INTRACOM SA

DEFENSE ELECTRONIC SYSTEMS

Financial Statements

for the year ended December 31, 2013

in accordance with International Financial Reporting Standards

General Electronic Commercial Registry (G.E.MI.) No.: 6657001000

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" on 7 April 2014 and have been published posted on the web site at the address http://www.intracomdefense.com.

THE CHAIRMAN OF THE B. OF D.	**THE VICE CHAIRMAN OF THE B. OF D.**
D. CH. KLONIS ID No. AK 121708/07.10.2011	K. S. KOKALIS ID. No. AI 091122/14.10.2009
THE MANAGING DIRECTOR	**THE FINANCIAL AND ADMINISTRATIVE SERVICES MANAGER**
G. I. TROULLINOS ID. No. Σ 681748/21.07.1999	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

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A) ANNUAL REPORT OF THE BOARD OF DIRECTORS

of the company

"INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS"

DISTINCTIVE NAME: "INTRACOM DEFENSE ELECTRONICS"

On the Financial Statements

For the year from 1 January to 31 December 2013

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 2013.

The financial statements for the present year, as also those for the previous years have been prepared in accordance with International Accounting Standards, as adopted by the European Union.

This Annual Report of the Board of Directors was prepared in accordance with the provisions of article 43a paragraph 3 of cod. L. 2190/1920.

The main object of Company's activity concerns the industrial production of defense systems, trade, design, development, manufacture and installation of defense electronic systems as well as the provision of related services.

FINANCIAL RESULTS – ACTIVITY REVIEW

The company sales in fiscal year 2013, amounted to € 49.856 thousand against € 49.660 thousand in fiscal year 2012 remained at the same levels.

The financial statements of the Company for the year 2013 have been affected by impairment charges and provisions. The management of the Company, taking into account the decrease in property value led by market conditions, has proceeded to an assessment of the respective assets so that are depicted at fair value in the financial statements.

Moreover, for the current year the Company has proceeded to increased provisions for impairment of immovable stocks compared to the previous year 2012.

The Company's operating result (EBITDA), amounted to a profit of € 804 thousand, compared to profit of € 1.256 thousand in 2012. In the above operating result is included a loss of € 1.995 that is considered excessive in relation to the current company policy regarding annual provisioning for impairment of inventory obsolescence. Adjusted for 2013 EBITDA amounted to € 2.799 thousand.

In terms of income before taxes (EBT), the Company recorded losses of € 10.216 thousand compared to losses of € 870 thousand in year 2012. This amount has been affected by the impairment of property value of € 9.050 thousand. The company's adjusted result would be profit before taxes (EBT) of EUR € 830 thousand.

The loss after tax amounted to € 7.496 thousand compared to losses of € 712 thousand in the prior year.

These changes and the adjusted results for the year 2013 are presented in the following table:

	2012	**2013**	**2013 adjusted**
Sales	49.659	49.856	49.856
Gross profit	9.123	10.539	12.341
EBITDA	1.256	804	2.799
EBIT	-659	-9.952	1.094
EBT	-870	-10.216	830

The inventories after the aforementioned provisions for impairments amounted to € 35.938 thousand compared to € 35.233 thousand in the previous year remaining at the same levels.

Trade receivables and other receivables decreased to € 15.524 thousand compared to € 23.012 thousand in 2012.

Total liabilities amounted to € 31.058 thousand, of which the largest part of € 25.809 thousand, concerns customers advance payments in the frame of projects implementation.

The administrative expenses amounted to € 3.616 thousand increased by 12,67% compared to the previous year.

The net financial cost for the year amounted to € 264 thousand, while there are no borrowings.

Cash and cash equivalents at the end of the year amounted to € 11.488 thousand compared to € 9.155 thousand at the end of the previous year.

The equity of the Company at the end of the year 2013 amounted to € 72.533 thousand against € 79.941 in the year 2012.

The total Assets amounted in 2013 to € 105.019 thousand against € 116.864 in the year 2012, decreased by 10,14%, despite the increase of cash and cash equivalents. This decrease is mainly due to the above-mentioned impairment of land and immovable inventories.

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

a. Financial Structure Ratios

	2013	**2012**
Current Assets / Total Asests	60,0%	58,3%
Total Equity / Total Liabilities	223,3%	216,5%
Total Equity / Fixed Assets	172,6%	164,1%
Current Assets / Short- term Libilites	206,2%	194,1%

b. Profitability Ratios

	2013	**2012**
Net Profit / Sales	-15,0%	-1,4%
Gross Profit / Sales	21,1%	18,4%
Sales / Total Equity	68,7%	62,1%

MAIN EVENTS

In January 2013 was announced by the German company Diehl BGT Defense (DBD) the successful launch of the IRIS-T SL (Surface Launched) missile. This success demonstrated the excellent performance of the Data Link system which was designed by INTRACOM DEFENSE ELECTRONICS, confirming the world class technology of the Company in the field of high-speed wireless systems characterized by communication link robustness, security and high degree of jamming immunity.

In July 2013 the Raytheon company, in the presence of U.S. government representatives successfully completed the acceptance of the first Patriot legacy Antenna Mast Group (AMG) system at IDE's premises in Koropi. After this success, INTRACOM DEFENSE ELECTRONICS has been a certified supplier of this major Patriot subsystem for its production and support worldwide.

In 2013 the Company undertook new projects with a total budget of € 18,4 million; the most significant of which are the following:

- With the company NORTHROP GRUMMAN (U.S.A.), agreements worth US $ 3,9 million for the production of Radar Warning Receiver electronics for the Self-protection systems and the fire control Radar for F-16 aircraft of third countries.
- With the German company Diehl BGT Defense (DBD), agreement worth € 3,3 million for the manufacturing of electronic units and spare parts of the IRIS-T missile in order to sell them to international customers.
- With the German company RAM SYS, agreement worth € 3,6 million having as object the production of electronic systems for surface-to-air ESSM defense systems.
- With the company RAYTHEON (U.S.A.), agreements worth U.S. $ 9,4 million. These agreements concern the manufacturing of units for PATRIOT air defense systems to meet needs in third countries, as well as the manufacturing of electronic systems for surface-to-air RAM, PHALANX and ESSM defense systems.

GOALS – PERSPECTIVES

IDE's continuing efforts on the extraversion policy have led to establishment of its position as the main export company of Defense equipment. Taking into account the fragile economic conditions in the euro zone, the ongoing recession in our country and the weak performance of the banking system, the strategy of extraversion offered positive results, offsetting the impact of large shrinkage of the internal market.

The Company, in the frame of its policy, and taking into account the negative domestic conjuncture as well as the difficulties of the international economic environment, has maintained and set the following objectives focused on:

- 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).
- The completion of its own Hybrid Power Defense Systems for the introduction of new innovative products in the markets.

The backlog of contracts of the Company on 31.12.2013 amounted to € 79,1 million.

RISKS AND UNCERTAINTIES

Risks associated with the company's activity

Defense market trend

The imports of weapon systems per European nation were decreased by 25% between 2004-2008 and 2009-2013. The total European defense spending continues to decline in real terms by an average of 2.5 % per year since 2010 (IISS-The Military Balance 2014). Many European countries in 2013 chose to import second-hand weapon systems as a less, expensive alternative. In Greece, the decline in defense imports during the period 2009-2013 compared to the period 2004-2008 was around 47% (SIPRI). Concerning Greece, defense spending declined in 2010 by 19.3 %, in 2011 by 18.2 %, in 2012 by 10.4 % and in 2013 by 0.3 % (NATO report). In addition to the reduction in defense spending, the ongoing tight credit policy of the domestic banking sector and the size of the Greek small and medium-sized companies in an environment of international competition constitute additional restraining factors of development of the domestic defense industry.

Out of the 55 countries exporting defense equipment (2009-2013), 74% of worldwide exports concerns the five largest countries listed in order (U.S.A., Russia, Germany, China and France). Respectively, the five largest importers of defense equipment (2009-2013) were India, China, Pakistan, U.A.E. and Saudi Arabia.

The main importers of defense systems (2009-2013), by geographic area, were Asia and Oceania (47 %) followed by the Middle East (19%), Europe (14%), America (10 %) and Africa (9 %) - (Stockholm International Peace Research Institute - SIPRI).

According to a relative survey (McKinsey -Defense Outlook 2015), executives of the 20 largest defense industries worldwide are expecting the global defense spending for the next three years to decrease. Defense spending increase is expected only in India and the Middle East, whereas in Europe and North America defense spending is expected to decline.

The ongoing recession and deflation for the fifth consecutive year in our country along with the deterioration of macroeconomic data and fiscal austerity have resulted in the continuous decrease of defense spending. The national defense program is constantly postponed with the risk of existing effects on the country's capabilities.

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.

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 31.12.2013 reached 393 employees compared to 403 employees at 31.12.2012.

Directors' remuneration and key management compensation amounted to € 1.161.097 in the year 2013 in comparison to € 838.695 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 31/12/2013.

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 2013 to 31 December 2013.

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, 7 April 2014

THE MANAGING DIRECTOR (CEO)

GEORGE TROULLINOS

B) INDEPENDENT AUDITOR'S REPORT

To the Shareholders of

"INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS"

Report on the Financial Statements

We have audited the accompanying financial statements of "INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS", which comprise the balance sheet as at 31 December 2013, 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.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2013, 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, 8 April 2014

THE CERTIFIED PUBLIC ACCOUNTANT AUDITOR

Michalis E. Chatzistavrakis

Institute of CPA (SOEL) Reg. No. 26581

Associated Certified Public Accountants s.a.

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3, Fok. Negri Street – 112 57 Athens, Greece

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C) Annual Financial Statements in accordance with IFRS

Contents

Balance sheet

	Note	31/12/2013	31/12/2012 *	01/01/2012 *
ASSETS				
Non-current assets				
Property, plant and equipment	6	36.214.490	44.196.365	44.446.645
Intangible assets	7	707.203	744.614	1.067.335
Investment property	8	1.843.417	3.741.142	4.781.545
Deferred income tax assets	12	3.209.806	-	-
Trade and other receivables	9	41.030	41.400	41.030
		42.015.946	**48.723.521**	**50.336.554**
Current assets				
Inventories	10	35.938.393	35.232.939	26.158.989
Trade and other receivables	9	15.482.803	22.970.708	24.704.164
Current income tax assets		94.374	781.685	770.629
Cash and cash equivalents	11	11.487.741	9.155.149	7.058.982
		63.003.311	**68.140.480**	**58.692.763**
Total assets		**105.019.258**	**116.864.001**	**109.029.317**
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	12	67.923.717	67.923.717	67.923.717
Reserves	13	9.778.505	9.690.176	9.703.472
Retained earnings		(5.169.005)	2.327.106	3.035.161
		72.533.217	**79.940.999**	**80.662.350**
Total equity		**72.533.217**	**79.940.999**	**80.662.350**
LIABILITIES				
Non-current liabilities				
Deferred income tax liabilities	14	0	10.403	175.298
Retirement benefit obligations	15	1.427.877	1.358.455	1.311.061
Provisions for other liabilities and charges	16	496.642	445.717	758.265
		1.924.519	**1.814.575**	**2.244.624**
Current liabilities				
Trade and other payables	17	29.823.399	34.531.427	24.695.343
Borrowings		-	-	1.000.000
Provisions for other liabilities and charges	16	738.123	577.000	427.000
		30.561.522	**35.108.427**	**26.122.343**
Total liabilities		**32.486.041**	**36.923.002**	**28.366.967**
Total equity and liabilities		**105.019.258**	**116.864.001**	**109.029.317**

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30).

The notes on pages 15 to 52 are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	1/1-31/12/2013	1/1-31/12/2012 *
Sales	18	49.855.647	49.659.292
Cost of goods sold	19	(39.316.728)	(40.536.352)
Gross profit		**10.538.918**	**9.122.940**
Selling and research costs	19	(8.924.218)	(6.391.018)
Administrative expenses	19	(3.616.055)	(3.209.470)
Other income	21	1.030.960	213.548
Other gains/(losses) - net	22	68.477	(394.924)
Impairment losses from tangible assets and investment property	6,8	(9.049.642)	-
Operating profit		**(9.951.560)**	**(658.925)**
Finance income		118.622	90.314
Finance costs		(382.585)	(301.015)
Finance costs - net	23	**(263.963)**	**(210.701)**
Profit before income tax		**(10.215.523)**	**(869.626)**
Income tax expense	24	2.719.412	161.571
Profit for the year		**(7.496.111)**	**(708.055)**
Other comprehensive income:			
Actuarial gains/ (losses), net of tax		88.329	(13.296)
Other Comprehensive income for the year, net of tax		**88.329**	**(13.296)**
Total comprehensive income for the year		**(7.407.782)**	**(721.351)**
Losses per share attributable to the equity holders of the Company during the period (expressed in €)			
Basic	26	**(0,324)**	**(0,031)**

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30).

The notes on pages 15 to 52 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2012		67.923.717	10.190.820	2.737.662	80.852.199
Effect of change in accounting policy*		-	(487.348)	297.499	(189.849)
Balance at 1 January 2011 (restated)		**67.923.717**	**9.703.472**	**3.035.161**	**80.662.350**
Actuarial gains/ (losses), net of tax	13		(13.296)		(13.296)
Loss for the period		-		(708.055)	(708.055)
Total comprehensive income for the period			**(13.296)**	**(708.055)**	**(721.351)**
Balance at 31 December 2012*		**67.923.717**	**9.690.176**	**2.327.106**	**79.940.999**
Balance at 1 January 2013		67.923.717	9.690.176	2.327.106	79.940.999
Actuarial gains/ (losses), net of tax	13		88.329		88.329
Loss for the period		-	-	(7.496.111)	(7.496.111)
Total compre hensive income for the pe riod			**88.329**	**(7.496.111)**	**(7.407.782)**
Balance at 31 December 2013		**67.923.717**	**9.778.505**	**(5.169.005)**	**72.533.217**

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30).

The notes on pages 15 to 52 are an integral part of these financial statements.

Cash flow statement

	Note	1/1-31/12/2013	1/1-31/12/2012
Cash flows from operating activities			
Cash generated from operations	26	2.707.328	3.546.004
Interest paid		(382.585)	(301.015)
Income tax paid		206.220	(11.057)
Net cash from operating activities		**2.530.963**	**3.233.932**
Cash flows from investing activities		-	-
Purchase of property, plant and equipment (PPE)		(280.464)	(217.789)
Purchase of intangible assets		(24.967)	(10.289)
Proceeds from sale of PPE		8	-
Interest received		107.052	90.314
Net cash from investing activities		**(198.371)**	**(137.765)**
Cash flows from financing activities			
Repayment of borrowings		-	(1.000.000)
Net cash from financing activities		**-**	**(1.000.000)**
Net decrease in cash and cash equivalents		**2.332.592**	**2.096.167**
Cash and cash equivalents at beginning of year		9.155.149	7.058.982
Cash and cash equivalents at end of year	11	**11.487.741**	**9.155.149**

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30).

The notes on pages 15 to 52 are an integral part of these financial statements.

Notes to the Financial Statements

1. General Information

INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS ("Intracom Defense", "the Company") was founded in Greece and operates mainly in the design, development and manufacturing of defense electronic products, systems and applications and the provision of technical support services and maintenance.

The company operates in Greece and in foreign countries.

The Company's registered office is at 21 km Markopoulou Ave., Peania Attikis, Greece. Its website address is ***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 2013 have been published on its website at ***www.intracom.com*.**

These financial statements have been approved for issue by the Board of Directors on 7 April 2014 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 INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS for the year ended 31 December 2013 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 2013, are consistent with those described in the published financial statements for the year ended 31 December 2012, 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 2013.

2.2 New standards, amendments to existing standards and interpretations

Certain new standards, amendments to existing standards and interpretations have been issued that are mandatory for accounting periods beginning during the current reporting period or subsequent reporting periods. Below are set out the standards and interpretations which have been amended. Most of these amendments are not relevant to the company's operations unless otherwise stated.

2.2.1 Standards and Interpretations mandatory for the current financial year 2013

IAS 1 (Amendment) "Presentation of Financial Statements - Presentation of the items of other Comprehensive Income"

The main change arising from this amendment is that it requires entities to group the items that are presented in the Statement of Other Comprehensive Income in two groups, so as to be evident if these could be reclassified in profit or loss in the income statement in a subsequent period.
The amendment impacts only the presentation and has no impact on the financial position of the Company.

IAS 12 (Amendment) "Income Taxes - Deferred taxation: Recovery of assets"

IAS 12 requires an entity to measure the deferred tax in relation to an asset depending on whether an entity expects to recover the asset's carrying amount through its own-use or disposal. However, it is often difficult and subjective to determine the expected manner of recovery with respect to investment property measured at fair value in terms of IAS 40 "Investment Property". To provide a practical approach in such cases, the amendments introduce a presumption that an investment property is recovered entirely through disposal. The amendment has no impact on the financial statements of the Company.

IAS 19 (Amendment) "Employee Benefits"

In June 2011 the IASB amended the IAS 19 as it eliminates the choice that permits an entity to defer some gains and losses arising from pension schemes (defined benefit plans ["corridor method"]. Entities shall now present these changes when occurred. This will lead entities to include any deficit or surplus in a pension scheme in the statement of financial position. Moreover, it requires entities to include the service cost and the finance cost in the income statement and the re-measurements in other comprehensive income. The amended IAS 19 requires retrospective application and the impact from its application is presented in Note 30 to the financial statements.

IFRS 13 "Fair Value Measurement"

IFRS 13 provides new guidance regarding the fair value measurement and the necessary disclosures. The requirements of the standard do not increase the use of fair value but provide clarification about their application in circumstances where their use is imposed mandatorily by other standards. IFRS 13 provides a clear definition of fair value as well as guidance regarding the fair value measurement and the necessary disclosures irrespective of the standard based on which is made use of fair value. Moreover, the necessary disclosures have been expanded and concern not only the financial assets but all the assets and liabilities that are measured at fair value. The standard has no significant impact on the financial statements of the Company.

IFRIC 20 "Stripping cost at Production Stage of ground Mine Area"

The interpretation treats the accounting for the striping cost arising from junk material removal activity in ground mining (extractive) works in order to obtain access in mining ores. The interpretation has no 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 (IFRSs 2010 - 2012 Cycle), in May 2012 issued amendments to 5 existing standards. These amendments are applicable for annual periods beginning on or after 1 January 2013. These amendments below have no significant impact on the financial statements of the Company.

IFRS 1 "First-time Adoption of International Financial Reporting Standards (IFRS)"

The amendment clarifies that an entity can apply the IFRS 1 more than one time under certain conditions. Also an entity may choose to apply IAS 23 either at the date of transition or earlier.

IAS 1 "Presentation of Financial Statements"

The amendment clarifies the disclosure requirements for comparative information when an entity presents and a third Balance Sheet either because it is required by the IAS 8 either voluntarily. Also, it is clarified that an entity may include in the first financial statements that are prepared according to IFRS additional comparative information, so as to be better explained the impact from the transition to IFRS.

IAS 16 "Tangible Assets"

The amendment clarifies that the maintenance equipment and the spare parts may be classified as fixed property assets, but not as inventories, if they meet the definition of fixed property assets.

IAS 32 "Financial Instruments: Presentation"

The amendment clarifies the accounting for the income tax related to distributions towards the shareholders and the costs of equity transactions.

IAS 34 "Interim Financial Reporting"

The amendment clarifies the disclosure requirements for the property assets and liabilities of information segments in the interim financial statements.

2.2.2 Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2014 and 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 annual periods beginning on or after 1 January 2014. The Company has not earlier applied these standards and is assessing their impact on the financial statements.

IAS 32 (Amendment) "Financial Instruments: Presentation" and IFRS 7 (Amendment) "Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities"

Applicable for annual periods beginning on or after 1 January 2014
Earlier application is permitted.
The amendment to IAS 32 provided additional guidance about when offsetting of financial assets and liabilities is permitted while the amendment to IFRS 7 provides additional disclosures relating to this issue.

IFRS 9 "Financial Instruments"

Applicable for annual periods beginning on or after 1 January 2015; earlier application is permitted.
The IFRS 9 is intended to replace the IAS 39. The parts of IFRS 9 issued in November 2009 and October 2010 replace the parts of IAS 39 that refer to classification and measurement of financial assets and financial liabilities. In November 2013, the IASB added to IFRS 9 the requirements regarding the hedge accounting. The new requirements regarding the impairment of the financial instruments will be added in a future phase of the project. The Company cannot earlier apply IFRS 9 as this has not yet been approved by the European Union. Only when it is approved the Company will decide about its application earlier than 1 January 2015. The application of the new standard is not expected that will have significant impact on the financial statements of the Company.

IFRS 7 (Amendment) "Financial Instruments: Disclosures"

Applicable for annual periods beginning on or after 1 January 2015
Earlier application is permitted.
On 16.12.2011 the International Accounting Standards Board (IASB) issued an amendment to IFRS 7. By this amendment were added to the Standard disclosures regarding the transition to the IFRS 9. The amendment has not yet been adopted by the European Union.

Group of standards as regards the consolidations and the joint arrangements

In May 2011 the IASB issued 3 new standards, the IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" and amended the IAS 27 "Separate Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". These new standards and the above amendments have been approved by the European Union on 11 December 2012 and are mandatory the latest, from the opening date of the first financial year beginning on or after 1 January 2014. Earlier application is permitted only when all five standards are applied at the same time. These standards and their amendments have no impact on the financial statements of the Company because the company does not hold interests in the capital of other entities and does not prepare consolidated financial statements.

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 1 January 2014 but has not yet been approved by the European Union. The interpretation is not expected that will have significant impact on the financial statements of the Company.

IAS 36 (Amendment) "Impairment of Assets - Disclosures of recoverable amount of non-financial assets"

The amendment introduces the disclosure of information regarding the recoverable amount of impaired assets as long as the amount is fair value based less the costs of disposal. The amendment is applicable for annual periods beginning on or after 1 January 2014. This amendment is not expected that will have significant impact on the financial statements of the Company.

IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" - Renewal of derivatives and continuation of hedge accounting

The amendment permits to continue hedge accounting in circumstances where a derivate, which has been designated as hedge item, is renewed so as to be cleared off on a new central counterparty, as result of laws or regulations, as long as specific conditions are met. The amendment is applicable for annual periods beginning on or after 1 January 2014. This amendment is not expected that will have any impact on the financial statements of the Company.

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 July 2014 and it 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 issued two cycles of limited amendments to existing standards. These amendments are applicable for annual periods beginning on or after 1 July 2014 and have not yet been approved by the European Union. 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 2010-2012 Cycle

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 judgments 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 IAS 39 do not remove the ability to measure short-term receivables and payables with no stated interest rate at invoice amounts without discounting when the effect of not discounting is immaterial.

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 2011-2013 Cycle

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 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.

2.3 Segmental Information

The segments are determined 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. The geographical areas the company operates are Greece, countries in European Union, in European countries outside the EU, the Middle East 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.

When the carrying amount of an asset is greater than its recoverable amount, the resulting difference (impairment loss) is recognized immediately as an expense 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 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 loss 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. 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 receivables

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.

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.

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.

2.27 Reclassifications

In addition to the retrospective application of IAS 19 discussed in Note 30, for comparison purposes were also made limited reclassifications of items in the Notes which had no impact on equity or the statement of comprehensive income of the Company

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 analyzed below.

3.1.1 Market risk

i. Foreign exchange risk

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 2013 and 2012. 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 2013 and 2012 respectively.

Change in EUR/USD rate by	Effect on net results 31/12/2013	Effect on net results 31/12/2012
-12,00%	(1.271.731)	(1.093.928)
-9,00%	(953.798)	(820.446)
-6,00%	(635.865)	(546.964)
-3,00%	(317.933)	(273.482)
3,00%	317.933	273.482
6,00%	635.865	546.964
9,00%	953.798	820.446
12,00%	1.271.731	1.093.928

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 2013 and 2012. This analysis takes into consideration the cash and cash equivalents of the Company as at 31 December 2013 and 2012 respectively.

Financial instruments in Euro

Change in interest rates (base units)	Effect on net results 31/12/2013	Effect on net results 31/12/2012
-100	(39.276)	(5.411)
-75	(29.457)	(4.058)
-50	(19.638)	(2.706)
-25	(9.819)	(1.353)
25	9.819	1.353
50	19.638	2.706
75	29.457	4.058
100	39.276	5.411

Financial instruments in USD

Change in interest rates (base units)	Effect on net results 31/12/2013	Effect on net results 31/12/2012
-100	(77.187)	(87.405)
-75	(57.890)	(65.554)
-50	(38.593)	(43.702)
-25	(19.297)	(21.851)
25	19.297	21.851
50	38.593	43.702
75	57.890	65.554
100	77.187	87.405

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 structure to reduce the cost of capital.

There is no capital risk for the Company. The total of its liabilities falls short of capital, the net dept 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 2013 and 31 December 2012 are as follows:

	1/1 - 31/12/2013	1/1 - 31/12/2012
Total borrowings	0	0
Less: Cash and cash equivalents (note 11)	11.487.741	9.155.149
Net debt	**(11.487.741)**	**(9.155.149)**
Total equity	72.533.217	79.940.999
Total capital empolyed	**61.045.476**	**70.785.850**
Gearing ratio	-18,8%	-12,9%

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 2013 and 2012 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.

4.1 Critical accounting estimates and assumptions

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:

4.2 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 2013 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. The impairment loss incurred was recognized as an expense in the income statement.

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

4.3 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 2.7.

4.4 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.

4.5 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.

4.6 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.

4.7 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.

4.8 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.

5.1 Geographical segment

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

The sales 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(*)	
	1/1-31/12/2013	**1/1-31/12/2012**	**31/12/2013**	**31/12/2012**
Greece	984.501	935.791	38.765.110	48.682.121
European Union	5.566.480	6.663.008	-	-
Other European countries	870	890	-	-
Other countries	43.303.796	42.059.602	-	-
Total	**49.855.647**	**49.659.292**	**38.765.110**	**48.682.121**

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

5.2 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
Balance at 1 January 2012	**51.000.627**	**15.458.710**	**202.300**	**3.913.714**	**11.396**	**70.586.747**
Additions	**14.492**	60.581	4.236	53.797	158.110	291.217
Disposals	-	(623.464)	-	(39.624)	-	(663.088)
Reclassifications	169.506	-	-	-	(169.506)	-
Transfer from investment property	1.134.281	-	-	-	-	1.134.281
Transfer from assets held for sale	-	-	-	-	-	-
Balance at 31 December 2012	**52.318.906**	**14.895.828**	**206.536**	**3.927.887**	**-**	**71.349.157**
Accumulated depreciation						
Balance at 1 January 2012	**9.706.851**	**13.005.098**	**176.676**	**3.251.477**	**-**	**26.140.102**
Depreciation charge	773.448	576.196	15.106	207.505	-	1.572.255
Disposals	-	(622.771)	-	(39.587)	-	(662.358)
Transfer to investment property	-	-	-	-	-	-
Transfer from investment property	102.792	-	-	-	-	102.792
Balance at 31 December 2012	**10.583.091**	**12.958.523**	**191.782**	**3.419.395**	**-**	**27.152.792**
Net book amount at 31 December 2012	**41.735.815**	**1.937.305**	**14.754**	**508.492**	**-**	**44.196.365**
Balance at 1 January 2013	**52.318.906**	**14.895.828**	**206.536**	**3.927.887**	**-**	**71.349.157**
Additions	15.189	24.799	5.857	93.408	616.847	756.101
Disposals	-	-	-	(40.966)	-	(40.966)
Reclassifications	61.805	432.990	-	-	(614.386)	(119.591)
Transfer to investment property	(2.693.487)	-	-	-	-	(2.693.487)
Transfer from investment property	3.852.273	-	-	-	-	3.852.273
Net book amount at 31 December 2013	**53.554.686**	**15.353.617**	**212.393**	**3.980.330**	**2.461**	**73.103.487**
Accumulated depreciation						
Balance at 1 January 2013	**10.583.091**	**12.958.523**	**191.782**	**3.419.395**	**-**	**27.152.792**
Depreciation charge	782.646	484.368	6.446	186.971	-	1.460.431
Impairment	8.567.866	-	-	-	-	8.567.866
Disposals	-	-	-	(40.619)	-	(40.619)
Transfer to investment property	(362.603)	-	-	-	-	(362.603)
Transfer from investment property	111.131	-	-	-	-	111.131
Balance at 31 December 2013	**19.682.131**	**13.442.891**	**198.228**	**3.565.747**	**-**	**36.888.996**
Net book amount at 31 December 2013	**33.872.555**	**1.910.726**	**14.165**	**414.583**	**2.461**	**36.214.490**

The Company carried out an assessment of impairment of land, buildings and investment property at 31 December 2013, by appointing independent professional valuers to determine their fair value. 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). An impairment loss was recognized in the results of the current year amounting to € 9.049.642. An impairment loss of € 8.567.866 decreased the own-used property of the Company and is shown in “Property, plant and equipment” and an impairment of € 481.776 is shown in “Investment property”.

The 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 the unit’s leasehold value of comparable property per square meter, 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:

Type of property/areas	Value (euro/sqm/month)	All risk yield (p.a.)
Production	6,87	8,23%
Offices	10,31-11,45	8,23%
Storage	6,7-6,87	8,23%

Rest of Coverage Coefficient	Value (euro/sqm)
Land plot	332

There are no real lines on the above assets.

At 31.12.2013 the Company had no contractual obligations for purchase of PPE assets.

7. Intangible assets

	Software	Other	Total
Balance at 1 January 2012	6.218.903	51.240	6.270.142
Additions	10.573	-	10.573
Balance at 31 December 2012	**6.229.476**	**51.240**	**6.280.715**
Accumulated depreciation			
Balance at 1 January 2012	5.160.368	42.440	5.202.807
Depreciation charge	324.494	8.800	333.294
Balance at 31 December 2012	**5.484.862**	**51.240**	**5.536.101**
Net book amount at 31 December 2012	**744.614**	**0**	**744.614**
Balance at 1 January 2013	6.229.476	51.240	6.280.715
Additions	82.536	-	82.536
Reclassifications	119.591		119.591
Net book amount at 31 December 2013	**6.431.603**	**51.240**	**6.482.843**
Accumulated depreciation			
Balance at 1 January 2013	5.484.862	51.240	5.536.101
Depreciation charge	239.539	-	239.539
Balance at 31 December 2013	**5.724.400**	**51.240**	**5.775.640**
Net book amount at 31 December 2013	**707.203**	**0**	**707.203**

8. Investment property

	31/12/2013	31/12/2012
Cost		
Balance at beginning of year	**3.852.273**	**4.986.554**
Transfer from investment property (note 6)	2.693.487	-
Transfer to investment property (note 6)	(3.852.273)	(1.134.281)
Balance at end of year	**2.693.487**	**3.852.273**
Accumulated depreciation		
Balance at beginning of year	**111.131**	**205.009**
Depreciation charge	5.690	8.914
Impairment	481.776	-
Transfer from investment property (note 6)	362.603	-
Transfer to investment property (note 6)	(111.131)	(102.792)
Balance at end of year	**850.069**	**111.131**
Net book amount at end of year	**1.843.417**	**3.741.142**

Rental income for 2013 and 2012 amounted to € 35.111 and € 62.702 respectively (note 21).

For the impairment of investment property see note 6.

9. Trade and other receivables

	31/12/2013	31/12/2012
Trade receivables	8.758.394	9.174.067
Less: provision for impairment	(276.171)	(341.171)
Trade receivables - net	**8.482.223**	**8.832.896**
Receivables from related parties (note 30)	149.898	211.235
Prepayments to creditors	5.418.371	10.375.718
Other prepayments	73.330	62.838
Accrued income	11.570	43.598
Other receivables	1.388.441	3.485.821
Total	**15.523.833**	**23.012.107**
Non-current assets	41.030	41.400
Current assets	15.482.803	22.970.708
	15.523.833	**23.012.107**

The fair value of receivables approximates their carrying amounts.

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

Not past due and not impaired at the balance sheet date	**3.688.825**	**4.642.871**
Impaired at the balance sheet date	276.171	341.171
Provision made for the following amount:	(276.171)	(341.171)
	-	-
Not impaired at the balance sheet date but past due in the following periods:		
< 90 days	1.260.849	613.809
90-180 days	90.823	81.920
180-270 days	85.903	126.947
270-365 days	861	4.075
1- 2 yrs	6.539	22.182
>2 yrs	3.348.421	3.341.094
	4.793.397	**4.190.026**
	8.482.223	**8.832.896**

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:

	31/12/2013	**31/12/2012**
Euro (EUR)	6.839.382	9.591.714
US Dollar (USD)	8.609.087	13.383.438
UK Pound (GBP)	75.363	35.609
Other	-	1.346
	15.523.833	**23.012.107**

10. Inventories

	31/12/2013	**31/12/2012**
Raw & auxiliary materials	23.461.419	23.891.984
Semi-finished goods	13.975.460	10.704.727
Finished goods	2.625.792	2.295.454
Work in progress	1.085.018	1.171.032
Merchandise	9.072	9.345
Total	**41.156.761**	**38.072.542**
Less: Provisions for obsolete inventories		
Raw & auxiliary materials	4.514.697	2.379.761
Semi-finished goods	682.360	436.067
Finished goods	21.311	23.776
	5.218.368	**2.839.603**
Net realisable value	**35.938.393**	**35.232.939**

The movement of the provision is as follows:

	31/12/2013	31/12/2012
At the beginning of the year	2.839.603	2.175.140
Provision for impairment	2.756.659	664.463
Amount of provision reversed during the year	(377.895)	-
At the year end	**5.218.368**	**2.839.603**

11. Cash and cash equivalents

	31/12/2013	31/12/2012
Cash at bank and in hand	1.351.452	443.678
Short-term bank deposits	10.136.289	8.711.471
Total	**11.487.741**	**9.155.149**

The effective interest rate on short-term bank deposits in Euro and USD was 1,93% and 1,33% respectively (2012: 1,68% and 1,15% respectively).

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

Cash and cash equivalents are analyzed in the following currencies:

	31/12/2013	31/12/2012
Euro (EUR)	3.873.753	533.710
US Dollar (USD)	7.612.928	8.620.758
UK Pound (GBP)	771	641
Other	289	40
	11.487.741	**9.155.149**

12. Share capital

	Number of Shares	Common Shares	Total
Balance at 1 January 2012	23.103.305	**67.923.716,70**	**67.923.717**
Balance at 31 December 2012	23.103.305	**67.923.716,70**	**67.923.717**
Balance at 31 December 2013	**23.103.305**	**67.923.716,70**	**67.923.717**

At 31 December 2012 the share capital of the Company was divided into 23.103.305 ordinary shares with nominal value € 2,94 each.

13. Reserves

	Statutory reserves	Tax free reserves	Extraordinary reserves	Actuarial gains/ (losses) reserve	Total
Balance at 1 January 2012*	**574.965**	**9.274.814**	**341.041**	**(487.348)**	**9.703.472**
Actuarial gains/ (losses	-	-	-	(13.296)	**(13.296)**
Balance at 31 December 2012*	**574.965**	**9.274.814**	**341.041**	**(500.644)**	**9.690.176**
Balance at 1 January 2013*	**574.965**	**9.274.814**	**341.041**	**(500.644)**	**9.690.176**
Actuarial gains/ (losses	-	-	-	88.329	**88.329**
Balance at 31 December 2013	**574.965**	**9.274.814**	**341.041**	**(412.315)**	**9.778.505**

(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.

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30).

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:

	31/12/2013	31/12/2012 *
Deferred tax assets:	**(4.562.712)**	**(1.105.488)**
Deferred tax liabilities:	**1.352.905**	**1.115.892**
	(3.209.806)	**10.403**

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

The total movement in deferred income tax is as follows:

	31/12/2013	31/12/2012 *
Balance at the beginning of the year:	10.403	175.298
Charged/ (credited) to the income statement (note 24)	(3.200.503)	(161.571)
Charged/ (credited) to equity	(19.707)	(3.324)
Balance at the end of the year	**(3.209.806)**	**10.403**

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:

	Accelerated tax depreciation	Other	Total
Balance at 1 January 2012 *	**1.178.176**	**5.321**	**1.183.497**
Charged / (credited) to the income statement	(72.660)	5.054	(67.606)
Balance at 31 December 2012 *	**1.105.517**	**10.375**	**1.115.892**
Balance at 1 January 2013 *	**1.105.517**	**10.375**	**1.115.892**
Charged / (credited) to the income statement	247.025	(10.011)	237.014
Balance at 31 December 2013	**1.352.541**	**364**	**1.352.905**

Deferred tax assets:

	Provisions /impairment losses	Total
Balance at 1 January 2012 *	**(1.008.199)**	**(1.008.199)**
Charged / (credited) to the income statement	(93.965)	(93.965)
Charge in equity	(3.324)	(3.324)
Balance at 31 December 2012 *	**(1.105.488)**	**(1.105.488)**
	-	-
Balance at 1 January 2013 *	**(1.105.488)**	**(1.105.488)**
Charged / (credited) to the income statement	(3.437.517)	(3.437.517)
Charge in equity	(19.707)	(19.707)
Balance at 31 December 2013	**(4.562.712)**	**(4.562.712)**

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30).

15. Retirement benefit obligations

	31/12/2013	31/12/2012 *
Balance sheet obligations for :		
Pension benefits	1.427.877	1.358.455
Total	**1.427.877**	**1.358.455**
Income statement charge		
Pension benefits(note 21)	306.477	466.886
Total	**306.477**	**466.886**
Actuarial (gains) / losses (Other comprehensive income)		
Pension benefits	(68.622)	16.620
Total	**(68.622)**	**16.620**

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

	31/12/2013	31/12/2012 *
Present value of unfunded obligations	1.427.877	1.358.455
Liability in the Balance Sheet	**1.427.877**	**1.358.455**

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

	31/12/2013	31/12/2012 *
Current service cost	113.395	137.043
Interest cost	51.621	68.175
Losses from settlements	141.461	261.667
Total, included in staff costs (note 20)	**306.477**	**466.886**

The total charge is allocated as follows:

	31/12/2013	31/12/2012 *
Cost of goods sold	163.322	264.715
Selling costs	104.610	143.924
Administrative expenses	38.544	58.247
	306.477	**466.886**

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

	31/12/2013	31/12/2012 *
Balance at the beginning of the year	1.358.455	1.311.061
Total expense charged in the income statement	306.477	466.886
Contributions paid	(168.432)	(436.112)
	1.496.500	**1.341.835**
Actuarial gains/ (losses)	(68.622)	16.620
Balance at the end of the year	**1.427.877**	**1.358.455**

The principal actuarial assumptions used were as follows:

	31/12/2013	31/12/2012 *
	%	%
Discount rate	3,2%	3,8%
Infaltion rate	2,0%	2,0%
Future salary increases	2,0%	2,5%

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

	Impact on retirement benefit obligations		
	Assumption Change	Assumption increase	Assumption decrease
Discount rate	0,50%	7% decrease	8% increase
Future salary increases	0,50%	8% increase	7% decrease

The average expected maturity of the retirement benefit obligation:

	31/12/2013
	years
Pension benefits	18,01

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30).

16. Provisions

	Warranties	Unused compensated absences	Other provisions	Total
Balance at 1 January 2012	819.933	-	365.332	1.185.265
Provisions for the year	353.355	-	-	353.355
Provisions used during the year	(515.903)	-	-	(515.903)
Balance at 31 December 2012	**657.386**	**-**	**365.332**	**1.022.717**
Additional provisions	363.264	152.813	-	516.077
Provisions used during the year	(304.030)	-	-	(304.030)
Balance at 31 December 2013	**716.620**	**152.813**	**365.332**	**1.234.765**

Analysis of total provisions:

	31/12/2013	31/12/2012
Current liabilities	738.123	577.000
Non- current liabilities	496.642	445.717
Total	**1.234.765**	**1.022.717**

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

17. Trade and other payables

	31/12/2013	31/12/2012
Trade payables	2.117.007	4.856.972
Amounts due to related parties (note 29)	610.808	535.098
Accrued expenses	196.904	113.771
Social security and other taxes	1.062.323	903.956
Advances from customers	25.809.489	28.018.740
Other liabilities	26.868	102.890
Total	**29.823.399**	**34.531.427**
Current liabilities	29.823.399	34.531.427
	29.823.399	**34.531.427**

Trade and other payables are denominated in the following currencies:

	31/12/2013	31/12/2012
Euro (EUR)	2.979.245	3.400.676
US Dollar (USD)	26.819.770	31.120.259
Great Britain Pound (GBP)	6.014	9.855
Othes	18.370	637
	29.823.399	**34.531.427**

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

18. Sales revenue by category

Analysis of revenue by category:

	1/1-31/12/2013	1/1-31/12/2012
Sales of products	46.351.639	44.999.560
Sales of goods	-	53
Revenue from services	3.504.007	4.659.679
Total	**49.855.647**	**49.659.292**

19. Expenses by nature

	Note	1/1-31/12/2013	1/1-31/12/2012 *
Employee benefit expense	20	(14.952.116)	(14.029.151)
Inventory cost recognised in cost of goods sold		(24.602.825)	(27.644.549)
Depreciation of PPE			
-Freehold property	6	(1.460.431)	(1.572.255)
Depreciation of investment property	8	(5.690)	(8.914)
Amortisation of intangible assets	7	(239.539)	(333.294)
Impairment of inventories		(2.756.659)	(664.463)
Subcontractors' fees		(2.463.905)	(1.506.497)
Repairs and maintenance		(842.480)	(845.522)
-Vehicles and machinery		(145.417)	(231.902)
-Furniture and other equipment		(12.106)	(495)
Transportation and travelling expenses		(993.237)	(836.770)
Advertisement		(349.826)	(208.375)
Telecommunication, lighting & heating		(984.987)	(972.675)
Third party fees		(1.372.164)	(847.580)
Impairment of receivables		(390.473)	-
Taxes and duties		(10.056)	(6.870)
Other expenses		(275.092)	(427.530)
Total		**(51.857.002)**	**(50.136.840)**
Split by function:			
Cost of goods sold		(39.316.728)	(40.536.352)
Selling and research costs		(8.924.218)	(6.391.018)
Administrative expenses		(3.616.055)	(3.209.470)
		(51.857.002)	**(50.136.840)**
Split of depreciation and amortisation by function:			
Cost of goods sold		(945.634)	(1.183.964)
Selling and research costs		(581.854)	(506.689)
Administrative expenses		(178.171)	(223.809)
		(1.705.659)	**(1.914.463)**

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30).

20. Employee benefits

	1/1-31/12/2013	1/1-31/12/2012 *
Wages and salaries	11.018.258	10.314.985
Social security costs	2.975.966	2.688.855
Other employers' contributions and expenses	651.416	558.426
Pension costs - defined benefit plans (note 15)	306.477	466.886
Total	**14.952.116**	**14.029.151**

The total number of employees as at 31/12/2013 was 393 (2012: 403).

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30).

21. Other operating income

	1/1-31/12/2013	1/1-31/12/2012
Income from grants	58.234	124.354
Rental income	35.111	62.702
Other	937.615	26.492
Total	**1.030.960**	**213.548**

In Other income is included an amount of € 919.241 concerning written off liability to supplier after the termination of the relevant purchase contract.

22. Other gains/ (losses) –net

	1/1-31/12/2013	1/1-31/12/2012
Net foreign exchange gains / (losses)	67.816	(397.123)
Gains/ (losses) from sale of PPE	661	2.199
Total	**68.477**	**(394.924)**

23. Finance costs – net

	1/1-31/12/2013	1/1-31/12/2012
Finance expenses		
-Bank borrowings	-	(62.009)
- Letters of credit and related costs	(157.476)	(164.507)
- Other	(32.225)	(47.616)
- Net foreign exchange gains / (losses)	(192.883)	(26.884)
	(382.585)	(301.015)
Finance income		
-Interest income	118.622	90.314
	118.622	90.314
Total	**(263.963)**	**(210.701)**

24. Income tax expense

	1/1-31/12/2013	1/1-31/12/2012 *
Current tax	(481.091)	-
Deffered tax (Note 14)	3.200.503	161.571
Total	**2.719.412**	**161.571**

On 11 January 2013 the new corporate tax law was enacted upon a relevant Draft Tax Law, according to which the corporate income tax rate of legal entities for undistributed profits is set at 26% for fiscal year 2013 and onwards. The change in tax rate is not applicable for the income of the year 2012, where the tax rate of 20%

was applied. Tax returns are filed annually. With respect to the fiscal years through FY 2010 profits or losses declared for tax purposes remain temporary until the tax authorities examine the tax returns and the books of account of the company, when the relevant tax obligations are settled and finalized. From the fiscal year 2011 and onwards the tax returns are subject to the process of issuing Tax Compliance Report. The tax losses, to the extent accepted by the tax authorities, can be used to offset profits of the next five years following the fiscal year in which incurred.

Tax Compliance Report:

From the financial year 2011 and onwards, all Greek Societe Anonyme and Limited Liability Companies that are required to prepare audited statutory financial statements must in addition obtain an “Annual Tax Audit Certificate” as provided for by paragraph 5 of Article 82 of L. 2238/1994, 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 no later than the 10th day of the 7th month after the end of the financial year. The Ministry of Finance will subsequently select a sample of at least 9% for the performance of a tax audit by the relevant auditors from the Ministry of Finance. The audit by the Ministry of Finance must be completed within a period of eighteen months from the date when the "Tax Compliance Report" was submitted to the Ministry of Finance.

Unaudited fiscal years

The company has not been tax audited for the financial year 2010. For the Financial year 2012 the Company was subject to the tax audit of the statutory auditors pursuant to the requirements of article 82 paragraph 5 of Law 2238/1994. The company has 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 2012 annual financial statements. According to the relevant legislation, the tax liabilities for financial year 2012 should be considered finalized after eighteen months from the date when the ‘Tax Compliance Report’ was submitted to the Ministry of Finance. The tax audit performed by the statutory auditors for the financial year 2013 is still in progress and the tax compliance report is expected to be issued after the publication of the annual financial statements of year 2013. The Company’s Management does not expect that significant additional tax liabilities will arise, other than those recognized and disclosed in the financial statements.

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:

	1/1-31/12/2013	1/1-31/12/2012 *
Profit before tax	**(10.215.523)**	**(869.626)**
Tax calculated at tax rates applicable to Greece	2.656.036	173.925
Expenses not deductible for tax purposes	(245.948)	(12.354)
Differences in tax rates	(3.121)	-
Utilisation of previously unrecognised tax losses	312.445	-
Tax charge	**2.719.412**	**161.571**

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30)

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.

	31/12/2013	1/1-31/12/2012 *
Net Profit before taxes	(7.496.111)	(708.055)
Number of shares	23.103.305	23.103.305
Losses per share	**(0,324)**	**(0,031)**

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.

* Restated amounts due to application of amended IAS 19 "Employee Benefits" (see note 30)

26. Cash generated from operations

	Note	1/1-31/12/2013	1/1-31/12/2012 *
Profit/ losses for the year		**(7.496.111)**	**(708.055)**
Adjustments for:		-	-
Tax	24	(2.719.412)	(161.571)
Depreciation of PPE	6	1.460.431	1.572.255
Depreciation of investment property	8	5.690	8.914
Amortisation of intangible assets	7	239.539	333.294
Impairment of tangible assets and investment property		11.806.301	-
Loss on sale of PPE	22	(661)	(2.199)
Interest income	23	(118.622)	(90.314)
Interest expense	23	382.585	301.015
Other		919.241	-
		4.478.980	**1.253.339**
Changes in working capital			
(Increase) / decrease in Inventories		(3.892.653)	(9.073.949)
(Increase)/ decrease in trade and other receivables		7.500.844	1.736.015
Increase/ (decrease) in trade and other payables		(5.729.935)	9.762.373
Increase/ (decrease) in provisions		212.047	(162.548)
Increase/ (decrease) in retirement benefit obligations		138.045	30.774
		(1.771.652)	**2.292.665**
Cash generated from operations		**2.707.328**	**3.546.004**

* Restated amounts due to application of amended IAS 19 “Employee Benefits” (see note 30)

27. Commitments

Capital commitments

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

Operating lease commitments

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

	31/12/2013	31/12/2012
No later than 1 year	106.905	108.208
Later than 1 year and no later than 5 years	204.004	286.434
	310.910	**394.642**

The lease payments relate to rentals of motor vehicles.

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

	31/12/2013	31/12/2012
Guarrantees for advance payments	8.408.075	7.942.025
Guarrantees for good performance	501.985	616.284
Guarrantees for participation in contests	284.054	284.054
	9.194.114	**8.842.363**

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:

	1/1-31/12/2013	1/1-31/12/2012
Sales of goods / services:		
To INTRACOM HOLDINGS group Subsidiaries	4.395	380
To other related parties	37.794	164.329
	42.189	**164.709**
Purchases of goods / services:		
From parent company INTRACOM HOLDINGS	94.400	4.514
From INTRACOM HOLDINGS group Subsidiaries	817.922	731.829
From other related parties	103.154	75.185
	1.015.476	**811.529**
Purchases of fixed assets:		
From INTRACOM HOLDINGS group Subsidiaries	89.703	4.462
From other related parties	1.397	1.890
	91.100	**6.352**
Sales of fixed assets:		
To INTRACOM HOLDINGS group Subsidiaries	1.000	-
To other related parties	-	2.929
	1.000	**2.929**
Rental Income		
From INTRACOM HOLDINGS group Subsidiaries	-	42.453
From other related parties	35.111	20.249
	35.111	**62.702**

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

	31/12/2013	31/12/2012
Receivables from related parties		
From parent company INTRACOM HOLDINGS	-	2.204
From INTRACOM HOLDINGS group Subsidiaries	11.894	2.354
From other related parties	244.127	206.678
	256.021	**211.235**
Payables to related parties		
To parent company INTRACOM HOLDINGS	36.651	-
To INTRACOM HOLDINGS group Subsidiaries	262.534	223.553
To other related parties	417.746	311.545
	716.931	**535.098**

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 € 524.653 during the year 2013 in comparison to € 278.914 during the previous year.

30. Adjustments

Due to the amendment of IAS 19, the Company adjusted other comprehensive income, equity and retirement benefit obligations in associates as follows:

	1/1 - 31/12/2012
Total comprehensive income before the adoption of amended IAS 19	(712.041)
Effect from the adoption of amended IAS 19	(9.310)
Total comprehensive income after the adoption of the amended IAS 19 (25.746)	**(721.351)**

Equity

	31/12/2012	01/01/2012
Equity before the adoption of the amended IAS 19	80.140.158	80.852.199
Effect from the adoption of the amended IAS 19	(248.949)	(237.311)
Change in deferred income tax	49.790	47.462
Equity after the adoption of the amended IAS 19	**79.940.999**	**80.662.350**

Retirement benefit obligations

	31/12/2012	01/01/2012
Retirement benefit obligations before the adoption of the amended IAS	1.109.506	1.073.750
Effect from the adoption of the amended IAS 19	248.949	237.311
Retirement benefit obligations after the adoption of the amended IAS 19	**1.358.455**	**1.311.061**

Deferred tax liabilities	31/12/2012	01/01/2012
Deferred tax liabilities before the adoption of the amended IAS	60.193	222.760
Effect from the adoption of the amended IAS 19	(49.790)	(47.462)
Deferred tax liabilities after the adoption of the amended IAS 19	**10.403**	**175.298**

31. Events after the balance sheet date

Further to those already referred there are no significant subsequent to 31 December 2013 events, which should either be referred or that should differ the items of the published financial statements.