 24. Finance costs – net

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| **Finance expenses** | | |
| -Bank borrowings | (124.841) | (84.874) |
| - Letters of credit and related costs | (137.204) | (155.337) |
| - Other | (45.738) | (36.698) |
| - Net foreign exchange gains / (losses) | 87.869 | 299.738 |
| | (219.915) | 22.829 |
| **Finance income** | | |
| -Interest income | 51.437 | 111.306 |
| | 51.437 | 111.306 |
| **Total** | **(168.477)** | **134.135** |

## 25. Income tax expense

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| Current tax | (26.572) | 335.830 |
| Deffered tax (Note 15) | (148.756) | 97.537 |
| **Total** | **(175.328)** | **433.367** |

The income tax rate for the year 2011 and 2010 was 20% and 24% respectively. The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the entity, as follows:

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| **Profit before tax** | **(2.755.917)** | **548.244** |
| Tax calculated at tax rates applicable to Greece | (551.183) | 131.578 |
| Income not subject to tax | - | (209.581) |
| Expenses not deductible for tax purposes | 402.427 | 253.915 |
| Differences in tax rates | - | (74.303) |
| Tax audit differences | - | 279.961 |
| Social responsibility tax | (26.572) | 31.454 |
| Provision for unaudited tax years | - | 16.272 |
| Other | - | 4.072 |
| **Tax charge** | **(175.328)** | **433.367** |

The company has not been tax audited for the financial year 2010. Concerning the financial year 2011 the company has been under the tax audit of the statutory auditors, pursuant to the provisions of article 82 paragraph 5 of Law 2238/1994. The audit is still in progress and the tax compliance report is expected to be issued after the publication of the annual financial statements of year 2011. The company's Management does not expect that significant additional tax liabilities will arise, in excess of these provided for and disclosed in the financial statements.

## 26. Profit per share

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| **Net Profit before taxes** | **(2.580.589)** | **114.876** |
| **Weighted average of shares** | 23.103.305 | 23.103.305 |
| **Basic earnings / losses per share** | **(0,112)** | **0,005** |

## 27. Cash generated from operations

| | Note | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|---|
| **Profit/ losses for the year** | | **(2.580.589)** | **114.876** |
| Adjustments for: | | - | - |
| Tax | 25 | (175.328) | 433.367 |
| Depreciation of PPE | 6 | 1.626.944 | 1.689.799 |
| Depreciation of investment property | 6 | 20.440 | 86.786 |
| Loss on sale of PPE | 7 | 356.097 | 349.392 |
| Profit/Loss on sale of PPE | 23 | (819) | 4.914 |
| Interest income | 24 | (51.437) | (111.306) |
| Interest expense | 24 | 219.915 | (22.829) |
| Received treasury shares of the parent company | | - | 138.000 |
| | | **(584.778)** | **2.682.999** |
| **Changes in working capital** | | | |
| (Increase) / decrease in Inventories | | 4.493.191 | 548.953 |
| (Increase)/ decrease in trade and other receivables | | 15.881.997 | (10.233.834) |
| Increase/ (decrease) in trade and other payables | | (16.101.613) | 9.269.247 |
| Increase/ (decrease) in provisions | | 42.084 | (435.794) |
| Increase/ (decrease) in retirement benefit obligations | | (29.747) | (70.234) |
| | | **4.285.911** | **(921.662)** |
| **Cash generated from operations** | | **3.701.134** | **1.761.337** |

## 28. Commitments

**Capital commitments**

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

**Operating lease commitments**

The future aggregate minimum lease payments under operating leases of the Company are as follows:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| No later than 1 year | 148.943 | 145.224 |
| Later than 1 year and no later than 5 years | 45.579 | 89.121 |
| | **194.522** | **234.345** |

The lease payments relate to rentals of motor vehicles.

## 29. Contingent liabilities/receivables

The Company has contingent liabilities in respect of banks and other matters arising in the ordinary course of business as follows:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Guarrantees for advance payments | 3.618.325 | 5.877.875 |
| Guarrantees for good performance | 5.306.058 | 7.340.431 |
| Guarrantees for participation in contests | 290.554 | 705.854 |
| | **9.214.937** | **13.924.160** |

The receivables concerning revenue from property rental are as follows:

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| Up to 1 year | 71.548 | 418.145 |
| Από 2-5 έτη | 286.190 | 1.520.261 |
| Πέραν των 5 ετών | 159.784 | 922.977 |
| | **517.522** | **2.861.384** |

## 30. Related party transactions

The following transactions are carried out with related parties:

| | 1/1-31/12/2011 | 1/1-31/12/2010 |
|---|---|---|
| **Sales of goods :** | | |
| - To parent company INTRACOM HOLDINGS | 776 | - |
| - To INTRACOM HOLDINGS group subsidiaries | 14.316 | 8.338 |
| - To other related parties | 261.005 | 284.300 |
| | **276.097** | **292.638** |
| **Purchases of goods and services:** | | |
| - From parent company INTRACOM HOLDINGS | 155.546 | 315.938 |
| - From INTRACOM HOLDINGS group subsidiaries | 724.180 | 791.139 |
| - From other related parties | 149.946 | 130.150 |
| | **1.029.672** | **1.237.227** |
| **Purchases of fixed assets:** | | |
| - From INTRACOM HOLDINGS group subsidiaries | 24.172 | 9.383 |
| - From other related parties | 7.756 | 4.603 |
| | **31.928** | **13.986** |
| **Sales of fixed assets:** | | |
| - To other related parties | 500 | 150 |
| | **500** | **150** |
| **Rental income:** | | |
| - From INTRACOM HOLDINGS group subsidiaries | 52.118 | 81.472 |
| - From other related parties | 239.012 | 317.057 |
| | **291.130** | **398.529** |

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

| | 31/12/2011 | 31/12/2010 |
|---|---|---|
| **Receivables from related parties:** | | |
| - From parent company INTRACOM HOLDINGS | 954 | - |
| - From INTRACOM HOLDINGS group subsidiaries | 5.223 | 2.585 |
| - From other related parties | 483.306 | 255.454 |
| | **489.483** | **258.039** |
| **Payables to related parties** | | |
| - To parent company INTRACOM HOLDINGS | 195.307 | 937.014 |
| - To INTRACOM HOLDINGS group subsidiaries | 206.427 | 112.741 |
| - To other related parties | 349.535 | 359.333 |
| | **751.269** | **1.409.088** |

Services from and to related parties as well as sales and purchases of goods, take place on the basis of the price lists in force with non-related parties

**Key management compensation**

Total amount of € 783.963 has been paid by the Company as director's remuneration and key management compensation for the year 2011 (2010: € 910.625).

## 31. Dividends

During the period of 1.1-31.12.2011 no dividends were paid. In the previous year of 2010 the company paid dividends in the amount of 200.000.The Board of Directors of the Company, will not propose at the General Meeting of the Shareholders, any dividends distribution in order to strengthen the company's working capital.

## 32. Events after the balance sheet date

There were no significant events that took place after the current balance sheet date as at 31 December 2011.

# 33. Notes and Information

INTRACOM DEFENSE ELECTRONICS

**INTRACOM S.A.DEFENSE ELECTRONICS SYSTEMS**
**COMPANY'S No 48500/04/B/01/232(05) IN THE REGISTER OF SOCIETES ANONYMES**
**21 MARKOPOULOU AVENUE, 19400 KOROPI, ATTICA, HELLAS**
**FINANCIAL DATA AND INFORMATION FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2011**
**(In terms of article 135 of Law 2190, for Companies publishing annual financial statements in accordance with IAS/IFRS)**

The purpose of the following data is to provide users with general financial information about the financial condition and the results of operations of INTRACOM S.A. DEFENSE ELECTRONICS SYSTEMS. We recommend users that, before proceeding to any kind of investing activity or transaction with the Company, to access the company's website where the financial statements under the provisions of International Financial Reporting Standards and the certified auditor accountant's report are published.

**COMPANY'S INFORMATION DATA**

| | |
|---|---|
| **Authority in charge:** | Municipality of Eastern Attica |
| **Date of approval financial statements (from which derived the concise financial information) :** | 20/04/2012 |
| **Board of Directors** | Socrates P. Kokkalis (Chairmain) |
| | Dimitios X. Klonis (Vice Oresident) |
| | George J. Troullinos (Memder - C.E.O) |
| **Certified Auditors Accountants:** | Zoe D. Sofou (L.C. Accosiation of Certified Auditors 14701) |
| **Certified Auditing Firms:** | "SOL" S.A. CERTIFIED AUDITORS ACCOUNTANTS |
| **Type of Review Opinion:** | With no qualification |
| **Web address:** | www.intracomdefense.com |

**CONDESED STATEMENT OF FINANCIAL POSITION**
**(Amounts in Euro)**

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **ASSETS** | | |
| Property,Plant &Equipment | 44.446.645 | 40.705.585 |
| Investment Properties | 4.781.545 | 9.605.683 |
| Intangible assets | 1.067.335 | 1.375.180 |
| Other non current assets | 41.030 | 41.030 |
| Inventories | 26.158.989 | 30.652.180 |
| Trade and Other receivables | 7.543.141 | 19.557.006 |
| Other current assets | 24.990.633 | 27.035.844 |
| **TOTAL ASSETS** | **109.029.317** | **128.972.507** |
| **EQUITY AND LIABILITIES** | | |
| Share capital | 67.923.717 | 67.923.717 |
| Other equity components | 12.928.482 | 15.509.071 |
| **Capital and reserves attributable to Company Shareholders (a)** | **80.852.199** | **83.432.788** |
| Provisions / Ither long term liabilities | 2.054.775 | 2.041.195 |
| Short term borrowings | 1.000.000 | 2.000.000 |
| Other short-term liabilities | 25.122.343 | 41.498.524 |
| **Total liabilities (b)** | **28.177.118** | **45.539.719** |
| **TOTAL EQUITY AND LIABILITIES (a) + (b)** | **109.029.317** | **128.972.507** |

**CONDESED STATEMENT OF CHANGES IN EQUITY**
**(Amounts in Euro)**

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **Total equity at beginning of the year (1/1/2011 and 1/1/2010 respectively)** | **83.432.788** | **83.379.911** |
| Total comprrehensive income for the year | (2.580.589) | 114.876 |
| Distributed Dividends | - | (200.000) |
| Other equity movements | - | 138.000 |
| **Total equity at the end of the year (31/12/2011 and 31/12/2010 respectively)** | **80.852.199** | **83.432.788** |

**CONDESED STATEMENT OF COMPREHENSIVE INCOME**
**(Amounts in Euro)**

| | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **Sales** | 46.567.389 | 43.292.272 |
| Gross profit | 9.425.391 | 13.689.772 |
| Profit/(loss) before income tax, financial and investment results | (2.587.439) | 414.108 |
| Profit/(loss) before tax | (2.755.917) | 548.244 |
| Profit/(loss) after tax (A) | (2.580.589) | 114.876 |
| Other comprehensive income/(loss) for the year after tax(B) | - | - |
| **Total comprehensive income for the year after tax(A+B)** | **(2.580.589)** | **114.876** |
| Profit/(losses) after tax per share -basic (in €) | (0,112) | 0,005 |
| Proposed dividend per Share (in €) | 0,00 | 0,01 |
| **Profit/(loss) before Income tax, financial and investment results, depreciation and amortisation** | **(583.959)** | **2.540.085** |

**STATEMENT OF CASH FLOWS**
**(Amounts in Euro)**

| **Indirect Method** | 31.12.2011 | 31.12.2010 |
|---|---|---|
| **Operating activities** | | |
| **Profit/(loss) before tax** | **(2.755.917)** | **548.244** |
| Plus / Minus Adjustments for: | | |
| Depreciation and amortization | 2.003.480 | 2.125.977 |
| Provisions | 12.336 | (506.028) |
| Results (income, expenses, profit and losess ) from investing activities | (52.256) | (106.392) |
| Value of received free share titles of parent company | - | 138.000 |
| Interest expenses and related costs / Interest income and related income | 219.915 | (22.829) |
| Plus / Minus Adjustments for Working Capital Changes related to operating activities. | | |
| Decrease / (increase) in inventories | 4.493.191 | 548.953 |
| Decrease / (increase) in receivables | 15.881.997 | (10.233.834) |
| (Decrease) / increase in liabilities (other than banks) | (16.101.613) | 9.269.247 |
| Less: | | |
| Interest expenses and related costs paid | (219.915) | 22.829 |
| Income tax paid | (577.256) | (264.965) |
| **Total inflow / (outflow) from operating activities (a)** | **2.903.963** | **1.519.201** |
| **Investing activities** | | |
| Purchase of PPE and intagible assets | (626.071) | (514.496) |
| Proceeds from sales of PPE and intangible assets | 14.332 | 2.151 |
| Interest received | 51.437 | 111.306 |
| **Total inflow / (outflow) from investing activities (b)** | **(560.302)** | **(401.038)** |
| **Financing activities** | | |
| Dividends paid to Shareholders | - | (200.000) |
| Repayment of borrowrings | (1.000.000) | - |
| **Total inflow / (outflow) from financing activities (c)** | **(1.000.000)** | **(200.000)** |
| **Net increase / (decrease) in cash and cash equivelants for the period (a) + (b) + (c)** | **1.343.661** | **918.162** |
| **Cash and cash equivalents at beginning of period** | **5.715.320** | **4.797.158** |
| **Cash and cash equivalents at end of period** | **7.058.982** | **5.715.320** |

**ADDITIONAL INFORMATION**

1. The Company is a subsidiary of INTRACOM HOLDINGS S.A.(parent company) which is located in Greece and is listed in Athens Stock of Exchange. INTRACOM HOLDINGS S.A. participates in the company's equity with 100%. The company is included in INTRACOM HOLDINGS consolidated financial statements. The method that used for the consolidation is the purchase method.
2. There are no pledges on the Company's assets.
3. The Company's tax returns have been audited by the tax authorities up to the fiscal year 2009.
4. There no legal disputes which may materially affect the financial posistion of the Company. The company stated € 16.272 for provisions for unaudited tax years and € 1.168.993 for other provisions.
5. The personnel employed as at 31/12/211 were 428 (31/12/2010 :499)
6. Sales and purchases amounts,cumulatively from the beginning of the financial year, for the company by related party transactions and the balances of receivables and payables at the end of the current year between the company and related parties according to I.A.S. are the following :

| | |
|---|---|
| a) Sales of goods and services. | 276.097 |
| b) Sales of fixed assets | 500 |
| c) Purchases of goods and services. | 1.029.672 |
| d) Purchases of fixed assets | 31.928 |
| e) Receivables from related parties | 489.484 |
| f) Payables to related parties | 751.269 |
| g) Members' of the Board of Directors and key management remuneration | 783.963 |
| h) Receivables of the Board of Directors and key management | - |
| i) Payables to Members' of the Board of Directors and key management | - |

7. The amounts in the statement of financial position and cash flow statement reclassified for comparability purposes.

**KOROPI, 20 April 2012**

| THE CHAIRMAN OF THE BOARD OF DIRECTORS | VICE CHAIRMAN OF THE BOARD OF DIRECTORS | CHIEF EXECUTIVE OFFICER | FINANCIAL AND ADMINISTRATIVE DIRECTOR | ACCOUNTING MANAGER |
|---|---|---|---|---|
| S.P. KOKKALIS<br>I.D.No. AI 091040/05.10.2009 | D.CH.CLONIS<br>A.Δ.T. AK 121708/07.10.2011 | G.JI. TROULLINOS<br>I.D.NO. S 681748/21.07.1999 | K. D. PALMOS<br>I.D.No. S 063087/15.10.1995<br>License No 16941 Class A' | E. J. KOUFOPOULOS<br>I.D.No. K 892341/16.07.1976<br>License No 5271 Class A' |