INTRACOM SA

DEFENSE ELECTRONIC SYSTEMS

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

31 December 2008

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

Contents

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE

Company named

"INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS",

TRADING NAME: "INTRACOM DEFENSE ELECTRONICS",

Concerning the Financial Statements

For the fiscal year from January 1st to December 31st 2008

To: the Annual General Meeting of Shareholders

We submit for approval the financial statements of the Company's financial year from January 1 to December 31, 2008.
The financial statements for the fiscal year, as the previous ones, have been prepared in accordance with International Accounting Standards, as adopted by the European Union.
This Annual Report of the Board of Directors was prepared in accordance with the provisions of Article 43a paragraph 3 of CL 2190/1920 and related resolutions of the Board of Directors.

1. Main Object of activity

The main object of activity of the Company concerns:

the Defense Electronics Manufacturing production systems, trade, design, development, manufacture, installation of defense electronic systems and related services.

2. Main events of fiscal year 2008

During the year 2008 the company undertook new projects with a total budget of € 45 million, the more significant concerns the following:

- With the company RAYTHEON, worth $ 2.6 million. The contract includes the construction and development of software for the Navy missile system PHALANX and development of the necessary infrastructure for monitoring the electronic units of the system.
- With the company THALES, worth € 2,6 million The contract covers the development, certification, manufacture and production of a System Remote Control VHF / HF (RCS 610) for the range of wireless PR4G VHF and HF of THALES.
- With the company RAYTHEON, a contract worth 9.6 million USD for the production of electronic units for anti-missile system surface-to-air RAM (Rolling Airframe Missile).
- With the Greek Ministry of National Defence, contract worth € 8,5 million for the supply of VHF radio and regional necessary equipment.
- With GENERAL DYNAMICS UK, a contract worth € 6,7 million for the procurement of systems and intercom WISPR secure wireless local area networks WISPR-WLAN
- Agreement with the company NORTHROP GRUMMAN for the production of electrical assemblies for the RADAR of the F-16 for the international market. Orders in the year 2008 have already exceeded $ 6.5 million.

(All amounts in €'000)

3. Financial results – Activity review

The company turnover, amounted to € 65.303 thousand Earnings before interest, tax, depreciation and amortization of the Company (EBITDA), amounted to € 5.210 thousand Earnings before taxes amounted to € 3.406 thousand while net income totaled € 3.048 thousand. The net return on equity was 3.61% while the return on total capital (equity and foreign) 2.63%.

Concerning the analysis of assets, liabilities, equity, results for the year 2008 and the accounting principles applied by the Company, extensive analysis has been done in Notes to the Financial Statements which are an integral part of the Annual Financial statements of the Company.

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

a. Financial Structure Ratios

	2008	**2007**
Current Assets/Total Assets	53%	58,00%
Total Equity/Total Liabilities	267%	177,00%
Total Equity/Fixed Assets	154%	152,00%
Current Assets/Short-term Liabilities:	204%	168,00%

b. Profitability Ratios

	2008	**2007**
Net Profit / Sales	5%	3%
Gross Profit / Sales	31%	26%
Sales / Total Equity	77%	95%

Finally, the existence and management of financial risk factors are as follows:

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

-Cash flow and fair value interest rate risk
The company is in minimal exposure to interest rate risk, due to the small borrowings (€ 2m) and the short-term horizon of the cash deposits.

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

-Liquidity risk
The Company holds sufficient liquidity in cash and cash equivalents and has the ability to use available

undrawn borrowing facilities.

4. Goals – Perpectives

In the year 2008, Intracom Defense Electronics, despite the economic downturn, which was especially evident in the defense industry, succeeded in maintaining profitability. The industry, both domestically and internationally, has received impacts resulting from the change in economic policy priorities dictated by budgetary reasons and is associated with the destination and distribution of economic resources. The result was the decline of sales of the defense sector and the company. However, adaptability and flexibility of Intracom Defense Electronics, which was prepared and grown consistently in recent years led to the retention of most economic figures and indicators to be positive as opposed to the reduced turnover. Taking advantage of its flexibility, the company sets a view to continued profitability while giving special emphasis on export orientation promoting the empowerment of penetration in third countries markets and strengthen its competitive position.

In parallel, the company continues to invest in research, development and evolution of targeted military telecommunications products and is undertaking effort to promote them in international markets.

The backlog of the company's contracts on 31.12.2008 amounted to € 107 million.

5. Significant losses which at the time of submission of present report either exist or are expected to arise

-There are none.

6. Other significant events

From the end of fiscal year 01/01/2008 – 31/12/2008, up to the date of the submission of this report, no other event has been occurred which could materially affect on the financial position and progress of the company. There is an ongoing regular tax audit for the year 2007.

As of the income distribution for fiscal year 2008, the Board of Directors proposes to be kept from the net profit (a) the amount of € 155.000,00 for the completion of the statutory capital reserve, (b) the amount of € 347.396,47 for the formation of tax free reserve of the Law 3299/04, and (c) to allocate the amount of € 1.500.000,00 for dividends.

The Board of Directors considers what was set out as a report on the activities during the year 01/01/2008 through 31/12/2008 and expects the General Meeting of Shareholders will approve the treatment of the company's interests in considered fiscal year and the balance sheet of 31/12/2009 with the analysis of the Income Statement, Statement of Cash Flows, the Statement of Changes in Equity and the Distribution of Earnings.

It also hopes that the General Meeting of Shareholders with a particular decision will relieve the Board of Directors and the Auditors from any liability for the year ended January 1, 2008 until December 31, 2008.

In order the company's shareholders to be adequately informed, it is mentioned that the Company has not acquired own shares.

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 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 the Greek Auditing Standards, which are based on the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008, and of 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 (EU).

(All amounts in €'000)

Report on Other Legal Requirements

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

Athens, May 20th 2009

SOL s.a.
CERTIFIED PUBLIC ACCOUNTANTS - AUDITORS

Institute of CPA Reg. No 125

A Horwath Business Alliance Associate

MARIA HARITOU	**ZOE SOFOU**
Reg.No. 15161	**Reg. No. 14701**

Certified Public Accountant Auditors

Institute of CPA (SOEL)

SOL S.A. – Certified Public Accountants Auditors

3, Fok. Negri Street - Athens, Greece

Institute of CPA (SOEL) Reg. No. 125

(All amounts in €'000)

Balance sheet

ASSETS	Note	31/12/2008	31/12/2007
Non-current assets			
Property, plant and equipment	5	43.180	43.968
Intangible assets	6	1.613	400
Investment property	7	9.914	10.140
Trade and other receivables	8	54	54
		54.761	**54.562**
Current assets			
Inventories	9	32.502	36.947
Trade and other receivables	8	18.032	26.180
Current income tax assets		1.414	1.917
Cash and cash equivalents	10	9.293	10.438
		61.241	**75.482**
Total assets		**116.002**	**130.044**
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	11	67.924	67.924
Reserves	12	9.529	9.180
Retained earnings		6.937	5.939
Total equity		**84.390**	**83.042**
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	14	33	484
Retirement benefit obligations	15	1.009	698
Provisions for other liabilities and charges	16	601	754
		1.643	**1.937**
Current liabilities			
Trade and other payables	17	25.395	41.843
Current income tax liabilities		233	681
Borrowings	13	2.000	2.102
Provisions for other liabilities and charges	16	2.340	440
		29.969	**45.065**
Total liabilities		**31.612**	**47.002**
Total equity and liabilities		**116.002**	**130.044**

The notes on pages 13 to 45 are an integral part of these financial statements.

(All amounts in €'000)

Income statement

	Note	1/1 - 31/12/2008	1/1 - 31/12/2007
Sales	18	65.303	79.285
Cost of goods sold	19	(45.158)	(58.344)
Gross profit		**20.146**	**20.941**
Selling and research costs	19	(11.853)	(11.003)
Administrative expenses	19	(5.718)	(6.474)
Other income	21	509	575
Other gains/(losses) - net	22	(12)	252
Operating profit		3.072	4.291
Finance costs	23	250	(965)
Finance income	23	85	227
Finance costs - net		334	(738)
Profit before income tax		**3.406**	**3.553**
Income tax expense	24	(358)	(1.004)
Profit for the year		**3.048**	**2.550**

The notes on pages 13 to 45 are an integral part of these financial statements.

(All amounts in €'000)

Statement of changes in equity

	Note	Share capital	Other reserves	Retained earnings	Total equity
Balance at 1 January 2007		**67.924**	**9.213**	**5.055**	**82.192**
Profit for the year		-	-	2.550	2.550
Net profits recognised during the year		-	-	2.550	2.550
Transfer	12	-	(34)	34	-
Dividends relating to year 2006	29	-	-	(1.700)	(1.700)
Balance at 31 December 2007		**67.924**	**9.180**	**5.939**	**83.042**
Balance at 1 January 2008		**67.924**	**9.180**	**5.939**	**83.042**
Profit for the year		-	-	3.048	3.048
Net profits recognised during the year		-	-	3.048	3.048
Transfer	12	-	350	(350)	-
Dividends relating to year 2007	29	-	-	(1.700)	(1.700)
Balance at 31 December 2008		**67.924**	**9.529**	**6.937**	**84.390**

The notes on pages 13 to 45 are an integral part of these financial statements.

(All amounts in €'000)

Cash flow statement

	Note	1/1 - 31/12/2008	1/1 - 31/12/2007
Cash flows from operating activities			
Cash flows from operating activities	25	5.471	15.677
Interest paid		250	(965)
Income tax paid		(754)	(1.386)
Net cash from operating activities		**4.967**	**13.326**
Cash flows from investing activities			
Purchase of property, plant and equipment (PPE)	5	(1.126)	(771)
Purchase of intangible assets	6	(1.569)	(53)
Proceeds from sale of PPE	5	-	23
Interest received		85	227
Net cash from investing activities		**(2.610)**	**(574)**
Cash flows from financing activities			
Dividends paid		(3.400)	(1.600)
Proceeds from borrowings		-	2.000
Repayments of borrowings		-	(20.151)
Repayments of finance leases		(102)	(396)
Net cash from financing activities		**(3.502)**	**(20.147)**
Net decrease in cash and cash equivalents		**(1.145)**	**(7.395)**
Cash and cash equivalents at beginning of year		10.438	17.833
Cash and cash equivalents at end of year	10	**9.293**	**10.438**

The notes on pages 13 to 45 are an integral part of these financial statements.

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

1. General Information

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

The company operates in Greece and in foreign countries.

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

The Company is 100% subsidiary of Intracom Holdings SA ("Intracom Holdings", "Intracom Holdings Group"). The annual consolidated financial statements of Intracom Holdings SA for the year ended 31 December 2008 have been published on its website at ***www.intracom.com***.

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

2. Summary of significant accounting policies

Basis of preparation

These financial statements consist of the financial statements of Intracom Defense for the year ended 31 December 2008, in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union (EU).

These financial statements have been prepared under the historical cost convention.

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

New standards, interpretations and amendments

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

(a) Standards/ interpretations effective in 2008

IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement" and IFRS 7 (Amendment) "Financial instruments: Disclosures" – Reclassification of Financial Assets

This amendment permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. This amendment did not have any impact on the Company's financial statements.

IFRIC 11 – IFRS 2 "Group and Treasury share transactions"

This interpretation clarifies the treatment where employees of a subsidiary receive the shares of a parent. It also clarifies whether certain types of transactions are accounted for as equity-settled or cash-settled transactions.

This interpretation does not have any impact on the Company's financial statements.

IFRIC 12 "Service Concession Arrangements"

IFRIC 12 outlines an approach to account for contractual (service concession) arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognise a financial asset and/or an intangible asset. This amendment did not have any impact on the Company's financial statements.

IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after 1 January 2008)

IFRIC 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 Employee Benefits. It also explains how this limit, also referred to as the "asset ceiling test", may be influenced by a minimum funding requirement and aims to standardize current practice. The Company does not operate any funded plans and therefore this interpretation is not applicable to the Company's operations.

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

IAS 1 (Revised) "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2009)

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. The key changes are: the requirement that the statement of changes in equity include only transactions with shareholders, the introduction of a new statement of comprehensive income that combines all items of income and expense recognised in profit or loss together with "other comprehensive income", and the requirement to present restatements of financial statements or retrospective application of a new accounting policy as at the beginning of the earliest comparative period. The Company will apply these amendments and make the necessary changes to the presentation of its financial statements for the year 2009.

IAS 23 (Amendment) "Borrowing costs" (effective for annual periods beginning on or after 1 January 2009)

The benchmark treatment in the existing standard of expensing all borrowing costs to the income statement is eliminated in the case of qualifying assets. All borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset must be capitalised. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after the effective date. No changes will be made for borrowing costs incurred to this date that have been expensed.

IAS 32 (Amendment) "Financial Instruments: Presentation" and IAS 1 (Amendment) "Presentation of Financial Statements" – Puttable Financial Instruments (effective for annual periods beginning on or after 1 January 2009)

The Company does not expect these amendments to impact its financial statements, as it does not have puttable financial instruments.

IAS 39 (Amended) "Financial Instruments: Recognition and Measurement" – Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009)

This amendment is not applicable to the Company as it does not apply hedge accounting in terms of IAS 39.

IFRS 1 (Amendment) "First time adoption of IFRS" and IAS 27 (Amendment) "Consolidated and separate financial statements" (effective for annual periods beginning on or after 1 January 2009)

As the Company has already transitioned to IFRS, the amendment will not have any impact on the Company's financial statements.

IFRS 2 (Amendment) "Share Based Payment" – Vesting Conditions and Cancellations (effective for annual periods beginning on or after 1 January 2009)

The Company expects that this Interpretation will have no impact on its financial statements.

IFRS 3 (Revised) "Business Combinations" and IAS 27 (Amended) "Consolidated and Separate Financial Statements" (effective for annual periods beginning on or after 1 July 2009)

A revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements were issued by IASB on January 10, 2008. IFRS 3R introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). IAS 27R requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3 and IAS 27 will be applied prospectively and will affect future acquisitions and transactions with minority interests.

IFRS 8 "Operating Segments" (effective for annual periods beginning on or after 1 January 2009)

This standard is not relevant to the Company.

IFRIC 13 "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008)

The Company expects that this Interpretation will have no impact on its financial statements as no such schemes currently exist.

IFRIC 15 "Agreements for the construction of real estate" (effective for annual periods beginning on or after 1 January 2009)

This interpretation addresses the diversity in accounting for real estate sales. Some entities recognise revenue in accordance with IAS 18 (i.e. when the risks and rewards in the real estate are transferred) and others recognise revenue as the real estate is developed in accordance with IAS 11. The interpretation clarifies which standard should be applied to particular. The Company does not anticipate any impact of this interpretation on its financial statements.

IFRIC 16 "Hedges of a net investment in a foreign operation" (effective for annual periods beginning on or after 1 October 2008)

This interpretation is not relevant to the Company.

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

The amendments set out below describe the key changes to IFRSs following the publication in May 2008 of the results of the IASB's annual improvements project. Unless otherwise stated the following amendments are effective for annual periods beginning on or after 1 January 2009.

IAS 1 (Amendment) "Presentation of financial statements"

The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39 "Financial instruments: Recognition and measurement" are examples of current assets and liabilities respectively. The Company will apply this amendment from 1 January 2009 but it is not expected to have an impact on the Company's financial statements.

IAS 16 (Amendment) "Property, plant and equipment" (and consequential amendment to IAS 7 "Statement of cash flows")

This amendment requires that entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities. The amendment will not have an impact on the Company's operations because none of the companies in the Company have ordinary activities that comprise renting and subsequently selling assets.

IAS 19 (Amendment) "Employee benefits"

The changes to this standard are as follows:

- A plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.
- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent.

The Company will apply theses amendments from 1 January 2009. It is not expected that these amendments will have an impact on the Company financial statements.

IAS 20 (Amendment) "Accounting for government grants and disclosure of government assistance"

The amendment requires that the benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with IAS 39 "Financial instruments: Recognition and measurement" and the proceeds received with the benefit accounted for in accordance with IAS 20. The amendment will not have an impact on the Company's operations.

IAS 27 (Amendment) "Consolidated and separate financial statements"

This amendment is not relevant to the Company.

IAS 28 (Amendment) "Investments in associates" (and consequential amendments to IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures")

This amendment is not relevant to the Company.

IAS 28 (Amendment) "Investments in associates" (and consequential amendments to IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures")

This amendment is not relevant to the Company.

IAS 29 (Amendment) "Financial reporting in hyperinflationary economies"

This amendment is not relevant to the Company.

IAS 31 (Amendment) "Interests in joint ventures" and consequential amendments to IAS 32 "Financial Instruments: Presentation" and IFRS 7 "Financial instruments: Disclosures")

This amendment is not relevant to the Company.

IAS 36 (Amendment) "Impairment of assets"

This amendment requires that were fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply this amendment and provide the required disclosure where applicable for impairment tests from 1 January 2009.

IAS 38 (Amendment) "Intangible assets"

This amendment states that a payment can only be recognised as a prepayment if that payment has been made in advance of obtaining right of access to goods or receipt of services. This amendment effectively means that once the Company has access to the goods or has received the services then the payment has to be expensed. The Company will apply this amendment from 1 January 2009.

IAS 38 (Amendment) "Intangible assets"

This amendment deletes the wording that states that there is "rarely, if ever" support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not currently have an impact on the Company's operations as all intangible assets are amortised using the straight line method.

IAS 39 (Amendment) "Financial instruments: Recognition and measurement"

The changes to this standard are as follows:

- It is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.
- The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.
- The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that IAS 39 is consistent with IFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker.
- When re-measuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) is used.

The Company will apply the IAS 39 (Amendment) from 1 January 2009. It is not expected to have an impact on the Company's financial statements.

IAS 40 (Amendment) "Investment property" (and consequential amendments to IAS 16 "Property, plant and equipment")

The amendment states that property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The Company is in the process of assessing the impact of this amendment on its financial statements.

IAS 41 (Amendment) "Agriculture"

This amendment is not relevant to the Company.

IFRS 5 (Amendment) "Non-current assets held for sale and discontinued operations" (and consequential amendment to IFRS 1 "'First-time adoption") (effective for annual periods beginning on or after 1 July 2009)

This amendment is not relevant to the Company.

Segment Information

As business segment is considered a distinguishable part of a company, that it is engaged in providing individualised products or services or a group of related products or services.

As geographical segment is considered a distinguishable part of a company, that it is engaged in providing products or services in a special economic environment.

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

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

Investment property

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

Leases

(a) Finance leases

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

(b) Operating leases

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

Intangible assets

Computer software

Software licenses are stated at historical cost less subsequent amortisation. Amortisation is calculated using the straight-line method over the useful economic lives, not exceeding a period of 3-5 years.

Impairment of assets

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

Financial assets

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity investments

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

(d) Available-for-sale financial assets

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

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

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

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

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

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

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

Inventories

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

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

Trade receivables

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

Cash and cash equivalents

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

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown after the reduction of the relative income tax in reduction to the product of issue. Incremental costs directly attributable to the issue of new shares for the acquisition of other entities are included in the cost of acquisition of the new company.

Borrowings

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

Borrowing costs

All borrowing costs are recognized in the income statement as incurred.

Deferred income tax

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

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

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

Employee benefits

(a) Pension obligations

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

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

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

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

(b) Termination benefits

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

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

Provisions

Provisions are recognized when:

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

(a) Warranties

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

(b) Compensated absences

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

(c) Loss-making contracts

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

Revenue recognition

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

(a) Sales of goods

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

(b) Sales of services

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

(c) Interest income

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

Expenses

The expenses are recognized in the results on an accrued basis

Dividend distribution

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

Roundings

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

3. Financial risk management

Financial risk factors

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

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

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

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

(All amounts in €'000)

(a) Market risk

Foreign exchange risk

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

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

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

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

Increase in EUR/USD rate by	**Effect on net profit 31/12/2008**	**Effect on net profit 31/12/2007**
-12,00%	(389)	(476)
-9,00%	(292)	(357)
-6,00%	(194)	(238)
-3,00%	(97)	(119)
3,00%	97	119
6,00%	194	238
9,00%	292	357
12,00%	389	476

Price risk

The Entity has no exposure to price risk.

(b) Credit risk

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

Regarding credit risk related to cash deposits, the Company collaborates only with financial institutions of high credit rating, while at the same time no financial institution has more than 15% of the managed assets.

(c) Liquidity risk

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

(All amounts in €'000)

(d) Cash flow and fair value interest rate risk

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

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

Financial instruments in Euro

Change in interest rates (Base Units)	Effect on net profit 31/12/2008	Effect on net profit 31/12/2007
-100	(74)	(55)
-75	(55)	(41)
-50	(37)	(27)
-25	(18)	(14)
25	18	14
50	37	27
75	55	41
100	74	55

Financial instruments in USD

Change in interest rates (Base Units)	Effect on net profit 31/12/2008	Effect on net profit 31/12/2007
-100	(23)	(31)
-75	(17)	(23)
-50	(12)	(15)
-25	(6)	(8)
25	6	8
50	12	15
75	17	23
100	23	31

Capital risk management

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

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

(All amounts in €'000)

	31/12/2008	39.447
Total borrowings (note 13)	2.000	2.102
Less: Cash and cash equivalents (note 10)	(9.293)	(10.438)
Net debt	**(7.293)**	**(8.337)**
Total equity	84.390	83.042
Total capital employed	**77.097**	**74.705**

Fair value estimation

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

4. Critical accounting estimates and judgements

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

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

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

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

5. Segment Information – Geographical Segments

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

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

The sales breakdown per geographical areas for the year ended 31 December 2008 were as follows:

	1/1 - 31/12/2008	1/1 - 31/12/2007
Local sales	21.927	27.066
Sales to European Union	29.203	40.628
Sales to other European countries	189	2
Sales to other countries	13.985	11.590
Total	**65.303**	**79.285**

(All amounts in €'000)

6. Property, plant and equipment

	Land - buildings	Machinery	Vehicles	Furniture & other equipment	Prepayments and assets under construction	Total
Cost						
Balance at 1 January 2007	42.885	13.430	154	3.308	-	59.777
Additions	31	381	41	233	86	771
Disposals	-	-	-	(11)	(23)	(34)
Transfer from investment property (note 7)	1.849	-	-	-	-	1.849
Balance at 31 December 2007	**44.765**	**13.811**	**195**	**3.531**	**63**	**62.364**
Balance at 1 January 2008	44.765	13.811	195	3.531	63	62.364
Additions	-	793	-	224	109	1.126
Transfers	173	-	-	-	(173)	-
Disposals	-	(18)	-	(63)	-	(81)
Transfer from investment property (note 7)	177	-	-	-	-	177
Balance at 31 December 2008	**45.114**	**14.586**	**195**	**3.691**	**-**	**63.585**
Accumulated depreciation						
Balance at 1 January 2007	5.407	9.004	72	1.819	-	16.302
Depreciation charge	680	990	19	329	-	2.017
Disposals	-	-	-	(10)	-	(10)
Transfer from investment property (Note 7)	88	-	-	-	-	88
Balance at 31 December 2007	**6.175**	**9.994**	**90**	**2.137**	**-**	**18.396**
Balance at 1 January 2008	6.175	9.994	90	2.137	-	18.396
Depreciation charge	684	1.001	23	342	-	2.049
Disposals	-	(18)	-	(59)	-	(77)
Transfer from investment property (note 7)	37	-	-	-	-	37
Balance at 31 December 2008	**6.895**	**10.976**	**113**	**2.420**	**-**	**20.405**
Net book amount at 31 December 2007	**38.589**	**3.817**	**104**	**1.394**	**63**	**43.968**
Net book amount at 31 December 2008	**38.218**	**3.609**	**81**	**1.271**	**-**	**43.180**

Assets held under finance lease included above are as follows:

	31/12/2008	31/12/2007
Cost	-	2.838
Accumulated depreciation	-	(2.473)
Net book amount	**-**	**365**

(All amounts in €'000)

7. Intangible assets

	Trademarks and licences	Software	Total
Cost			
Balance at 1 January 2007	40	4.076	4.117
Additions	-	53	53
Balance at 31 December 2007	**40**	**4.130**	**4.170**
Balance at 1 January 2008	40	4.130	4.170
Additions	-	1.569	1.569
Balance at 31 December 2008	**40**	**5.699**	**5.739**
Accumulated depreciation			
Balance at 1 January 2007	40	2.624	2.664
Amortisation charge	-	1.106	1.106
Balance at 3 1December 2007	**40**	**3.730**	**3.770**
Balance at 1 January 2008	40	3.730	3.770
Amortisation charge	-	356	356
Balance at 3 1December 2008	**40**	**4.086**	**4.126**
Net book amount at 31 December 2007	**-**	**400**	**400**
Net book amount at 31 December 2008	**-**	**1.613**	**1.613**

(All amounts in €'000)

8. Investment property

Cost	
Balance at 1 January 2007	12.632
Transfer to property, plant and equipment (note 5)	(1.849)
Balance at 31 December 2007	**10.783**
Balance at 1 January 2008	10.783
Transfer to property, plant and equipment (note 5)	(177)
Balance at 31 December 2008	**10.606**
Accumulated depreciation	
Balance at 1 January 2007	643
Transfer to property, plant and equipment (note 5)	(88)
Depreciation charge	88
Balance at 31 December 2007	**643**
Balance at 1 January 2008	643
Transfer to property, plant and equipment (note 5)	(37)
Depreciation charge	85
Balance at 31 December 2008	**692**
Net book amount at 31 December 2007	**10.140**
Net book amount at 31 December 2008	**9.914**

Rental income for 2008 and 2007 amounted to € 353 and € 454 respectively (note 21).

(All amounts in €'000)

9. Trade and other receivables

	31/12/2008	31/12/2007
Trade receivables	15.464	21.034
Less: provision for impairment	-	-
Trade receivables - net	15.464	21.034
Prepayments to creditors	279	1.409
Receivables from related parties (note 28)	52	92
Other prepayments	507	1.621
Accrued income	93	47
Other receivables	1.691	2.032
Total	**18.086**	**26.235**
Non-current assets	54	54
Current assets	18.032	26.180
	18.086	**26.235**

The fair value of receivables approximates their carrying amounts.

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

	31/12/2008	31/12/2007
Not past due and not impaired at the balance sheet date	9.161	14.162
Impaired at the balance sheet date	-	-
Not impaired at the balance sheet date but past due in the following periods:		
< 90 days	2.555	1.775
90-180 days	1.798	2.402
180-270 days	655	1.205
270-365 days	5	4
1- 2 yrs	1	43
>2 yrs	1.289	1.442
	6.303	6.872
Total	**15.464**	**21.034**

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

Trade and other receivables are denominated in the following currencies:

(All amounts in €'000)

	31/12/2008	31/12/2007
Euro	16.752	23.612
US dollar	1.316	2.616
Other	18	6
	18.086	26.235

10. Inventories

	31/12/2008	31/12/2007
Raw & auxiliary materials	18.281	22.532
Semi-finished goods	9.051	7.705
Finished goods	3.980	6.520
Work in progress	1.998	871
Merchandise	10	117
Total	**33.322**	**37.745**
Less: Provisions for obsolete inventories		
Raw & auxiliary materials	559	645
Semi-finished goods	255	151
Finished goods	6	2
	820	**798**
Net realisable value	**32.502**	**36.947**

	31/12/2008	31/12/2007
At the beginning of the year	798	484
Provision for impairment	361	314
Amount of provision reversed during the year	(339)	0
At the year end	**820**	**798**

11. Cash and cash equivalents

	31/12/2008	31/12/2007
Cash at bank and in hand	648	413
Short-term bank deposits	8.645	10.025
Total	**9.293**	**10.438**

(All amounts in €'000)

The effective interest rate on short-term bank deposits in Euro and USD was 4,5% and 1,52% respectively (2007: 3,79% and 5,12% respectively).

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

Cash and cash equivalents are analysed in the following currencies:

	31/12/2008	31/12/2007
Euro	499	388
US Dollar	2.293	3.048
Japanese Yen	6.500	7.000
Other	1	2
	9.293	**10.438**

The Company's bank deposits in JPY have fixed exchange rate/fixed return, and as a result there is no exposure to risk from JPY exchange rate changes.

12. Share capital

	Number of ordinary shares	Share capital
Balance at 1 January 2007, 31 December 2007 and 31 December 2008	**23.103.305**	**67.924**

As at 31 December 2008 the share capital of the Company was divided into 23.103.305 shares with nominal value € 2,94 each.

13. Reserves

	Statutory reserves	Extraordinary reserves	Tax free reserves	Total
Balance at 1 January 2007	86	-	9.128	9.213
Transfer to retained earnings	150	341	(525)	(34)
Balance at 31 December 2007	**236**	**341**	**8.603**	**9.180**
Balance at 1 January 2008	236	341	8.603	9.180
Transfer from retained earnings	140	-	210	350
Balance at 31 December 2008	**376**	**341**	**8.813**	**9.529**

(a) Statutory reserve

A legal reserve is created under the provisions of Greek law (Law 2190/20, articles 44 and 45) according to which, an amount of at least 5% of the profit (after tax) for the year must be transferred to the reserve until it reaches one third of the paid share capital. The legal reserve can only be used, after approval of the Annual

(All amounts in €'000)

General meeting of the shareholders, to offset accumulated losses and therefore cannot be used for any other purpose.

(b) Tax free reserve

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

14. Borrowings

	31/12/2008	31/12/2007
Current borrowings		
Bank loans	2.000	2.000
Finance lease liabilities	-	102
Total current borrowings	**2.000**	**2.102**

The weighted average interest rate for the Company's borrowings for 2008 was around 4,67% (2007: 5,54%).

Total borrowings are denominated in Euro.

The bank loans have been guaranteed by the parent company, Intracom Holdings.

Finance lease liabilities

	31/12/2008	31/12/2007
Finance lease liabilities- minimum lease payments		
Not later than 1 year	-	103
Between 2 and 5 years	-	-
Total	**-**	**103**
Less: Future finance charges on finance leases	-	(1)
Present value of finance lease liabilities	**-**	**102**

15. Deferred income tax

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

(All amounts in €'000)

	31/12/2008	31/12/2007
Deferred tax assets:		
To be recovered after more than 12 months	1.190	571
To be recovered within 12 months	21	195
	1.212	**765**
Deferred tax liabilities		
To be settled after more than 12 months	(1.157)	(1.109)
To be settled within 12 months	(88)	(141)
	(1.245)	**(1.250)**
	(33)	**(484)**

The total movement in deferred tax is as follows:

	31/12/2008	31/12/2007
Balance at the beginning of the year	(484)	(487)
Credited to the income statement (note 24)	451	3
Balance at the end of the year	**(33)**	**(484)**

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 assets:

	Provision for obsolete inventories	Other provisions	Accrued expenses	Other	Total
Balance at 1 January 2007	121	298	219	195	832
(Charged) / credited to the income statement	78	170	(170)	(145)	(67)
Balance at 31 December 2007	**200**	**468**	**49**	**50**	**765**
Balance at 1 January 2008	200	468	49	50	765
(Charged) / credited to the income statement	6	81	(46)	405	446
Balance at 31 December 2008	**205**	**549**	**3**	**455**	**1.212**

Deferred tax liabilities:

	Accelerated tax depreciation	Provision for bad debts	Other	Total
Balance at 1 January 2007	(1.150)	(73)	(97)	(1.320)
Credited to the income statement	55	-	15	70
Balance at 31 December 2007	**(1.095)**	**(73)**	**(82)**	**(1.250)**
Balance at 1 January 2008	(1.095)	(73)	(82)	(1.250)
Credited to the income statement	5	-	-	5
Balance at 31 December 2008	**(1.090)**	**(73)**	**(82)**	**(1.245)**

(All amounts in €'000)

16. Retirement benefit obligations

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

	31/12/2008	31/12/2007
Present value of unfunded obligations	1.556	1.485
Unrecognised actuarial losses	(547)	(787)
Liability on the balance sheet	**1.009**	**698**

The amounts recognized in the income statement are as follows:

	1/1-31/12/2008	1/1-31/12/2007
Current service cost	281	130
Interest cost	75	64
Net actuarial losses recognised during the year	97	136
Curtailments	854	152
Total, included in staff costs (note 20)	**1.307**	**482**

	31/12/2008	31/12/2007
Balance at the beginning of the year	698	404
Total expense charged in the income statement	1.307	482
Contributions paid	(996)	(188)
Balance at the end of the year	**1.009**	**698**

The principal actuarial assumptions used were as follows:

	31/12/2008	31/12/2007
Discount rate	5,60%	4,70%
Future salary increases	4,50%	4,50%

17. Provisions

	31/12/2008	31/12/2007
Current liabilities	2.340	440
Non- current liabilities	601	754
Total	**2.941**	**1.194**

Analysis of total provisions:

(All amounts in €'000)

	Warranties	Unused compensated absences	Other	Total
Balance at 1 January 2007	754	32	22	808
Provisions for the year	386	-	-	386
Balance at 31 December 2007	**1.140**	**32**	**22**	**1.194**
Unused provisions reversed	(286)	-	-	(286)
Provisions for the year	2.033	-	-	2.033
Balance at 31 December 2008	**2.887**	**32**	**22**	**2.941**

18. Trade and other payables

	31/12/2008	31/12/2007
Trade payables	5.113	6.146
Prepayments from customers	15.120	25.669
Amounts due to related parties (note 28)	3.317	7.983
Accrued expenses	395	729
Social security and other taxes	1.306	1.315
Other liabilities	144	1
Total	**25.395**	**41.843**

Trade and other payables are denominated in the following currencies:

	31/12/2008	31/12/2007
Euro	18.545	32.195
US Dollar	6.849	9.635
Other	2	13
	25.395	**41.843**

The average credit payment terms of the Company's liabilities are 90 days.

(All amounts in €'000)

19. Sales by nature

	1/1 - 31/12/2008	1/1 - 31/12/2007
Sales of goods	931	248
Sales of products	52.989	65.657
Revenue from services	11.383	13.380
Total	**65.303**	**79.285**

	1/1 - 31/12/2008	1/1 - 31/12/2007
Local sales	21.927	27.066
Sales to European Union	29.203	40.628
Sales to other European countries	189	2
Sales to other countries	13.985	11.590
Total	**65.303**	**79.285**

(All amounts in €'000)

20. Expenses by nature

	Note	1/1 - 31/12/2008	1/1 - 31/12/2007
Employee benefit expense	20	19.713	18.680
Inventory cost recognised in cost of goods sold		24.063	30.310
Depreciation of PPE			
-Freehold property	5	2.029	1.936
-Leasehold property	5	20	81
Depreciation of investment property	7	85	88
Amortisation of intangible assets	6	356	1.106
Impairment of inventories		361	314
Repairs and maintenance		808	581
Operating lease payments			
-Vehicles and machinery		206	199
-Furniture and other equipment		1	-
Advertising costs		413	368
Telecommunication, lighting & heating		956	1.000
Taxes and duties		733	948
Transportation		655	678
Subcontractors' fees		5.949	16.153
Other		6.381	3.381
Total		**62.729**	**75.821**

Split by function:		
Cost of goods sold	45.158	58.344
Selling costs	11.853	11.003
Administrative expenses	5.718	6.474
	62.729	**75.821**

Split of depreciation and amortisation by function:		
Cost of goods sold	1.513	1.410
Selling costs	680	1.527
Administrative expenses	297	274
	2.490	**3.211**

(All amounts in €'000)

21. Employee benefits

	1/1 - 31/12/2008	1/1 - 31/12/2007
Wages and salaries	14.448	14.315
Social security costs	3.516	3.524
Other employers' contributions and expenses	442	358
Pension costs - defined benefit plans (note 15)	1.307	482
Total	**19.713**	**18.680**

The total number of employees as at 31/12/2008 was 520 (2007: 525).

22. Other operating income

	1/1 - 31/12/2008	1/1 - 31/12/2007
Rental income	353	454
Grants	30	15
Other	126	105
Total	**509**	**575**

23. Other gains/ (losses) –net

	1/1 - 31/12/2008	1/1 - 31/12/2007
Loss on sale of PPE	(4)	-
Net gains/ (losses) from exchange differences	(20)	72
Other gains	12	180
Total	**(12)**	**252**

(All amounts in €'000)

24. Finance costs – net

	1/1 - 31/12/2008	1/1 - 31/12/2007
Interest expense		
- Bank borrowings	118	633
- Finance leases	(4)	19
- Other	186	258
Net losses from exchange differences	(550)	55
	(250)	965
Interest income		
Interest income from banks	(85)	(227)
Total	**(334)**	**738**

25. Income tax expense

	1/1 - 31/12/2008	1/1 - 31/12/2007
Current tax	809	1.007
Deffered tax (note 14)	(451)	(3)
Total	**358**	**1.004**

The income tax rate for the years 2008 and 2007 was 25%. The tax on the Company's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the entity, as follows:

	1/1 - 31/12/2008	1/1 - 31/12/2007
Profit before tax	3.406	3.553
Tax calculated at tax rates applicable to Greece (2008:25%, 2007:25%)	851	888
Income not subject to tax	-	-
Expenses not deductible for tax purposes	(504)	(68)
Effect of change in tax rates	-	-
Other taxes (L.3614/07, article 47)	11	184
	358	**1.004**

During the year 2008 the company settled the open tax years 2002-2006. The outcome tax had been included in the respectively years provisions.

(All amounts in €'000)

Based on a new tax law enacted in 2008, the tax rates for the years 2010 until 2014 are 24%, 23%, 22%, 21% and 20% respectively.

26. Cash generated from operations

	Note	1/1 - 31/12/2008	1/1 - 31/12/2007
Profit for the year		3.048	2.550
Adjustments for:			
Tax	24	358	1.004
Depreciation of PPE	5	2.049	2.017
Amortisation of intangible assets	6	356	1.106
Depreciation of investment property	7	85	88
Loss on sale of PPE		4	-
Interest income	23	(85)	(227)
Interest expense	23	(250)	965
		5.567	**7.502**
Changes in working capital			
Inventories		4.445	1.559
Trade and other receivables		8.149	9.782
Trade and other payables		(14.747)	(3.847)
Provisions for other liabilities and charges		1.747	386
Retirement benefit obligations		311	294
		(96)	**8.175**
Cash generated from operations		**5.471**	**15.677**

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:

	31/12/2008	31/12/2007
No later than 1 year	147	73
Later than 1 year and no later than 5 years	346	48
	493	**121**

The lease payments relate to rentals of motor vehicles.

(All amounts in €'000)

28. Contingent liabilities

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

	31/12/2008	31/12/2007
Guarrantees for advance payments	11.006	18.746
Guarrantees for good performance	8.146	9.517
Guarrantees for participation in contests	323	977
	19.474	**29.241**

29. Related party transactions

The following transactions are carried out with related parties:

	1/1 - 31/12/2008	1/1 - 31/12/2007
Sales of goods / services:		
To other related parties	**985**	**1.233**
Purchases of goods / services:		
From parent company	1.370	3.392
From other related parties	4.163	8.496
	5.533	**11.888**
Rental income:		
From other related parties	**337**	**426**

	1/1 - 31/12/2008	1/1 - 31/12/2007
Purchases of fixed assets:		
From parent company	1.497	9
From other related parties	96	76
	1.593	**85**

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. Other related parties are companies within the Intracom Holdings Group, as well as companies in which the major shareholder of Intracom Holdings Group holds an interest share.

(All amounts in €'000)

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

	31/12/2008	31/12/2007
Receivables from related parties:		
From parent company	-	49
From other related parties	52	42
	52	**92**
Payables to related parties		
To parent company	2.414	5.817
To other related parties	902	2.166
	3.317	**7.983**

Key management compensation

Total amount of € 971 has been paid by the Company as director's remuneration and key management compensation for the year 2008 (2007: € 1.022).

30. Dividends

The Directors propose a dividend of € 0,0649 per share (totalling € 1.500) for the year 2008. The proposed dividend will be submitted for formal approval at the shareholders' Annual General Meeting. This dividend will be accounted for as an appropriation of retained earnings in the following year.

The Annual General Meeting held on June 26th approved a dividend of € 0,074 per share (totalling € 1.700) for the year 2007. The dividend was paid during 2008. Correspondingly, the dividend of total value € 1.700 for the year 2006 was paid during the year 2008.

31. Events after the balance sheet date

During the preparation of the financial statements, the company was subject of a tax audit (for the financial year 2007), which has not yet been finalized. In case the final level income tax, that will be assessed by the audit, differs from the tax provisions, the difference will impact the income tax of the year 2009.

Notes and information

INTRACOM DEFENSE ELECTRONICS

INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS
S.A. LEDGER 48500/04/B/01/232(05)
21 KM MARKOPOULOU AVE., KOROPI ATTICA, GR 19400
Concise financial information for the year ended 31 December 2008
(reported under the provisions of L.2190, Art. 135 for companies which prepare annual financial consolidated statements, consolidated or stand alone in accordance with IFRS)

The purpose of the financial information set out below is to provide an overview of the financial position and financial results of INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS. We advice the reader, before making any investment decision or other transaction with the Company, to visit the Company's website (www.intracomdefense.com) where the interim financial statements prepared in accordance with International Financial Reporting Standards together with the audit review of the independent auditors, whenever this is required, are presented.

COMPANY'S STATUTORY INFORMATION

Authority in charge :	Easten Attica Municipacility
Date of approval of financial (from which derived the concise financial information):	29/04/2009
Board of directors:	Chairman - Socrates P. Kokkalis
	Vice - Chairman - Dimitrios Ch. Klonis
	Member and CEO - George J. Troullinos
Certified Auditors Accountants:	Maria N. Charitou (SOEL Reg. No. 15161)
	Zoe D. Sofou (SOEL Reg. No. 14701)
Certified Auditing Firm:	S.O.L S.A. Reg.No /S.O.E.L. 125
Type of Auditor's Report:	Unqualified
Web Site:	www.intracomdefense.com

BALANCE SHEET
Amounts in € thousands

	31.12.2008	31.12.2007
ASSETS		
Tangible Assets	43.180	43.968
Investment property	9.914	10.140
Intangible Assets	1.613	400
Inventories	32.502	36.947
Trade and other receivables	18.086	26.235
Other Current Assets	10.707	12.355
TOTAL ASSETS	**116.002**	**130.044**
LIABILITIES AND EQUITY		
Share Capital	67.924	67.924
Other Equity Elements	16.466	15.118
Shareholders Equity (a)	84.390	83.042
Minority Interest (b)		
Total Shareholders Equity (c)=(a)+(b)	**84.390**	**83.042**
Provisions and Other Long term Liabilities	1.643	1.937
Short-term Debt	2.000	2.102
Other Short-term Liabilities	27.969	42.964
Total Liabilities (d)	**31.612**	**47.002**
TOTAL EQUITY AND LIABILITIES (c)+(d)	**116.002**	**130.044**

STATEMENT OF CHANGES IN EQUITY
Amounts in € thousands

	31.12.2008	31.12.2007
Balance at the beginning of period (1/1/2008 and 1/1/2008 respectively)	**83.042**	**82.192**
Profit for the period after tax	3.048	2.550
Distributed Dlvedends	(1.700)	(1.700)
Balance at the end of period (1/1/2008 and 1/1/2008 respectively)	**84.390**	**83.042**

INCOME STATEMENT
Amounts in € thousands

	31.12.2008	31.12.2007
Sales	**65.303**	**79.285**
Gross profit	**20.146**	**20.941**
Profit before income tax, financing and investing results	**2.718**	**3.837**
Profit before income tax	**3.406**	**3.553**
Less income tax expense	**(358)**	**(1.004)**
Profit/(Loss) after Tax Total	**3.048**	**2.550**
Attridutable to:		
Equity holders of the Company	3.048	2.550
	3.048	**2.550**
Earnings After Tax per Share - basic (in €)	0,13	0,11
Proposed dividend per share (in €)	0,06	0,07
Profit before income tax, financing, investing results and depreciations	5.210	7.048

CASH FLOW STATEMENT
Amounts in € thousands

Indirect Method	31.12.2008	31.12.2007
Operating activities		
Profit before income tax	**3.406**	**3.553**
PLus / Minus adjustments for:		
Depreciation	2.491	3.211
Provisions	2.062	680
Results (income, expenses, profits and losses) from investing activities	(85)	(227)
Interest expenses and related costs	(250)	965
PLus / Minus adjustments for Working Capital Charges related to operating activities.		
Decrease / (Increase) in inventories	4.445	1.559
Decrease / (Increase) in receivables	8.149	9.782
(Decrease) / increase in liabilities (other than banks)	(14.747)	(3.847)
Less:		
Interest expenses and related costs paid	250	(965)
Income Tax paid	(754)	(1.386)
Total inflow / (outflow) from operating activities (a)	**4.967**	**13.326**
Investing activities		
Purchase of PPE and intangible assets	(2.695)	(825)
Proceeds from sales of PPE and intangible assets	0	23
Interset received	85	227
Total inflow / (outflow) from investing activities (b)	**(2.610)**	**(574)**
Financing activities		
Dividends paid	(3.400)	(1.600)
Proceeds from Borrowings		2.000
Repayments of Borrowings		(20.151)
Repayments of finance leases	(102)	(396)
Total inflow / (outflow) from financing activities (c)	**(3.502)**	**(20.147)**
Net increase / (decrease) in cash and cash equivalents for the period (a) + (b) + (c)	**(1.145)**	**(7.395)**
Cash and cash equivalents at beginning of period	**10.438**	**17.833**
Cash and cash equivalents at end of period	**9.293**	**10.438**

ADDITIONNAL INFORMATION:

1. The company has been audited by the tax authorities until the year 2006. During the preparation of the financial statements was conducting the tax audit for the year 2007.
2. The Company's Financial statements are included in the consolidated statements of INTRACOM HOLDINGS S.A., which is located in Greece. INTRACOM HOLDINGS S.A participates in the company's equity with 100%. The consolidation method that used is the purchase method.
3. There are no pledges on the company's assets.
4. There no legal disputes which may materially affect the financial posistion of the Company.
5. Number of employees at the end of the current period : 520 (31/12/2007 :525)
6. The sales and purchases by the company to group other companies for the current year amounted to € 985 th. and € 7.126 th. respectively whereas the balances receivable and payable by/ to to group other companies at the end of the current period amounted to € 52 th. and € 3.297 th. respectively.
7. The same accounting policies and methods of computation have been followed as compared with the previous year's annual financial statements (December 31, 2007).

Koropi, April 29th, 2009

THE CHAIRMAN OF THE BOARD OF DIRECTORS	VICE CHAIRMAN OF THE BOARD OF DIRECTORS	CHIEF EXECUTIVE DIRECTOR	FINANCE AND ADMNISTRATIVE DIRECTOR	ACCOUNTING MANAGER
S. P. KOKKALIS ID. No Π 695792/31.10.1991	D. C. KLONIS ID. No P 539675/06.11.1995	G. J. TROULLINOS ID. No Σ 681748/21.07.1999	K. D. PALMOS ID. No Σ 063087/15.10.1995 H.E.C. License No. 16941/A' Class	E. J. KOUFOPOULOS ID. No K 892341/16.07.1976 H.E.C. License No. 5271/A' Class