



**INTRACOM SA**

**DEFENSE ELECTRONIC SYSTEMS – PRIVATE  
ENTERPRISE FOR PROVISION OF SECURITY  
SERVICES**

**Financial Statements**

**for the year ended December 31, 2015**

**in accordance with International Financial Reporting Standards**

**General Electronic Commercial Registry (G.E.M.I.) No.: 006657001000**

It is certified that the accompanying Financial Statements are those which were approved by the Board of Directors of “INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS – PRIVATE ENTERPRISE FOR PROVISION OF SECURITY SERVICES” on 29 March 2016 and have been published posted on the web site at the address <http://www.intracomdefense.com>.

**THE CHAIRMAN OF THE B. OF D.**

D. CH. KLONIS  
ID No. AK 121708/07.10.2011

**THE VICE CHAIRMAN OF THE B. OF D.**

K. S. KOKALIS  
ID. No. AI 091122/14.10.2009

**THE MANAGING DIRECTOR**

G. I. TROULLINOS  
ID. No. S 681748/21.07.1999

**THE FINANCIAL AND ADMINISTRATIVE  
SERVICES MANAGER**

K. D. PALMOS  
ID. No. AK 829005/11.02.2014  
E.C.G. LICENCE No. 16941/A' CLASS

**THE HEAD OF THE ACCOUNTING DEPT.**

E. I. KOUFOPOULOS  
ID. No. K 892341/16.07.1976  
E.C.G. LICENCE 5271/A' CLASS

## **Contents**

- A) Annual Report of the Board of Directors
- B) Independent Auditor's Report
- C) Annual Financial Statements in accordance with IFRS

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## **A) ANNUAL REPORT OF THE BOARD OF DIRECTORS**

**of the company**

**“INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS- PRIVATE ENTERPRISE FOR  
THE PROVISION OF SECURITY SERVICES”**

**DISTINCTIVE NAME: “INTRACOM DEFENSE ELECTRONICS-IDE”**

**On the Financial Statements**

**For the year from 1 January to 31 December 2015**

To the Annual General Meeting of Shareholders

Dear Shareholders,

We submit for approval the financial statements of the Company for the year from 1 January to 31 December 2015.

The financial statements for the present year, as also those for the previous years have been prepared in accordance with International Financial Reporting 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 cod. L. 2190/1920.

### **FINANCIAL RESULTS – ACTIVITY REVIEW**

The company sales in fiscal year 2015, amounted to € 49.664 thousand against € 51.242 thousand in fiscal year 2014 decreased by 3,08%.

The company's profits before income tax, financing, investing results and total depreciation (EBITDA), amounted to € 2.558 thousand, compared to profit of € 2.138 thousand in 2014, which is an increase of 19,62%. The EBITDA includes impairments of inventories amounting to € 1.637 thousand compared to € 1.777 thousand in 2014.

In terms of income before taxes (EBT), the Company recorded profit of € 973 thousand compared to losses of € 787 thousand in year 2014.

The after tax profits amounted to € 1.229 thousand compared to losses of € 736 thousand in the prior year. The after tax results include total impairments of € 1.637 thousand for 2015 and of € 3.359 thousand for 2014.

These changes for the year 2015 and 2014 are presented in the following table:

	2015	2014
Sales	49.664	51.242
Gross profit	15.814	12.934
EBITDA	2.558	2.138
EBIT	944	-1.137
EBT	973	-787
EAT	1.229	-736

The inventories after the aforementioned provisions for impairments amounted to € 20.197 thousand compared to € 29.630 thousand in the previous year, decreased by 31,83%.

Trade receivables and other receivables increased by 28,87% to € 16.084 thousand compared to € 12.481 thousand in 2014.

Total liabilities amounted to € 19.902 thousand, of which the largest part of € 11.795 thousand, concerns customers advance payments in the frame of projects implementation.

The administrative expenses amounted to € 4.015 thousand compared to € 3.622 in the previous year increased by 10,84%.

The net financial cost for the fiscal year was positive, amounted to € 29,79 thousand, while there are no borrowings.

Cash and cash equivalents at the end of the year amounted to € 6.254 thousand compared to € 5.914 thousand at the end of the previous year.

The equity of the Company at the end of the year 2015 amounted to € 62.625 thousand against € 61.398 in the year 2014.

The total Assets amounted in 2015 to € 82.527 thousand against € 88.165 in the year 2014, decreased by 6,40%.

The basic financial ratios that depict the financial position of the Company in a static format are as follows:

a. Financial Structure Ratios

	2015	2014
Current Assets / Total Asests	51,5%	54,4%
Total Equity / Total Liabilities	314,7%	229,4%
Total Equity / Fixed Assets	156,4%	152,8%
Current Assets / Short- term Libilites	248,9%	199,4%

b. Profitability Ratios

	2015	2014
Net Profit / Sales	2,5%	-1,4%
Gross Profit / Sales	31,8%	25,2%
Sales / Total Equity	79,3%	83,5%

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## **MAIN EVENTS**

In June 2015 the system WiSPR (Wideband Intercom & Secure Packet Radio) which has been designed, developed and manufactured by IDE at its premises in Greece, was selected to equip the Leopard2-A6 Main Battle Tanks of the Finnish Army. The contract amounted to 1,3 mil. Euro, the installation of the WiSPR System on the Finnish Tanks will begin in 2015 and its deliveries will be completed in 12 months.

In July the company extending its collaboration with the American company Raytheon, signed a new contract of 63,4 mil. USD for the manufacture of sub-units of the Patriot air defense systems, which will be completed in February 2017.

In August, following an international tender the company proceeded in extension of its agreement with BOEING for participation in the upgrade program CNS/ATM (Communication, Navigation, Surveillance/Air Traffic Management) of the NATO Airborne Warning & Control System (AWACS) aircraft. This new project concerns specialized subsystems of AWACS aircraft, amounts to € 1,6 mil. and the deliveries will be completed by May 2017.

In October the Company participated in the international exhibition “AUSA 2015” one of the largest worldwide exhibitions specialized in land systems. In parallel and in the frame of “AUSA Innovator’s Corner” conference, IDE presented the HG-10K-20 Hybrid System which produces, stores and manages electric power from conventional and renewable energy sources in the most efficient way. The HG-10K-20 system has recently been demonstrated with great success in the NATO CL 15 exercise, where it supplied electric power to critical and vital facilities under conditions governed by specific operational scenarios.

The total contracts signed by the Company in the year 2015 amount to 72,5 mil. Euro.

## **GOALS – PERSPECTIVES**

Following the consistent policy during the last years, the company maintains its objectives concerning:

- The strengthening of its export activity to U.S.A., so with the participation in the Patriot anti-aircraft missile program as also with the participation in other U.S.A. defense programs destined for the international market.
- The penetration in new markets through the promotion of its own innovative products in areas such as Africa and Middle East.
- The expansion of partnership with large defense equipment manufacturing companies (System Integrators) for participation in international sales programs for the integration of INTRACOM DEFENSE telecommunications products in the complete solutions offered and their joint promotion in third countries.
- The exploitation of the existing expertise in Surveillance - Security programs and the exploitation of respective European programs (Horizon 2020, Frontex).

- Promotion of Hybrid Energy Defense Systems of its own development, for the introduction of innovative products in the markets.

The backlog of contracts of the Company on 31.12.2015 amounted to € 131,4 million.

## **RISKS AND UNCERTAINTIES**

### **Risks associated with the company's activity**

#### *Defense market trend*

According to the Stockholm International Peace Research Institute (SIPRI) the trends in military expenditure at global level during the year 2015 were as follows:

The global military expenditure amounted to USD 1.676 bil. presenting increase by 1% at actual terms in relation to 2015. This is the first increase in global military expenditure since 2011. The total military expenditure reflects the 2,3% of global GDP.

The five countries with large military expenditure in 2015 rank order were the US, the China, The Saudi Arabia, the Russia and the United Kingdom. Military expenditure increased in Asia and the Oceania, the Central and Eastern Europe and the Middle East countries for which available records exist, on the contrary decreased in North America, Western Europe, Latin America and the Africa.

In the USA decreased by 2,4% to USD 596 bil. following a more slow pace of decrease in relation to the last years, mainly due to the measures adopted by the Congress of the USA to mitigate the impact of the expenditure reduction that are imposed by the law about Audit of the 2011 Budget.

The decrease of military expenditure in Western Europe was slowed down to 1,3% while the countries of Central Europe presented increase in expenditure by 13% that is to a great extend due to the fear of tensions in the area after the Ukraine crisis.

In several countries, where in previous years, defense expenditure presented ever greater demands and their revenues depend on oil, the international oil price falls resulted in cuts in their spending for military expenditure. Despite the reduction in proceeds from oil, many other countries that export oil continued increasing the military expenditure in 2015. Certain of these countries -in particular in Algeria, Azerbaijan, Russia, Saudi Arabia and Vietnam- became involved in clashes or face increasing regional tensions. However, Russia is planning cuts in 2016 and it is likely reductions to occur also in Saudi Arabia.

Military expenditure in 2015 presents opposite trends. On the one the expenditure trends reflect the increasing conflicts and tensions in several parts of the world while on the other side show a clear fall of increased military expenditure that over the previous decade had been financed by petroleum. This unstable economic and political situation depicts an uncertain picture for the years to come.

### **Financial Risks**

#### *Foreign Exchange Risk*

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, the company has the ability for the surplus to use hedging mechanisms of exchange rate risk through appropriate bank products or use equivalent loans in foreign currency.

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Cash flow and fair value interest rate risk

The company is in minimal exposure to interest rate risk, due to the eliminated borrowings and the short-term horizon of the cash deposits.

Credit risk

Due to the nature of the company's activities, credit risk concerning payment of trade 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 at 31.12.2015 reached 381 employees compared to 389 employees at 31.12.2014.

Directors' remuneration and key management compensation amounted to € 362.765 in the year 2015 in comparison to € 361.665 in the previous year. There were no receivables or payables from or 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.

Dear Shareholders,

The Board of Directors considers the reported data as a statement of its proceedings and expects that the General Assembly will approve the management according to the company's interests and the financial statements for the year ended on 31/12/2015.

It also expects that a special resolution by the General Assembly will release the Board of Directors and the Auditors from any liability for the year from 1 January 2015 to 31 December 2015.

In order for the shareholders to be adequately informed, it is stated that the Company has not proceeded to acquisition of treasury shares.

True copy from the minute book of the Board of Directors

Koropi, 29 March 2016

**THE MANAGING DIRECTOR (CEO)**

**GEORGE TROULLINOS**



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## **B) INDEPENDENT AUDITOR’S**

### **To the Shareholders of “INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS – PRIVATE ENTERPRISE FOR PROVISION OF SECURITY SERVICES”**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of “INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS– PRIVATE ENTERPRISE FOR PROVISION OF SECURITY SERVICES”, which comprise the balance sheet as at 31 December 2015, and the statements of comprehensive income, changes in equity and cash flows 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 system of 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.

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## **Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2015, 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 cod. L. 2190/1920.

Athens, 30 March 2016

**THE CERTIFIED PUBLIC ACCOUNTANT AUDITOR**

**Michalis E. Chatzistavrakis**

**Institute of CPA (SOEL) Reg. No. 26581**



**Associated Certified Public Accountants s.a.**  
member of Crowe Horwath International  
3, Fok. Negri Street – 112 57 Athens, Greece  
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## C) Annual Financial Statements in accordance with IFRS

### Contents

Balance sheet	12
Statement of Comprehensive Income	13
Statement of changes in equity	14
Cash flow statement	15
Notes to the Financial Statements for the year ended December 31, 2015	16
1. General Information	16
2. Summary of significant accounting policies	16
3. Financial risk management	32
4. Critical accounting estimates and judgments	35
5. Segmental Information	37
6. Property, plant and equipment	38
7. Intangible assets	40
8. Investment property	40
9. Trade and other receivables	41
10. Inventories	42
11. Cash and cash equivalents	43
12. Share capital	43
13. Reserves	44
14. Deferred income tax	45
15. Retirement benefit obligations	46
16. Provisions	48
17. Trade and other payables	49
18. Sales revenue by category	49
19. Expenses by nature	50
20. Employee benefits	50
21. Other operating income	51
22. Other gains/ (losses) –net	51
23. Finance costs – net	51
24. Income tax expense	51
25. Earnings/(loss) per share	53
26. Cash generated from operations	54
27. Commitments	55
28. Contingent liabilities/receivables	55
29. Related party transactions	56
30. Dividends	57
31. Events after the balance sheet date	57

## Balance sheet

	Note	31/12/2015	31/12/2014
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	6	32.680.571	33.618.994
Intangible assets	7	316.045	554.277
Investment property	8	1.694.193	1.728.648
Deferred income tax assets	14	5.301.113	4.238.529
Trade and other receivables	9	41.030	41.030
		<b>40.032.952</b>	<b>40.181.478</b>
<b>Current assets</b>			
Inventories	10	20.197.200	29.629.744
Trade and other receivables	9	16.043.455	12.440.314
Cash and cash equivalents	11	6.253.615	5.913.824
		<b>42.494.270</b>	<b>47.983.882</b>
<b>Total assets</b>		<b>82.527.222</b>	<b>88.165.360</b>
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	12	52.906.568	52.906.568
Reserves	13	9.312.377	9.313.706
Retained earnings		406.337	(822.649)
		<b>62.625.283</b>	<b>61.397.625</b>
<b>Total equity</b>		<b>62.625.283</b>	<b>61.397.625</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Retirement benefit obligations	15	2.235.981	2.106.134
Provisions for other liabilities and charges	16	596.340	602.697
		<b>2.832.321</b>	<b>2.708.831</b>
<b>Current liabilities</b>			
Trade and other payables	17	16.519.933	23.202.278
Current income tax liabilities		181.955	482.539
Provisions for other liabilities and charges	16	367.730	374.087
		<b>17.069.618</b>	<b>24.058.904</b>
<b>Total liabilities</b>		<b>19.901.939</b>	<b>26.767.735</b>
<b>Total equity and liabilities</b>		<b>82.527.222</b>	<b>88.165.360</b>

The notes on pages 16 to 57 are an integral part of these financial statements.

## Statement of Comprehensive Income

	Note	1/1-31/12/2015	1/1-31/12/2014
Sales	18	49.663.812	51.242.446
Cost of goods sold	19	(33.849.488)	(38.308.051)
<b>Gross profit</b>		<b>15.814.325</b>	<b>12.934.395</b>
Selling and research costs	19	(8.731.071)	(10.111.607)
Administrative expenses	19	(4.014.545)	(3.622.165)
Other income	21	372.338	204.552
Other gains/(losses) - net	22	(2.497.511)	1.039.181
Impairment losses from tangible assets and investment property	6,8	-	(1.581.827)
<b>Operating profit</b>		<b>943.534</b>	<b>(1.137.470)</b>
<b>Finance costs - net</b>	23	<b>29.793</b>	<b>350.121</b>
<b>Losses before income tax</b>		<b>973.327</b>	<b>(787.349)</b>
Income tax expense	24	255.658	50.978
<b>Losses for the year</b>		<b>1.228.986</b>	<b>(736.371)</b>
<b>Other comprehensive income:</b>			
Actuarial gains/ (losses), net of tax	20	(1.329)	(464.799)
<b>Other Comprehensive income for the year, net of tax</b>		<b>(1.329)</b>	<b>(464.799)</b>
<b>Total comprehensive income for the year</b>		<b>1.227.657</b>	<b>(1.201.170)</b>
<b>Earning/(Losses) per share attributable to the equity holders of the Company during the period</b>			
<i>Basic</i>	25	<b>0,053</b>	<b>(0,032)</b>

The notes on pages 16 to 57 are an integral part of these financial statements.

## Statement of changes in equity

	Note	Share capital	Other reserves	Retained earnings	Total equity
<b>Balance at 1 January 2014</b>		<b>67.923.717</b>	<b>9.778.505</b>	<b>(5.169.005)</b>	<b>72.533.217</b>
Actuarial gains/ (losses), net of tax	13		(464.799)		(464.799)
Loss for the period		-		(736.371)	(736.371)
<b>Total comprehensive income for the period</b>			<b>(464.799)</b>	<b>(736.371)</b>	<b>(1.201.170)</b>
Share capital reduction		(15.017.148)		5.082.727	(9.934.421)
<b>Balance at 31 December 2014</b>		<b>52.906.568</b>	<b>9.313.706</b>	<b>(822.649)</b>	<b>61.397.625</b>
<b>Balance at 1 January 2015</b>		<b>52.906.568</b>	<b>9.313.706</b>	<b>(822.649)</b>	<b>61.397.625</b>
Actuarial gains/ (losses), net of tax	13		(1.329)		(1.329)
Profit for the period		-	-	1.228.986	1.228.986
<b>Total comprehensive income for the period</b>			<b>(1.329)</b>	<b>1.228.986</b>	<b>1.227.657</b>
<b>Balance at 31 December 2015</b>		<b>52.906.568</b>	<b>9.312.377</b>	<b>406.337</b>	<b>62.625.283</b>

The notes on pages 16 to 57 are an integral part of these financial statements.

**Cash flow statement**

	<b>Note</b>	<b>1/1-31/12/2015</b>	<b>1/1-31/12/2014</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	26	3.783.766	2.257.160
Interest paid		(212.735)	(256.436)
Income tax paid		(1.056.884)	(147.245)
<b>Net cash from operating activities</b>		<b>2.514.147</b>	<b>1.853.479</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment (PPE)		(411.181)	(301.497)
Purchase of intangible assets		(30.782)	(157.084)
Interest received		16.160	130.859
Loans granted		(1.727.265)	-
Proceeds from Borrowings		1.855.976	-
<b>Net cash from investing activities</b>		<b>(297.091)</b>	<b>(327.722)</b>
<b>Cash flows from financing activities</b>			
Share capital return		(1.877.265)	(7.099.674)
<b>Net cash from financing activities</b>		<b>(1.877.265)</b>	<b>(7.099.674)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>339.791</b>	<b>(5.573.917)</b>
Cash and cash equivalents at beginning of year		5.913.824	11.487.741
<b>Cash and cash equivalents at end of year</b>	11	<b>6.253.615</b>	<b>5.913.824</b>

The notes on pages 16 to 57 are an integral part of these financial statements.

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## Notes to the Financial Statements for the year ended December 31, 2015

### 1. General Information

INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS-PRIVATE ENTERPRISE FOR THE PROVISION OF SECURITY SERVICES (“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 as well as in the provision of safety services.

The company operates in Greece and in foreign countries.

The Company’s registered office is at 21 km Markopoulou Ave., Peania Attikis, Greece. Its website address is [www.intracomdefense.com](http://www.intracomdefense.com).

The Company is 100% subsidiary of Intracom Holdings SA (“Intracom Holdings”) and is fully consolidated in the consolidated financial statements of Intracom Holdings. The annual consolidated financial statements of Intracom Holdings SA for the year ended 31 December 2015 have been published on its website at [www.intracom.com](http://www.intracom.com).

These financial statements have been approved for issue by the Board of Directors on 29 March 2016 and are subject to approval by the Annual General Meeting of the Shareholders.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

The annual financial statements include the financial statements of the company for the year ended 31 December 2015 and have been prepared in accordance with International Financial Reporting Standards as they have been adopted by the European Union.

The financial statements have been prepared under the historical cost convention and the going concern principle.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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 Management’s best possible knowledge with respect to current circumstances and actions, the actual results may eventually differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4 below.



The accounting policies the Company has followed for the preparation of the annual financial statements for year ended 31 December 2015, are consistent with those described in the published financial statements for the year ended 31 December 2014, after being also taken into consideration the following amendments to standards and the new interpretations, that have been issued by the International Accounting Standards Board (IASB), adopted by the European Union and their application is mandatory for the year ended 31 December 2015.

## 2.2 New standards, amendments to existing standards and interpretations

### **Standards and Interpretations mandatory for the current financial year 2015**

#### **IFRIC 21 “Levies”**

The Interpretation clarifies that the “obligating event” that gives rise to the recognition of a liability, to pay a levy is the activity that triggers the payment of the levy, as identified by the relevant legislation. The interpretation is applicable for annual periods beginning on or after 17 June 2014 and is expected that will not have significant impact on the financial statements of the Company.

### **Amendments to standards that constitute part of the annual improvements plan of the International Accounting Standards Board (IASB)**

The IASB in the context of the annual improvements plan, in December 2013 issued the following amendments to existing standards. The amendments below are expected that will not have significant impact on the financial statements of the Company unless otherwise stated.

#### ***Annual Improvements to IFRSs 2011-2013 Cycle***

The amendments of the 2011 - 2013 Cycle were issued by the IASB on 12 December 2013, are applicable for annual periods beginning on or after 1 January 2015.

#### **IFRS 1 “First-time Adoption of International Financial Reporting Standards”**

The amendment clarifies that an entity, first-time adopter of IFRSs is allowed to choose either to apply the current version of an existing and mandatory IFRS or to early apply a new or revised IFRS that is not yet mandatory, if that new or revised IFRS permits early application. An entity is required to apply the same version of the IFRS throughout the periods covered by the entity’s first IFRS financial statements.

#### **IFRS 3 “Business Combinations”**

The amendment clarifies that the IFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

#### **IFRS 13 “Fair Value Measurement”**

The amendment clarifies that the scope of the portfolio exception, set out in paragraph 52 of IFRS 13 includes all the contracts that are accounted for and are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” or IFRS 9 “Financial Instruments”, regardless of

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whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 “Financial Instruments: Presentation”.

#### **IAS 40 “Investment Property”**

The amendment clarifies that if a particular transaction meets the definition of a business combination as defined in IFRS 3 “Business Combinations” and the definition of an investment property, as defined in IAS 40, it is required the separate application of both standards.

#### **Standards and Interpretations mandatory for subsequent periods that have not been earlier applied by the Company**

The following new standards, amendments to existing standards and interpretations have been issued but are mandatory for subsequent periods. The Company has not earlier applied these standards and is assessing their impact on the financial statements.

#### **IAS 19 (Amendment) “Employee benefits” - “Employee contributions”**

The amendment clarifies how contributions by employees or third parties associated with the service shall be paid in periods of service. In addition, it permits a practical solution, if the amount of the contributions is independent from the number of the years of service. This amendment is applicable for annual periods beginning on or after 1 February 2015.

#### **IFRS 9 “Financial Instruments”**

On 24 July 2014 the IASB issued the final version of the IFRS 9, which includes improvements for the classification and measurement, the impairment and the hedge accounting. The standard comes to supersede the IAS 39 and all the previous versions of the IFRS 9. The financial assets are valued at amortised cost, at fair value through profit or loss, or the fair value through other comprehensive income, based on the entity’s business model for the management of the financial assets and the contractual cash flows of the financial assets. Except for the entity’s credit risk, the classification and measurement of financial liabilities is not changed in relation to the existing requirements. The Company is assessing the impact of the IFRS 9 on its financial statements. The IFRS 9 is mandatory for annual periods beginning on or after 1 January 2018 and has not yet been approved by the European Union.

#### **Amendments to standards that constitute part of the annual improvements plan of the International Accounting Standards Board (IASB)**

The IASB in the context of the annual improvements plan, in December 2013 and September 2014 issued the following amendments to existing standards. The amendments below are expected that will not have significant impact on the financial statements of the Company unless otherwise stated.

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***Annual Improvements to IFRSs 2010-2012 Cycle***

The amendments of the 2010 - 2012 Cycle were issued by the IASB on 12 December 2013, are applicable for annual periods beginning on or after 1 February 2015.

**IFRS 2 “Share-based Payment”**

The definitions “vesting conditions” and “market condition” are amended and definitions for “performance condition” and “service condition” (previously making part of the definition “vesting conditions”) are added.

**IFRS 3 “Business Combinations”**

The amendment clarifies that the contingent consideration classified as a financial instrument or a financial liability shall be measured at fair value at each balance sheet date.

**IFRS 8 “Operating Segments”**

The amendment requires an entity to disclose the judgements made by management in applying the aggregation criteria in the operating segments. It is also clarified that an entity shall provide only reconciliations of the total of the reportable segments’ assets to the entity’s assets if the segment assets are reported regularly.

**IFRS 13 “Fair Value Measurement”**

The amendment clarifies that the issue of the IFRS 13 and the amendments to IFRS 9 and to IAS 39 do not remove the possibility to be measured the current receivables and liabilities for which is not referred interest on the invoiced amounts, undiscounted if the result of the discount is not significant.

**IAS 16 “Property, Plant and Equipment”**

The amendment clarifies that, when an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount.

**IAS 24 “Related Party Disclosures”**

The amendment clarifies that an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the entity.

**IAS 38 “Intangible Assets”**

The amendment clarifies that when an intangible asset is revalued, the carrying amount of that asset is adjusted to the revalued amount.

***Annual Improvements to IFRSs 2012 - 2014 Cycle***

The amendments of the 2012 - 2014 Cycle were issued by the IASB on 25 September 2014, are applicable for annual periods beginning on or after 1 January 2016.

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### **IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”**

The amendment clarifies that the change from one method of disposal to another (i.e. from a plan of sale to a plan of distribution to owners) should not be considered as a new plan of sale but as a continuation of the original plan of disposal. Consequently, the requirements of IFRS 5 should be applied. The amendment also clarifies that changes in methods of disposal shall not change the date of classification.

### **IFRS 7 “Financial Instruments: Disclosures”**

The amendment clarifies that a servicing contract that includes a fee, may give rise to continuing involvement in a financial asset that has been de-recognised. This affects the disclosure requirements of the standard. Also, the amendment clarifies that the disclosures of the IFRS 7 concerning the offsetting of financial assets and financial liabilities are not required in condensed interim financial statements.

### **IAS 19 “Employee Benefits - Employee Contributions”**

The amendment clarifies that the depth of the market for high quality corporate bonds should be assessed at a currency level that is the currency used to determine the obligation and not a country/regional market level where the obligation is due. If there is no deep market for high quality corporate bonds in such currency, the interest rates on government bonds shall be used.

### **IAS 34 “Interim Financial Reporting”**

The amendment clarifies that the disclosure requirements in the interim financial statements shall be given either in the interim financial statements or incorporated by cross-reference from the interim financial statements to information in another statement (such as management report). It is also clarified that the other disclosures incorporated in the interim financial report should be available to users of the financial statements on the same terms as the interim financial statements and at the same time. If users of the financial statements do not have access to the information incorporated by cross-reference on the same terms and at the same time, the interim financial report is incomplete.

### **IAS 1 (Amendment) “Presentation of Financial Statements” - Disclosure Initiative**

The amendments to IAS 1 issued by the IASB on 18 December 2014, clarify that the materiality guidance applies to the financial statements as a whole and that the inclusion of immaterial information may result in obscuring useful information. In addition, the amendments clarify that entities shall use their professional judgment in determining where and by which order information is presented in the financial statements disclosures. The amendment is applicable for annual periods beginning on or after 1 January 2016.

### **IAS 12 (Amendment) “Recognition of Deferred Tax Assets for Unrealised Losses”**

The amendments to IAS 12 clarify the accounting for regarding the recognition of deferred tax assets for unrealised losses that have incurred from loans measured at fair value. These amendments have not yet been approved by the European Union.

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**IAS 16 and IAS 38 (Amendments) “Clarifications about Permissible Depreciation Methods”**

The amendment clarifies that the use of revenue-based methods is not appropriate for the calculation of an asset’s depreciation, because the revenue that is generated from an activity that includes the use of an asset generally reflects other factors but not the exhaustion of future economic benefits that are embedded in the asset. The amendment is applicable for annual periods beginning on or after 1 January 2016.

**IAS 16 and IAS 41 (Amendments) “Agriculture: Bearer Plants”**

These amendments established that the bearer plants that are used exclusively for increasing production shall be accounted for in the same manner as the tangible assets (IAS 16). Consequently, the amendments include the bearer plants in the scope of the IAS 16 instead of the IAS 41. These amendments are applicable for annual periods beginning on or after 1 January 2016.

**IAS 27 (Amendment) “Equity method in separate Financial Statements”**

The amendment to IAS 27 issued by the IASB on 12 August 2014 permits an entity to measure its investments in subsidiaries, joint-ventures and associates using the equity method in its separate financial statements. This is a choice of accounting policy for each class of investment. The amendment is applicable for annual periods beginning on or after 1 January 2016.

**IFRS 10 (Amendment) “Consolidated Financial Statements” and IAS 28 (Amendment) “Investments in Associates and Joint Ventures” - Sales or Contributions of Items of Assets between an Investor and the Associate or the Joint-Venture**

Main consequence of this amendment issued by the IASB on 11 September 2014, is that full gain or loss is recognised when a transaction includes an entity (either housed in a subsidiary or not). Partial gain or loss is recognised when a transaction includes items of assets that do not constitute an entity, even if these assets are housed in a subsidiary. The amendment is applicable for annual periods beginning on or after 1 January 2016 and has not yet been approved by the European Union.

**IFRS 10, IFRS 12 and IAS 28 (Amendments) “Investment Companies: Applying the Consolidation Exemption”**

On 18 December 2014 the IASB issued amendments to IFRS 10, IFRS 12 and IAS 28 regarding the requirements in applying the consolidation exemptions for the Investment Companies. The amendments are applicable for annual periods beginning on or after 1 January 2016, while earlier application is permitted and have not yet been approved by the European Union.

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### **IFRS 11 (Amendment) “Joint Arrangements - Accounting of acquisition of share in a joint operation”**

The amendment requires an investor to apply the method of acquisition of share in a joint operation, which constitutes an entity and clarifies the appropriate accounting for such acquisitions. The amendment is applicable for annual periods beginning on or after 1 January 2016.

### **IFRS 14 “Regulatory Deferral Accounts”**

On 30 January 2014 the IASB issued the IFRS 14 “Regulatory Deferral Accounts”.

The objective of this Standard is to achieve the comparability of financial reporting in entities that are engaged in rate-regulated activities, subject to a pricing framework and are within the scope of a rate regulation.

The IFRS 14 allows an entity, first-time adopter of IFRSs to continue accounting, by small changes, the balance of the “regulatory deferral accounts” according to the previous accounting standards, so at the first application of the IFRS as also in the subsequent financial statements. The balance and the movement of these accounts are presented separately in the statements of financial position, income and other comprehensive income while particular disclosures are required. The new standard is applicable for annual periods beginning on or after 1 January 2016 and has not yet been approved by the European Union.

### **IFRS 15 “Revenue from Contracts with Customers”**

On 28 May 2014 the IASB issued the IFRS 15 “Revenue from Contracts with Customers”, which is mandatory for annual periods beginning on or after 1 January 2017 and is the new standard referring to revenue recognition.

The IFRS 15 supersedes the IAS 18 “Revenue”, IAS 11 “Construction contracts” and the interpretations IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31.

The new standard establishes how and when an entity shall recognise revenue and requires entities to provide to users of the financial statements the most informative related disclosures. The standard provides a uniform model of five steps that shall be used in all the contracts with customers for the revenue recognition. The IFRS 15 has not yet been approved by the European Union.

### **IFRS 16 “Leases”**

The IFRS 16 was issued in January 2016 and supersedes the IAS 17. Objective of the standard is to ensure that the lessees and the lessors provide relevant information that faithfully represents the substance of the transactions concerning leases. The IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company is assessing the impact of the IFRS 16 on its financial statements. The standard has not yet been approved by the European Union.

### **2.3 Segment Reporting**

The segments are defined based on internal financial reporting to the Company's Management and are presented in the financial statements based on this internal classification.

The Company operates in Defense Electronics Industry. Geographically, the company operates in the Greek Territory and sells products and services in EU countries, other European countries, the United States of America, and North Africa.

### **2.4 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'). The 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 recognized in the income statement. Translation differences on non-monetary financial assets and liabilities measured at their fair value through profit or loss are reported as part of the fair value gain or loss.

### **2.5 Investment property**

Investment property, principally comprising land and buildings, is held for long-term rental yields and is not occupied by the Company. Investment property is measured at cost less depreciation. The land classified as investment property is not depreciated. Depreciation on buildings is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, which is 33-34 years.

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

### **2.6 Property, plant and equipment**

Property, plant and equipment ("PPE") is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow



to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives, as follows:

- Buildings	33 - 34	Years
- Machinery, installations and equipment	10	Years
- 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.

If the asset's carrying amount is greater than its estimated recoverable amount, the asset's carrying amount is written down to its recoverable amount, and the difference (impairment) is immediately recorded in the income statement.

When an asset is sold, the difference between the proceeds and its carrying amount is recognized as gains or losses in the income statement.

Finance charges directly attributable to the construction of PPE assets are capitalized for the period that is required until the completion of the constructed item. All other finance charges are recognized in the income statement as incurred.

## **2.7 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 capitalized at the lease's inception at the lower of the fair value of the leased property 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. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the lease term and their useful life, unless there is reasonable certainty that the Company will obtain ownership by the end of the lease term in which case they are depreciated over the useful life.

### **(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.



## **2.8 Intangible assets**

### **Computer software**

Acquired computer software licenses are measured at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets, which is 3 to 8 years.

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

## **2.9 Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill and other intangible assets, are not subject to amortization and are tested for impairment annually and whenever events indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Fair value less costs to sell is the amount obtainable from the sale of an asset in an arms' length transaction between knowledgeable and willing parties, less any additional direct costs of disposal. Value in use is the present value of the estimated future cash flows, expected to flow to the enterprise from the use of the asset and from its disposal at the end of its estimated useful life. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

## **2.10 Financial assets**

The financial assets of the Company are classified in the following categories. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

### **2.10.1 Classification**

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

This category includes financial assets acquired for the purpose of selling in the short-term or if so designated by management. Derivatives are classified as held-for-trading unless they are designated as hedges. Assets in this category are classified as current assets if they are held for trading or expected to be sold within 12 months of the balance sheet date. For the years of the financial statements preparation the Company does not hold financial assets of 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. These are classified as non-current assets.

Loans and receivables are carried at amortized cost using the effective interest method.

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

These include 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 investments of 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 financial year, the Company did not hold investments of this category.

**2.10.2 Recognition and measurement**

Purchases and sales of investments are recognized on the trade - date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the income statement. Investments are derecognized 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. Unrealized gains or losses arising from changes in fair value of investments classified as available-for-sale are recognized in other comprehensive income. 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. Impairment losses recognized in profit or loss are not reversed through profit or loss.

Realized and unrealized 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 profit or loss in the period in which they arise.

The fair values of quoted investments are based on current 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

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that are substantially the same and discounted cash flow analysis. In cases where the fair value cannot be measured reliably, investments are measured at cost less any impairment loss.

### **2.10.3 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### **2.10.4 Impairment of financial assets**

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

The financial assets that are reviewed for impairment (provided that the relative indications exist) are assets stated at cost (investments in subsidiaries and associates in the balance sheet of the parent company), assets measured at amortized cost based on the effective interest rate method (non-current receivables) and available for sale investments.

The recoverable amount of investments in subsidiaries and associates is determined in the same way as for nonfinancial assets. For the purposes of impairment testing of the other financial assets the recoverable amount is determined based on the present value of future cash flows, discounted using the original asset-specific rate or a rate of a similar financial asset. Any resulting impairment losses are recognized in profit or loss.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the investment below its cost is also evidence that the assets 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 recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

## **2.11 Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished and semi-finished goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads. Net realizable 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.

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

### **2.12 Trade receivable**

Trade receivables are recognized initially at fair value and subsequently measured at amortized 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 the 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 recognized in profit or loss.

### **2.13 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.

### **2.14 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 in equity as a deduction, net of income tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of other entities are shown in equity as a deduction for the proceeds.

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

### **2.15 Borrowings**

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

### **2.16 Borrowing Costs**

Finance expenses that are associated directly with the construction of particular property assets when a significant period is required to prepare the asset for its intended use are included in the cost of these assets up until the assets are ready for their intended use or sale. All other borrowing costs are charged to profit or loss during the period in which they are incurred.

## **2.17 Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement unless it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws effective at the balance sheet date in Greece where the company operates and generates taxable income. The current income tax expense includes the current income tax charge arising based on the year's taxable profit as this is restated in its tax returns and provisions established for additional taxes in respect of un-audited, by the tax authorities, fiscal years and is calculated according to the tax rates (and Laws) enacted or substantively enacted.

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. However, 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 do not affect the accounting or the taxable profit or loss.

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

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

## **2.18 Trade and other payables**

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

## **2.19 Employee benefits**

### **(a) Short-term benefits**

Short-term benefits to employees (except for termination or retirement) in money or in kind are recognized as an expense when they are accrued.

### **(b) Post-employment benefits**

Post-employment benefit schemes comprise both defined contribution plans (state plans) and defined benefit plans.

The accrued cost of the defined contribution plans is recognized as an expense in the period it concerns.

The liability recognized in the financial statements in respect of defined benefit pension plans is the present value of the defined benefit obligation. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

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Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

**(c) Termination benefits**

Termination benefits are payable when employment is terminated by the company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The Company recognizes the termination benefits as obligation and expense at the preceding between the following dates: a) when the entity can no longer withdraw the offer of these benefits and b) when the entity recognizes restructuring cost that falls under the scope of IAS 37 and entails the payment of termination benefits. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

**(d) Share-based plans**

The fair value of the employee services received in exchange for the grant of the share options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. The company has no effective, equity-settled, share-based option plans.

**2.20 Government grants**

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

Government grants relating to costs are deferred and recognized in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

**2.21 Provisions**

Provisions are recognized when:

- There is a present obligation (legal or constructive) as a result of past events
- It is probable that an outflow of resources will be required to settle the obligation
- The amount can be reliably estimated

**(a) Warranties**

The Company recognizes a provision that represents the present value of the estimated obligation 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) Full-pay leave of absence**

The compensation for employee annual full-pay leave is recognized as incurred. The Company recognizes the expected cost of short-term employee benefits in the form of full-pay leave of absence on the basis of services rendered by employees to the balance sheet date.

**2.22 Revenue recognition**

Revenue comprises the fair value of the consideration received for the sale of goods and services, net of value-added tax, returns, rebates and discounts. Revenue is recognized as follows:

**(a) Sales of goods**

Sales of goods are recognized when the Company has delivered products to the customers; the products are accepted by the customers; and the revenue from the receivable is fairly ensured.

**(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 calculated 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 the original effective interest rate of the receivable. Subsequently, interest is charged using the same interest - rate that is applied to the impaired (new carrying amount) value.

**2.23 Expenses**

Expenses are recognized in the income statement on an accruals basis.



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## 2.24 Dividend distribution

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

## 2.25 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share is calculated by dividing the net profit attributable to equity holders of the parent (after deducting interest expense on convertible shares, net of tax) by the weighted average number of shares in issue during the year (adjusted for the tax effect of dilutive convertible shares).

The weighted average number of ordinary shares in issue during the period and for all periods presented is adjusted for events that have changed the number of ordinary shares in issue without a corresponding change in resources.

## 2.26 Rounding

Differences that are presented between the amounts in the financial statements and the corresponding amounts in the notes are due to rounding.

# 3. Financial risk management

## 3.1 Financial risk factors

Intracom Defense is exposed to a variety of financial risks; such as market risk (including changes in foreign exchange risk, interest rate risk and price risk), 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 program of Intracom Holdings which focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group as a whole.

The financial liabilities of the Company consist mainly of trade payables. Moreover, the Company manages financial assets, mainly short-term bank deposits arising from operating activities. The Company by cash and cash equivalents finances its working capital and capital expenditure needs. 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 of the 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 analysed below.

### 3.1.1 Market risk

#### i. Foreign exchange risks

The foreign exchange risk the Company is exposed to is limited, because 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 in that currency or may use forward currency contracts.

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

The table below presents the sensitivity of the Company's net results in possible fluctuations of the exchange rates for the years 2015 and 2014. This analysis takes into consideration the cash and cash equivalents of the Company, as well as trade receivables and payables in USD as at 31 December 2015 and 2014 respectively.

Change in EUR/USD rate by	Effect on net results 31/12/2015	Effect on net results 31/12/2014
-12,00%	114.900	(1.011.134)
-9,00%	86.175	(758.351)
-6,00%	57.450	(505.567)
-3,00%	28.725	(252.784)
3,00%	(28.725)	252.784
6,00%	(57.450)	505.567
9,00%	(86.175)	758.351
12,00%	(114.900)	1.011.134

#### ii. Price Risk

The Company is not exposed to price risk.

#### iii. Cash flow and fair value interest rate risk

The company's interest rate risk is limited since no borrowings exist. Any such risk arises from the company's interest-bearing time deposits of its cash and cash equivalents.

The tables below present the sensitivity of the Company's net results in possible fluctuations of the interest rates for the years 2015 and 2014. This analysis takes into consideration the cash and cash equivalents of the Company as at 31 December 2015 and 2014 respectively.

Financial instruments in Euro

<b>Change in interest rates (base units)</b>	<b>Effect on net results 31/12/2015</b>	<b>Effect on net results 31/12/2014</b>
-100	(16.794)	(16.819)
-75	(12.596)	(12.614)
-50	(8.397)	(8.410)
-25	(4.199)	(4.205)
25	4.199	4.205
50	8.397	8.410
75	12.596	12.614
100	16.794	16.819

Financial instruments in USD

<b>Change in interest rates (base units)</b>	<b>Effect on net results 31/12/2015</b>	<b>Effect on net results 31/12/2014</b>
-100	(46.610)	(43.138)
-75	(34.958)	(32.354)
-50	(23.305)	(21.569)
-25	(11.653)	(10.785)
25	11.653	10.785
50	23.305	21.569
75	34.958	32.354
100	46.610	43.138

### 3.1.2 Credit risk

The trade transactions of the Company are made to private companies and public sector organizations 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 Organization (ECIO). Consequently, it is considered that the risk arising from doubtful receivables is particularly limited.

Regarding credit risk arising from cash deposits, the Company collaborates only with financial institutions with high credit rating.

### 3.1.3 Liquidity risk

Liquidity risk is kept low, by maintaining sufficient cash and availability under adequate credit lines.

### 3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital.

There is no capital risk for the Company. The total of its liabilities falls short of capital, the net debt is negative and the gearing ratio negative. Dividend payments are always covered by the Company's cash and cash equivalents.

The gearing ratios at 31 December 2015 and 31 December 2014 are as follows:

	<b>1/1 - 31/12/2015</b>	<b>1/1 - 31/12/2014</b>
Total borrowings	0	0
Less: Cash and cash equivalents (note 11)	6.253.615	5.913.824
<b>Net debt</b>	<b>(6.253.615)</b>	<b>(5.913.824)</b>
Total equity	62.625.283	61.397.625
<b>Total capital employed</b>	<b>56.371.668</b>	<b>55.483.801</b>
Gearing ratio	-11,1%	-10,7%

### 3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

### 3.4 Offsetting financial assets and liabilities

At 31 December 2015 and 2014 the Company does not have any financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements.

## 4. Critical accounting estimates and judgments

Estimates and judgments 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:

### 4.1 Impairment of property at fair value

The Company measures its property at cost less accumulated depreciation and impairment. The Company carried out an assessment of impairment of its property, at 31 December 2015 by appointing independent professional valuers to determine its fair value. The fair value of property is based on market data, using comparable adjusted prices in relation to the nature, location or condition of the property. From the impairment test at December 31, 2014, the impairment loss incurred was recognized as an expense in the income statement.

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The main assumptions used in determining the fair values of property are stated in note 6.

#### **4.2 Useful life of property, plant and equipment**

The management reviews the useful lives of depreciable assets. More information is set out in Notes 2.6 and 2.8.

#### **4.3 Estimated net realizable value of inventories**

According to the accounting policy stated in paragraph 2.12 the estimate of the net realizable value of inventories is the management's best estimate, based on historical trends in sales and its endorsement about the quality and volume of the stocks, to the extent that stocks available at the balance sheet date will be sold below cost.

#### **4.4 Provision for impairment of doubtful receivables**

The Company impairs the value of trade receivables when there is evidence or indications that the recovery of the amounts due in whole or in part is unlikely. The Company's Management periodically reassesses the adequacy of the allowance account for doubtful receivables based on factors such as the credit policy, reports from the legal department for recent developments in cases handled by it, and its estimation of the influence of other factors related to the collectability of the receivables.

#### **4.5 Employee retirement benefit obligations**

Employee retirement benefit obligations are calculated using actuarial studies that require management to assess specific parameters such as future salary increases, discount rates of such obligations, future rate of employees' retirement, etc. The Company's management at each reporting date estimates in the best possible way these parameters for establishing an adequate provision.

#### **4.6 Income Tax**

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

#### **4.7 Warranties provisions**

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.

## 5. Segmental Information

The Company's operation is organized in the defense systems business segment.

### Geographical segment

The Company's home-country is Greece. The Company sells products and services in the EU countries, to European countries outside the EU, the United States of America, and North Africa.

The sales revenue is allocated to the geographical areas based on the country in which the customer is located. The Assets are allocated based on where the assets are located.

	Sales		Assets(*)	
	1/1-31/12/2015	1/1-31/12/2014	31/12/2015	31/12/2014
Greece	488.344	815.685	34.690.809	35.901.919
European Union	6.072.496	4.067.189	-	-
Other European countries	305.097	-	-	-
Other countries	42.797.876	46.359.571	-	-
<b>Total</b>	<b>49.663.812</b>	<b>51.242.446</b>	<b>34.690.809</b>	<b>35.901.919</b>

(\*) *Financial assets and deferred tax assets are not included*

### Sales revenue by category

See analysis of revenue by category in note 18 below.

## 6. Property, plant and equipment

	Land - buildings	Machinery	Vehicles	Furniture & other equipment	Prepayments and assets under construction	Total
<b>Cost</b>						
<b>Balance at 1 January 2014</b>	<b>53.554.686</b>	<b>15.353.617</b>	<b>212.393</b>	<b>3.980.330</b>	<b>2.461</b>	<b>73.103.487</b>
Additions	9.330	97.540	-	196.071	6.870	309.811
Disposals	-	(270)	-	(28.951)	-	(29.221)
Reclassifications	-	-	-	-	(9.330)	(9.330)
Transfer to investment property	(875)	-	-	-	-	(875)
<b>Balance at 31 December 2014</b>	<b>53.563.141</b>	<b>15.450.887</b>	<b>212.393</b>	<b>4.147.450</b>	<b>0</b>	<b>73.373.872</b>
<b>Accumulated depreciation</b>						
<b>Balance at 1 January 2014</b>	<b>19.682.131</b>	<b>13.442.891</b>	<b>198.228</b>	<b>3.565.747</b>	<b>-</b>	<b>36.888.996</b>
Depreciation charge	755.645	456.293	4.889	176.901	-	1.393.728
Amortisation charge	1.500.613	-	-	-	-	1.500.613
Disposals	-	(142)	-	(28.317)	-	(28.460)
<b>Balance at 31 December 2014</b>	<b>13.370.523</b>	<b>13.899.041</b>	<b>203.117</b>	<b>3.714.331</b>	<b>-</b>	<b>39.754.878</b>
<b>Net book amount at 31 December 2014</b>	<b>40.192.618</b>	<b>1.551.846</b>	<b>9.276</b>	<b>433.119</b>	<b>0</b>	<b>33.618.994</b>
<b>Cost</b>						
<b>Balance at 1 January 2015</b>	<b>53.563.141</b>	<b>15.450.887</b>	<b>212.393</b>	<b>4.147.450</b>	<b>0</b>	<b>73.373.872</b>
Additions	7.568	296.937	-	68.699	-	373.203
Disposals	-	(31.370)	-	(21.038)	-	(52.408)
<b>Net book amount at 31 December 2015</b>	<b>53.570.709</b>	<b>15.716.454</b>	<b>212.393</b>	<b>4.195.111</b>	<b>0</b>	<b>73.694.667</b>
<b>Accumulated depreciation</b>						
<b>Balance at 1 January 2015</b>	<b>21.938.389</b>	<b>13.899.041</b>	<b>203.117</b>	<b>3.714.331</b>	<b>-</b>	<b>39.754.878</b>
Depreciation charge	755.969	401.057	2.639	151.957	-	1.311.622
Disposals	-	(31.369)	-	(21.034)	-	(52.404)
<b>Balance at 31 December 2014</b>	<b>12.625.879</b>	<b>14.268.729</b>	<b>205.756</b>	<b>3.845.253</b>	<b>-</b>	<b>41.014.096</b>
<b>Net book amount at 31 December 2015</b>	<b>30.876.351</b>	<b>1.447.725</b>	<b>6.637</b>	<b>349.857</b>	<b>0</b>	<b>32.680.571</b>

The Company reviewed for impairment the carrying amount of land, buildings and investment property at 31 December 2015.

From the review for impairment performed at December 31, 2015, no impairment loss incurred.

From the review impairment performed at December 31, 2014, impairment loss of € 1.581.827 incurred in the fiscal year 2014 was charged to the results for this year. An impairment loss of € 1.500.613 decreased the own-used property of the Company and is shown in “Property, plant and equipment” and an impairment of € 81.214 is shown in “Investment property”.

As recoverable amount of land, buildings and investment property was used the fair value less cost of disposal, which is estimated to approximate its value in use. The cost of disposal was considered negligible (zero). The property fair value was estimated using level 2 inputs of the fair value hierarchy. Fair value was estimated based on market data, using comparable adjusted prices in relation to the nature, location and condition of the property.

The fair value estimation of the Company's property was based on selling price of comparable property, adjusted to reflect the nature and the condition of the Company's assets, while the fair value estimation of the remaining building co-efficient was based on selling price of comparable land.

Specifically:

**Assumptions for fair value estimation at December 31, 2015**

Type of property/areas	Value (euro/sqm)
Production	899,52
Offices	1.245,49 - 1.383,88
Storage	498,20 - 622,74
Rest of Coverage Coefficient	Value (euro/sqm)
Land plot	284,94

**Assumptions for fair value estimation at December 31, 2014**

Type of property/areas	Value (euro/sqm)
Production	907,71
Offices	1.256,83-1.396,47
Storage	502,73 - 628,41
Rest of Coverage Coefficient	Value (euro/sqm)
Land plot	295,85

There are no real lines on the above assets.

At 31.12.2015 the Company had no contractual obligations for purchase of PPE assets.

## 7. Intangible assets

	Software	Other	Total
<b>Cost</b>			
<b>Balance at 1 January 2014</b>	6.431.603	51.240	6.482.843
Additions	112.557	-	112.557
<b>Balance at 31 December 2014</b>	<b>6.544.160</b>	<b>51.240</b>	<b>6.595.400</b>
<b>Accumulated depreciation</b>			
<b>Balance at 1 January 2014</b>	5.724.400	51.240	5.775.640
Depreciation charge	265.483	-	265.483
<b>Balance at 31 December 2014</b>	<b>5.989.883</b>	<b>51.240</b>	<b>6.041.123</b>
<b>Net book amount at 31 December 2014</b>	<b>554.277</b>	<b>0</b>	<b>554.277</b>
<b>Cost</b>			
<b>Balance at 1 January 2015</b>	6.544.160	51.240	6.595.400
Exchange differences	-	-	-
Additions	29.707	-	29.707
<b>Net book amount at 31 December 2015</b>	<b>6.573.867</b>	<b>51.240</b>	<b>6.625.107</b>
<b>Accumulated depreciation</b>			
<b>Balance at 1 January 2015</b>	5.989.883	51.240	6.041.123
Depreciation charge	267.940	-	267.940
<b>Balance at 31 December 2015</b>	<b>6.257.823</b>	<b>51.240</b>	<b>6.309.062</b>
<b>Net book amount at 31 December 2015</b>	<b>316.045</b>	<b>0</b>	<b>316.045</b>

## 8. Investment property

	31/12/2015	31/12/2014
<b>Cost</b>		
<b>Balance at beginning of year</b>	<b>2.694.362</b>	<b>2.693.487</b>
Transfer from PPE (note 6)	-	875
<b>Balance at end of year</b>	<b>2.694.362</b>	<b>2.694.362</b>
<b>Accumulated depreciation</b>		
<b>Balance at beginning of year</b>	<b>965.714</b>	<b>850.069</b>
Depreciation charge	34.455	34.431
Impairment	-	81.214
<b>Balance at end of year</b>	<b>1.000.169</b>	<b>965.714</b>
<b>Net book amount at end of year</b>	<b>1.694.193</b>	<b>1.728.648</b>

Rental income for 2015 and 2014 amounted to € 109.752 and € 109.596 respectively (note 21).



## 9. Trade and other receivables

	<b>31/12/2015</b>	<b>31/12/2014</b>
Trade receivables	8.069.214	8.431.991
Less: provision for impairment	(276.171)	(276.171)
<b>Trade receivables - net</b>	<b>7.793.043</b>	<b>8.155.820</b>
Receivables from related parties (note 29)	74.093	80.342
Prepayments to creditors	5.949.314	1.615.874
Other prepayments	113.998	97.383
Accrued income	9.080	86.041
Other receivables	2.144.956	2.445.883
<b>Total</b>	<b>16.084.485</b>	<b>12.481.343</b>
Non-current assets	41.030	41.030
Current assets	16.043.455	12.440.314
	<b>16.084.485</b>	<b>12.481.343</b>

The fair value of receivables approximates their carrying amounts.

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

	<b>31/12/2015</b>	<b>31/12/2014</b>
<b>Total</b>	<b>7.793.043</b>	<b>8.155.820</b>
<b>Not past due and not impaired at the balance sheet date (a)</b>	<b>2.765.133</b>	<b>3.209.278</b>
Impaired at the balance sheet date	276.171	276.171
Provision made for the following amount:	(276.171)	(276.171)
	-	-
<b>Not impaired at the balance sheet date but past due in the following periods (b):</b>		
< 90 days	1.190.978	1.322.048
90-180 days	266.838	68.347
180-270 days	77.549	26.675
270-365 days	77.122	114.837
1- 2 yrs	22.479	59.395
>2 yrs	3.392.943	3.355.239
	<b>5.027.910</b>	<b>4.946.542</b>
<b>Total (a+b)</b>	<b>7.793.043</b>	<b>8.155.820</b>

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

Trade and other receivables are denominated in the following currencies:

	<b>31/12/2015</b>	<b>31/12/2014</b>
Euro (EUR)	6.999.039	7.847.067
US Dollar (USD)	9.081.379	4.557.549
UK Pound GBP	4.067	76.228
Swiss Franc (CHF)	-	499
	<b>16.084.485</b>	<b>12.481.343</b>

## 10. Inventories

	<b>31/12/2015</b>	<b>31/12/2014</b>
Raw & auxiliary materials	16.639.952	18.352.031
Semi-finished goods	2.097.063	13.158.782
Finished goods	9.099.067	3.265.061
Work in progress	852.591	1.840.815
Merchandise	8.848	8.873
<b>Total</b>	<b>28.697.521</b>	<b>36.625.562</b>
Less: Provisions for obsolete inventories		
Raw & auxiliary materials	6.349.956	5.357.867
Semi-finished goods	1.878.524	1.408.737
Finished goods	271.841	229.213
	<b>8.500.321</b>	<b>6.995.817</b>
<b>Net realisable value</b>	<b>20.197.200</b>	<b>29.629.744</b>

The movement of the provision is as follows:

	<b>31/12/2015</b>	<b>31/12/2014</b>
At the beginning of the year	6.995.817	5.218.368
Provision for impairment	1.637.063	2.182.541
Amount of provision reversed during the year	(132.559)	(405.091)
<b>At the year end</b>	<b>8.500.321</b>	<b>6.995.817</b>

## 11. Cash and cash equivalents

	31/12/2015	31/12/2014
Cash at bank and in hand	6.253.615	727.913
Short-term bank deposits	-	5.185.911
<b>Total</b>	<b>6.253.615</b>	<b>5.913.824</b>

The effective interest rate on short-term bank deposits in Euro and USD was 0,75% and 0,52% respectively (2014: 1,29% and 1,81% respectively).

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

Cash and cash equivalents are analysed in the following currencies:

	31/12/2015	31/12/2014
Euro (EUR)	1.655.638	1.658.315
US Dollar (USD)	4.597.191	4.254.730
UK Pound GBP	314	559
Other	471	219
	<b>6.253.143</b>	<b>5.913.605</b>

## 12. Share capital

	Number of Shares	Common Shares	Total
Balance at 1 January 2014	<b>23.103.305</b>	<b>67.923.717</b>	<b>67.923.717</b>
Share capital reduction	-	(15.017.148)	(15.017.148)
Balance at 31 December 2014	<b>23.103.305</b>	<b>52.906.568</b>	<b>52.906.568</b>
<b>Balance at 31 December 2015</b>	<b>23.103.305</b>	<b>52.906.568</b>	<b>52.906.568</b>

The Company's Annual General Meeting on April 30, 2014 approved the reduction of share capital by the amount of fifteen million seventeen thousand one hundred forty-eight Euro and twenty-five cents (€ 15.017.148,25) as follows: a) by the amount of € 5.082.727,10, by offsetting losses for the purpose of reorganization of the Company, with a reduction of the nominal value of the 23.103.305 shares of the Company from € 2,94 to € 2,72 per share and b) by the amount of € 9.934.421,15 with cash return to shareholders, by decreasing the nominal value of the 23.103.305 shares of the Company at € 0,43 per share. Consequently, after that overall reduction, the share capital of the Company at December 31, 2014 amounted to fifty-two million nine hundred six thousand five hundred sixty-eight Euros and forty-five cents (€ 52.906.568,45), divided into twenty-three million one hundred and three thousand three hundred and five (23.103.305) shares of two Euro of nominal value and twenty-nine cents (€ 2,29) each.

At the December 31, 2014 the Company has disbursed the amount of € 8.976.938,87 on reducing the share capital.

### 13. Reserves

	Statutory reserves	Tax free reserves	Extraordinary reserves	Actuarial gains/ (losses) reserve	Total
<b>Balance at 1 January 2014</b>	<b>574.965</b>	<b>9.274.814</b>	<b>341.041</b>	<b>(412.315)</b>	<b>9.778.505</b>
Actuarial gains/ (losses)	-	-	-	(464.799)	(464.799)
<b>Balance at 31 December 2014</b>	<b>574.965</b>	<b>9.274.814</b>	<b>341.041</b>	<b>(877.115)</b>	<b>9.313.706</b>
<b>Balance at 1 January 2015</b>	<b>574.965</b>	<b>9.274.814</b>	<b>341.041</b>	<b>(877.115)</b>	<b>9.313.706</b>
Actuarial gains/ (losses)	-	-	-	(1.329)	(1.329)
<b>Balance at 31 December 2015</b>	<b>574.965</b>	<b>9.274.814</b>	<b>341.041</b>	<b>(878.443)</b>	<b>9.312.377</b>

#### (a) Statutory reserve

A statutory reserve is created under the provisions of Greek Company law (Law 2190/20, articles 44 and 45) according to which, an amount of at least 5% of the annual net profit shall be transferred to a statutory reserve until this reserve amounts to one third of the paid up share capital. This reserve can be used, upon resolution of the Annual General Meeting of shareholders, to offset accumulated losses and therefore cannot be used for any other purpose.

#### (b) Tax free reserves

This account includes reserves created from profits, which 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) Extraordinary reserves

The extraordinary reserves include amounts that were created following resolutions of the Annual General Meetings, have no specific purpose and can therefore be used for any purpose upon relevant resolution of the Annual General Meeting, as well as amounts, which were created under the provisions of Greek law. The above reserves have been created from taxed profits and are therefore not subject to any additional taxation in case of their distribution or capitalization.

#### (d) Actuarial gains / (losses) reserve

In this reserve are recognized the actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in measuring the obligation for employee retirement benefits.

## 14. 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:

	<b>31/12/2015</b>	<b>31/12/2014</b>
Deferred tax assets:	(6.692.744)	(5.547.178)
Deferred tax liabilities:	1.391.631	1.308.649
	<b>(5.301.113)</b>	<b>(4.238.529)</b>

Most of the deferred tax assets / liabilities are recoverable / payable after 12 months.

The total movement in deferred income tax is as follows:

	<b>31/12/2015</b>	<b>31/12/2014</b>
<b>Balance at the beginning of the year:</b>	(4.238.529)	(3.209.807)
Charged/ (credited) to the income statement (note 24)	(1.011.958)	(865.414)
Charged/ (credited) to the other Comprehensive income	(50.625)	(163.308)
<b>Balance at the end of the year</b>	<b>(5.301.113)</b>	<b>(4.238.529)</b>

Deferred tax that is charged directly to equity during the current and prior year relates to the recognition of actuarial gains from re-measurement of the defined benefit plans to employees (note 15).

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:

### Deferred tax liabilities:

	<b>Accelerated tax depreciation</b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	<b>1.352.541</b>	<b>25.618</b>	<b>1.378.160</b>
Charged / (credited) to the income statement	(70.163)	652	(69.511)
<b>Balance at 31 December 2014</b>	<b>1.282.378</b>	<b>26.271</b>	<b>1.308.649</b>
<b>Balance at 1 January 2015</b>	<b>1.282.378</b>	<b>26.271</b>	<b>1.308.649</b>
Charged / (credited) to the income statement	86.744	(3.761)	82.983
<b>Balance at 31 December 2015</b>	<b>1.369.122</b>	<b>22.510</b>	<b>1.391.631</b>

Deferred tax assets:

	Impairments of Land	Impairments of inventories	Impairments of receivables	Accrued expenses	Provisions	Total
<b>Balance at 1 January 2014</b>	<b>(2.352.907)</b>	<b>(1.356.776)</b>	<b>(190.227)</b>	<b>(410.980)</b>	<b>(277.077)</b>	<b>(4.587.966)</b>
Charged / (credited) to the income statement	(411.275)	(462.137)	-	26.692	50.816	(795.903)
Charge in the other Comprehensive income	-	-	-	(163.308)	-	(163.308)
<b>Balance at 31 December 2014</b>	<b>(2.764.182)</b>	<b>(1.818.912)</b>	<b>(190.227)</b>	<b>(547.595)</b>	<b>(226.261)</b>	<b>(5.547.178)</b>
<b>Balance at 1 January 2015</b>	<b>(2.764.182)</b>	<b>(1.818.912)</b>	<b>(190.227)</b>	<b>(547.595)</b>	<b>(226.261)</b>	<b>(5.547.178)</b>
Charged / (credited) to the income statement	(318.944)	(646.180)	(57.182)	(50.214)	(22.420)	(1.094.941)
Charge in the other Comprehensive income	-	-	-	(50.625)	-	(50.625)
<b>Balance at 31 December 2015</b>	<b>(3.083.126)</b>	<b>(2.465.093)</b>	<b>(247.410)</b>	<b>(648.434)</b>	<b>(248.681)</b>	<b>(6.692.744)</b>

## 15. Retirement benefit obligations

	31/12/2015	31/12/2014
<b>Balance sheet obligations for :</b>		
Pension benefits	2.235.981	2.106.134
<b>Total</b>	<b>2.235.981</b>	<b>2.106.134</b>
<b>Income statement charge</b>		
Pension benefits (note 20)	178.493	203.764
<b>Total</b>	<b>178.493</b>	<b>203.764</b>
<b>Actuarial (gains) / losses (Other comprehensive income)</b>		
Pension benefits	51.954	628.107
<b>Total</b>	<b>51.954</b>	<b>628.107</b>

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

	31/12/2015	31/12/2014
Present value of unfunded obligations	2.235.981	2.106.134
<b>Liability in the Balance Sheet</b>	<b>2.235.981</b>	<b>2.106.134</b>

The amounts recognized in Statement of Comprehensive Income are as follows:

	31/12/2015	31/12/2014
Current service cost	58.550	45.861
Interest cost	46.335	45.692
Losses from settlements	73.608	112.212
<b>Total, included in staff costs (note 20)</b>	<b>178.493</b>	<b>203.764</b>

The total charge is allocated as follows:

	<b>31/12/2015</b>	<b>31/12/2014</b>
Cost of goods sold	98.800	103.936
Selling and research costs	58.141	75.326
Administrative expenses	21.552	24.503
	<b>178.493</b>	<b>203.764</b>

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

	<b>31/12/2015</b>	<b>31/12/2014</b>
<b>Balance at the beginning of the year</b>	2.106.134	1.427.877
Total expense charged / (credited) in the income statement	178.493	203.764
Contributions paid	(100.600)	(153.615)
	<b>2.184.027</b>	<b>1.478.027</b>
Actuarial gains/ (losses) from changes in demographic assumptions	-	435.896
Actuarial gains/ (losses) from changes in financial assumptions	61.731	287.566
Other Actuarial gains/ (losses)	(9.777)	(95.354)
<b>Balance at the end of the year</b>	<b>2.235.981</b>	<b>2.106.134</b>

The principal actuarial assumptions used were as follows:

	<b>31/12/2015</b>	<b>31/12/2014</b>
	%	%
Discount rate	2,0%	2,2%
Inflation rate	2,0%	2,0%
Future salary increases	2,0%	2,0%

The present value sensitivity analysis to changes in principal actuarial assumptions is as follows:

	<b>Assumption Change</b>	<b>Assumption increase</b>	<b>Assumption decrease</b>
Discount rate	0,50%	7% decrease	7% increase
Future salary increases	0,50%	8% increase	7% decrease

The average expected maturity of the retirement benefit obligation:

	<b>31/12/2015</b>
	years
Pension benefits	14,32

## 16. Provisions

	Warranties	Unused compensated absences	Litigation & tax provisions	Other provisions	Total
<b>Balance at 1 January 2014</b>	716.620	152.813	106.550	349.060	1.325.043
Provisions for the year	384.909	-	-	-	384.909
Unused provisions reversed	-	(152.813)	-	(209.477)	(362.290)
Provisions used during the year	(353.355)	-	-	(17.523)	(370.879)
<b>Balance at 31 December 2014</b>	<b>748.174</b>	<b>-</b>	<b>106.550</b>	<b>122.060</b>	<b>976.784</b>
Additional provisions	350.538	-	-	-	350.538
Provisions used during the year	(363.251)	-	-	-	(363.251)
<b>Balance at 31 December 2015</b>	<b>735.460</b>	<b>-</b>	<b>106.550</b>	<b>122.060</b>	<b>964.070</b>

### Analysis of total Provisions:

	31/12/2015	31/12/2014
<b>Current liabilities</b>		
Warranties	367.730	374.087
Unused compensated absences	-	-
Other provisions	-	-
	<b>367.730</b>	<b>374.087</b>
<b>Non- current liabilities</b>		
Warranties	367.730	374.087
Litigation & tax provisions	106.550	106.550
Other provisions	122.060	122.060
	<b>596.340</b>	<b>602.697</b>
Non- current liabilities		
<b>Total</b>	<b>964.070</b>	<b>976.784</b>

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



## 17. Trade and other payables

	<b>31/12/2015</b>	<b>31/12/2014</b>
Trade payables	1.757.427	1.148.060
Amounts due to related parties (note 29)	821.673	587.548
Accrued expenses	66.976	92.668
Social security and other taxes	1.103.326	1.092.607
Advances from customers	11.795.483	17.438.494
Capital repayment to the Parent Company	957.482	2.834.747
Other liabilities	17.565	8.153
<b>Total</b>	<b>16.519.933</b>	<b>23.202.278</b>
Non-current liabilities		
Current liabilities	16.519.933	23.202.278
	<b>16.519.933</b>	<b>23.202.278</b>

Trade and other payables are denominated in the following currencies:

	<b>31/12/2015</b>	<b>31/12/2014</b>
Euro (EUR)	4.007.673	5.962.347
US Dollar (USD)	12.503.107	17.238.399
UK Pound GBP	9.153	1.533
	<b>16.519.933</b>	<b>23.202.278</b>

The average credit payment term of the Company's liabilities is 60 days.

## 18. Sales revenue by category

Analysis of revenue by category is as follows:

	<b>1/1-31/12/2015</b>	<b>1/1-31/12/2014</b>
Sales of products	44.640.850	49.032.191
Revenue from services	5.022.962	2.210.255
<b>Total</b>	<b>49.663.812</b>	<b>51.242.446</b>

## 19. Expenses by nature

	Note	1/1-31/12/2015	1/1-31/12/2014
Employee benefit expense	20	(14.467.784)	(14.454.902)
Inventory cost recognised in cost of goods sold		(22.946.572)	(27.578.637)
Depreciation of PPE			
-Freehold property	6	(1.311.622)	(1.393.728)
Depreciation of investment property	8	(34.455)	(34.431)
Amortisation of intangible assets	7	(267.940)	(265.483)
Impairment of inventories		(1.504.503)	(1.777.450)
Subcontractors' fees		(669.160)	(1.418.174)
Repairs and maintenance		(844.186)	(821.241)
Operating lease payments			
-Vehicles and machinery		(138.589)	(137.133)
-Furniture and other equipment		(12.125)	(12.090)
Transportation and travelling expenses		(893.617)	(985.019)
Hospitality Expenses, conferences, exhibitions, advertising, etc.		(475.976)	(440.501)
Telecommunication, lighting & heating		(934.074)	(993.178)
Third party fees		(1.596.346)	(1.557.156)
Taxes and duties		(5.522)	(17.028)
Other expenses		(492.633)	(155.674)
<b>Total</b>		<b>(46.595.104)</b>	<b>(52.041.823)</b>
		<b>1/1-31/12/2015</b>	<b>1/1-31/12/2014</b>
<b>Split by function:</b>			
Cost of goods sold		(33.849.488)	(38.308.051)
Selling and research costs		(8.731.071)	(10.111.607)
Administrative expenses		(4.014.545)	(3.622.165)
		<b>(46.595.104)</b>	<b>(52.041.823)</b>
<b>Split of depreciation and amortisation by function:</b>			
Cost of goods sold		(804.149)	(828.128)
Selling and research costs		(573.004)	(627.964)
Administrative expenses		(236.864)	(237.550)
		<b>(1.614.016)</b>	<b>(1.693.641)</b>

## 20. Employee benefits

	1/1-31/12/2015	1/1-31/12/2014
Wages and salaries	11.347.470	11.255.418
Social security costs	2.622.896	2.801.164
Other employers' contributions and expenses	318.925	194.555
Pension costs - defined benefit plans (note 15)	178.493	203.764
<b>Total</b>	<b>14.467.784</b>	<b>14.454.902</b>

The total number of employees as at 31/12/2015 was 381 (2014: 389).

## 21. Other operating income

	1/1-31/12/2015	1/1-31/12/2014
Income from grants	229.903	82.912
Rental income	109.752	109.596
Insurance Compensation	-	2.650
Other	32.682	9.394
<b>Total</b>	<b>372.338</b>	<b>204.552</b>

## 22. Other gains/ (losses) –net

	1/1-31/12/2015	1/1-31/12/2014
Net foreign exchange gains / (losses)	(2.497.507)	1.039.842
Gains/ (losses) from sale of PPE	(4)	(661)
<b>Total</b>	<b>(2.497.511)</b>	<b>1.039.181</b>

## 23. Finance costs – net

	1/1-31/12/2015	1/1-31/12/2014
<b>Finance expenses</b>		
- Letters of credit and related costs	(170.829)	(224.686)
- Other	(41.906)	(31.750)
	(212.735)	(256.436)
<b>Finance income</b>		
-Interest income	9.620	133.988
-Interest income from loans to related parties	6.540	-
- Other	226.368	472.569
	242.528	606.557
<b>Total</b>	<b>29.793</b>	<b>350.121</b>

## 24. Income tax expense

	1/1-31/12/2015	1/1-31/12/2014
Current tax	(756.300)	(814.437)
Deffered tax (Note 15)	1.011.958	865.415
<b>Total</b>	<b>255.658</b>	<b>50.978</b>

The tax on the losses before tax of the Company differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the Company as follows:

	<b>1/1-31/12/2015</b>	<b>1/1-31/12/2014</b>
<b>Profit before tax</b>	<b>973.327</b>	<b>(787.349)</b>
	29%	26%
Tax calculated at tax rates applicable to Greece	(282.265)	204.711
Expenses not deductible for tax purposes	(24.172)	(153.733)
Differences in tax rates	453.502	-
Other Taxes	108.593	-
<b>Tax charge</b>	<b>255.658</b>	<b>50.978</b>

On July 15 was enacted the Law 4334/2015 (Government Gazette A 80 / 16.07.2015) under which the income tax rate for legal entities was set at 29%.

Tax returns are filed annually. With respect to the financial years up to and including 2010, the profits or losses declared for tax purposes remain provisional until such time as the tax authorities examine the returns and the records of the tax payer and a final assessment is issued. From the financial year 2011 onwards, the tax returns are subject to the Audit Tax Certificate process. Net operating losses which are tax deductible can be carried forward against taxable profits for a period of five years from the year they are generated.

#### **Audit Tax Certificate**

From the financial year 2011 onwards, all Greek Société Anonyme and Limited Liability Companies that are required to prepare audited statutory financial statements must in addition obtain an "Annual Tax Certificate" as provided for by paragraph 5 of Article 82 of L. 2238/1994, (financial years 2011 - 2013, POL 1159/2011, as amended by POL 1134/2016) and article 65<sup>A</sup> of Law 4174/2013 (financial year 2014 onwards, POL 1124/2015), which is issued after the tax audit by the same statutory auditor or audit firm that issues the audit opinion on the statutory financial statements. Upon completion of the tax audit, the statutory auditor or audit firm must issue to the entity a "Tax Compliance Report" which will subsequently be submitted electronically to the Ministry of Finance, by the statutory auditor or audit firm not later than the 10th day of the 7th month after the end of the financial year.

According to POL. 1006/2016 of the Ministry of Finance that accepted the opinion no. 256/2015 of the Legal Council of State, companies for which a Tax Compliance Report without statements for

violations of the tax law is issued, are not exempted from the tax audit and the imposition of additional taxes and fines within legislative restrictions.

For fiscal years beginning from 1.1.2014 onwards in Law 4174/2013 defined as a general limitation period, the 5-year period from the end of the year in which expires the deadline for submitting the income tax return.

### Unaudited tax years

The Company has not been audited for the year 2010. The cumulative provision for unaudited tax years for the Company amounts to € 106.650.

For the years 2011-2014, the Company was subject to tax audit of the statutory auditors pursuant to the provisions of article 82 paragraph 5 of Law 2238/1994 and article 65<sup>A</sup> of Law 4174/2013 and obtained the 'Tax Compliance Report' out of which no additional tax liabilities arose in excess of the tax expense and the tax provision provided for in the annual financial statements of these years. The 'Tax Compliance Reports' for fiscal years 2011 to 2014 were issued without qualification.

The tax audit performed by the statutory auditors for the financial year 2015, according to the provisions of Law 4174/2013, article 65A, paragraph 1 as applicable, is still in progress and the tax compliance report is expected to be issued after the publication of the annual financial statements of year 2015.

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.

## 25. Earnings/(loss) per share

### Basic earnings / (loss) per share

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

	<u>1/1-31/12/2014</u>	<u>1/1-31/12/2014</u>
Profit/Losses attributable to the equity holders of the Company	1.228.986	(736.371)
Weighted average number of shares	23.103.305	23.103.305
<b>Earnings /(Losses) per share (euro per share)</b>	<b><u>0,053</u></b>	<b><u>(0,032)</u></b>

The number of shares the company has not changed during the year. The Company does not hold any treasury shares.

## Diluted earnings / (loss) per share

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

Diluted earnings per share of the Company do not differ from basic earnings per share.

## 26. Cash generated from operations

	Note	1/1-31/12/2015	1/1-31/12/2014
<b>Profit/ losses for the year</b>		<b>1.228.986</b>	<b>(736.371)</b>
Adjustments for:		-	-
Tax	24	(255.658)	(50.978)
Depreciation of PPE	6	1.311.622	1.393.728
Depreciation of investment property	8	34.455	34.431
Amortisation of intangible assets	7	267.940	265.483
Impairment of tangible assets and investment property		1.504.503	3.764.367
Loss on sale of PPE	22	4	661
Interest income	23	(16.160)	(133.988)
Interest expense	23	212.735	256.436
Foreign exchange difference		(128.711)	-
		<b>4.159.714</b>	<b>4.793.768</b>
<b>Changes in working capital</b>			
(Increase) / decrease in Inventories		7.928.041	4.126.108
(Increase)/ decrease in trade and other receivables		(3.603.142)	3.045.719
Increase/ (decrease) in trade and other payables		(4.766.027)	(9.410.326)
Increase/ (decrease) in provisions		(12.714)	(348.259)
Increase/ (decrease) in retirement benefit obligations		77.893	50.150
		<b>(375.949)</b>	<b>(2.536.608)</b>
<b>Cash generated from operations</b>		<b>3.783.766</b>	<b>2.257.160</b>

## 27. Commitments

### Operating lease commitments– the Company as lessee

On December 31, 2015 and 2014 the Company has signed operating lease agreements regarding the lease of vehicles.

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

	<b>31/12/2015</b>	<b>31/12/2014</b>
No later than 1 year	83.765	105.585
Later than 1 year and no later than 5 years	40.010	123.080
	<b>123.775</b>	<b>228.665</b>

### Operating lease commitments – the Company as Lessor

On December 31, 2015 and 2014 the Company has signed operating lease agreements concerning the lease of part of its premises presented as investment property.

The future aggregate minimum rental income is as follows:

	<b>31/12/2015</b>	<b>31/12/2014</b>
Up to 1 year	107.602	110.446
Later than 1 year and no later than 5 years	363.263	389.194
Later than 5 years	415.281	505.754
	<b>886.146</b>	<b>1.005.394</b>

### Capital commitments

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

## 28. Contingent liabilities/receivables

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

### Guarantees

	<b>31/12/2015</b>	<b>31/12/2014</b>
Guarantees for advance payments	5.944.738	9.916.488
Guarantees for good performance	544.669	42.311
Guarantees for participation in contests	1.285.990	284.054
	<b>7.775.397</b>	<b>10.242.853</b>

## Outstanding legal cases

There are no legal or arbitration proceedings and decisions of judges or arbitrators which have or may have a material effect on the financial position or operations of the Company.

## 29. Related party transactions

The following transactions are carried out with related parties:

	1/1-31/12/2015	1/1-31/12/2014
<b>Sales of goods / services:</b>		
To INTRACOM HOLDINGS group Subsidiaries	450	6.807
To other related parties	164.233	175.847
	<b>164.683</b>	<b>182.654</b>
<b>Purchases of goods / services:</b>		
From parent company INTRACOM HOLDINGS	400.000	402.500
From INTRACOM HOLDINGS group Subsidiaries	843.253	747.143
From other related parties	58.238	56.069
	<b>1.301.491</b>	<b>1.205.712</b>
<b>Sales of fixed assets:</b>		
To other related parties	-	100
	<b>-</b>	<b>100</b>
<b>Rental Income</b>		
From other related parties	86.571	103.059
	<b>86.571</b>	<b>103.059</b>
<b>Interest Income</b>		
From parent company INTRACOM HOLDINGS	5.559	-
	<b>5.559</b>	<b>-</b>

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

	31/12/2015	31/12/2014
<b>Receivables from related parties</b>		
From INTRACOM HOLDINGS group Subsidiaries	1.230	12.608
From other related parties	72.863	67.735
	<b>74.093</b>	<b>80.342</b>
<b>Payables to related parties</b>		
To parent company INTRACOM HOLDINGS	246.000	123.000
To INTRACOM HOLDINGS group Subsidiaries	262.271	157.296
To other related parties	313.402	307.252
	<b>821.673</b>	<b>587.548</b>



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**

Directors' remuneration and key management compensation amounted to € 362.765 during the year 2015 in comparison to € 361.665 during the previous year.

### **30. Dividends**

The company did not pay dividends in the current and prior year. The Board of Directors has not proposed to the Shareholders General Meeting, dividends distribution for the current year.

### **31. Events after the balance sheet date**

Further to those already referred there are no significant subsequent to 31 December 2015 events, which should either be referred or that should differ the items of the published financial statements.