



INTRACOM SA

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

Financial Statements

for the year ended December 31, 2018

in accordance with International Financial Reporting Standards

General Electronic Commercial Registry (G.E.MI.) No.: 006657001000

It is certified that the accompanying Financial Statements are those which were prepared by the Board of Directors of “INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS – PRIVATE ENTERPRISE FOR PROVISION OF SECURITY SERVICES” on April 3rd 2019, approved by the Annual General Meeting of Shareholders on 13 June 2019 and have been posted on the web site at the address <http://www.intracomdefense.com>

THE CHAIRMAN OF THE BoD

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

THE VICE CHAIRMAN OF THE BoD

G.A. ANNINOS
ID No AK 760212/28.08.2013

THE MANAGING DIRECTOR

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

THE CHIEF FINANCIAL MANAGER

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

THE HEAD OF THE ACCOUNTING DEPT.

E. I. KOUFOPOULOS
ID. No. AM 213304/19.09.2015
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- PRIVATE ENTERPRISE
FOR THE PROVISION OF SECURITY SERVICES”**

DISTINCTIVE NAME: “INTRACOM DEFENSE ELECTRONICS-IDE”

On the Financial Statements

For the year from 1 January to 31 December 2018

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 2018.

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

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

FINANCIAL RESULTS – ACTIVITY REVIEW

The company sales in fiscal year 2018, amounted to € 59.770 thousand against € 65.856 thousand in fiscal year 2017 decreased by 9,24%.

The company's profits before income tax, financing, investing results and total depreciation (EBITDA), amounted to € 4.214 thousand, compared to profit of € 3.828 thousand in 2017, which is an increase of 10,08%.

In terms of income before taxes (EBT), the Company recorded profit of € 3.258 thousand compared to profit of € 3.254 thousand in year 2017.

The after tax profits amounted to € 1.343 thousand compared to profit of € 2.029 thousand in the prior year decreased by 33,81%.

The inventories amounted to € 21.954 thousand compared to € 23.351 thousand in the previous year, decreased by 5,98%.

Trade receivables and other non-current assets in fiscal year 2018 amounted to € 13.160 thousand of which € 1.018 thousand relates to advances paid by the company to suppliers.

Total liabilities amounted to € 33.982 thousand, of which the largest part of € 4.844 thousand, concerns customers advance payments in the frame of projects implementation.

The administrative expenses amounted to € 3.618 thousand compared to € 3.859 in the previous year decreased by 6.24%.

The net financial cost for the fiscal year 2018 amounted to € 350 thousand compared to € 685 thousand in the prior year, while there are no borrowings.

Cash and cash equivalents at the end of the year amounted to € 8.036 thousand compared to € 15.535 thousand at the end of the previous year.

The equity of the Company at the end of the year 2018 amounted to € 66.734 thousand against € 65.510 in the year 2017.

The total Assets amounted in 2018 to € 80.717 thousand against € 96.219 in the year 2017, decreased by 16,11%.

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

	<u>31/12/2018</u>	<u>31/12/2017</u>
<u>a. Financial Structure Ratios</u>		
Current Assets / Total Assets	53,4%	59,3%
Total Equity / Total Liabilities	477,3%	213,3%
Total Equity / Fixed Assets	177,5%	167,2%
Current Assets / Short- term Liabilities	427,1%	229,6%
<u>b. Profitability Ratios</u>		
Net Profit / Sales	2,2%	3,1%
Gross Profit / Sales	24,5%	24,7%
Sales / Total Equity	89,6%	100,5%

MAIN EVENTS

January 2018: INTRACOM Defense Electronics (IDE) participated in OCEAN2020, the most important project related to the first European Defense Fund's initiative to boost Europe's defense capabilities. The project was issued by the European Union under the 'Preparatory Action on Defense Research' and was selected for funding through a competitive procedure that was conducted by the European Defense Agency. The program will integrate unmanned platforms of different type (fixed wing, rotary wing, surface and underwater) with naval units' command and control centers, allowing data exchange via satellite with command and control centers on land. It will involve two live demonstrations of maritime surveillance and interdiction operations in the Mediterranean and Baltic Sea, conducted by European fleets using unmanned aircraft, surface vessels and underwater systems.

February 2018: IDE and the Aristotle University of Thessaloniki (AUTH) signed a contract for the development of Unmanned Aerial Systems (UAS). In the frame of the agreement, IDE cooperates with the Laboratory of Fluid Mechanics and Turbomachinery of the Mechanical Engineering Department of AUTH. More specifically, the AUTH has undertaken the design and study of the aeronautical and mechanical section, while IDE is the main contractor and responsible for the integration of all state of the art electronic, observation, data transfer and telemetry systems as well as for ground stations for command and control. In parallel, UAS will be a platform of incorporating products and services of other specialized Hellenic companies.

March 2018: IDE has completed the delivery to the Hellenic Police of a pre-frontier picture data exchange system between the National Border Control Coordination Center for Immigration and Asylum and the corresponding national coordination center of Bulgaria. The project was assigned to

IDE following a bidding process of the Ministry of Interior. The project is part of the management of migratory flows at the south-eastern external borders of the EU by creating regional networks for the exchange of real-time picture of the situation between Bulgaria and Greece, included in the European Border Surveillance system (EUROSUR). The delivered system is based on products and technologies developed by IDE.

May 2018: IDE delivered on time to the Hellenic Army the first M109 upgrades with Hybrid GENAIRCON, which demonstrated successful performance in live firings. IDE signed a contract with BAE Systems Land and Armaments in 2017, to integrate and commission Hybrid GENAIRCON Systems into M109 platforms of the Hellenic Armed Forces.

June 2018: IDE participated in the 9th NATO Annual Conference, in Crete. The theme of this year's conference was "Fostering Projection of Stability through Maritime Security: Achieving Enhanced Capabilities and Operational Effectiveness". At the conference, the current maritime security challenges were presented and discussed extensively, and plans were proposed for countering illegal activities in the maritime domain. During the conference, IDE presented to the international audience its state-of-the-art Maritime Interdiction Operations (MIO) Suite.

July 2018: IDE honored with a significant performance award from Raytheon's Integrated Defense Systems at the company's annual awards conference on May 17th, 2018 in Boston, MA, USA. It was the 9th consecutive time that IDE was honored by Raytheon for its exceptional performance and quality with the 4 - Star Supplier Excellence Award. Raytheon's Integrated Defense Systems instituted the annual Supplier Excellence Awards program to recognize suppliers who have provided outstanding service and partnership in exceeding customer requirements. Award candidates are judged on certain criteria, including overall quality and on-time delivery.

September 2018: Continuing the long and successful participation in the manufacturing of PATRIOT air defense system, IDE agreed to sign a new contract with Raytheon worth up to USD 38.1 million and is scheduled to be completed by July 2020. IDE will allocate significant part of the project to other Greek companies, thus positively contributing in the industrial production of our country.

September 2018: IDE extends its cooperation with the German Company Diehl Defence, by signing a 5-Year frame contract of 10 € million value for the series production of crucial electronic missile components of the Ground Based Air Defence System IRIS-T SLM (Surface-Launched Medium range). These missile components have been developed by IDE and were tested with absolute success during extensive trials in the certification phase of the system. IDE was selected by Diehl Defence, one of the leading defense companies worldwide, after an international bid for the most suitable available technology. This selection establishes IDE as a reliable partner of Diehl Defence and confirms the excellent cooperation of the two companies during the last twenty years.

November 2018: IDE participated in the Conference and Industrial Exhibition "Innovative Energy Solutions for Military Applications" (IESMA 2018) in Vilnius, Lithuania. The event, organized by the NATO Energy Security Centre of Excellence (ENSEC COE) every two years, brings together NATO Government and Military experts with Industry, specializing in innovative energy systems to improve energy sustainability and efficiency in the military operations, aiming to achieve tactical advantages in relation to energy. During the Conference, IDE presented the performance achievements of its Hybrid Electric Power Systems (HEPS) product family, specifically the Hybrid Generator systems (HG-Series) for deployment with mobile tactical forces and the Hybrid

GENAIRCON, an innovative power supply and management system for high-value, operation vehicles.

December 2018: IDE successfully participated to the Army Warfighting Experiment 2018 (AWE18) in UK. The AWE18 has been an innovative process, with the aim of evaluating disruptive technologies in Robotics & Autonomous Systems (RAS) to achieve operational advantages in the battlefield. IDE worked closely with the British Army Armoured Trials & Development Unit (ATDU) to integrate its Hybrid GENAIRCON, an intelligent Vehicle Hybrid Power Management System, on an Infantry Fighting Vehicle (IFV).

December 2018: IDE, continuing its participation in ESSM Block2 programme, agreed with RAYTHEON to extend cooperation for the production of new electronic units of the anti-missile system.

The new contracts signed by the Company in 2018 amounted to € 62,5 mil.

GOALS – PERSPECTIVES

The company has adopted a specific policy over the last years and consistently works toward the following objectives:

- Boosting its exports to the US by joining the Patriot anti-aircraft missile program and other US defense international-market programs.
- Entering new markets with innovative products in areas such as Asia, South America and Africa.
- Expanding its partnership with large defense equipment manufacturers (System Integrators) for joining international product sale programs and achieving integration of IDE's telecommunication products into the integrated solutions offered as well as the joint promotions in third countries.
- Utilizing the existing know-how in the fields of Surveillance and Security and joining pertinent European programs (Horizon 2020, Frontex).
- Promoting Hybrid Defense Energy Systems with a view to introducing new innovative products.
- Expanding its activities further, following the establishment and implementation of the National Defense Industrial Strategy.
- Expanding the services provided for supporting the weapon systems of the Armed Forces.

On 31.12.2018, the backlog of the Company's agreements was worth a total of €79.6 mil.

RESEARCH AND DEVELOPMENT ACTIVITIES

The company has been consistently investing its funds in research for developing new, innovative products and integrated solutions. The department of research and development is run by highly experienced scientific staff who specialize in the fields of telecommunication, engineering and IT.

Innovation is at the center of the Company's growth model and is consistently supported through significant investments in research and development as well as multi-faceted partnerships with educational institutions and research groups.

Driven by market trends and aiming towards introducing new technologies, the Research & Development Department deals with designing and developing new differentiated products as well as improving existing ones with competitive innovative features.

In this context, the main focus areas prioritized by the Company are Broadband systems, Hybrid power and electricity storage systems, Real-time Data Processing and Geographic Display for Surveillance and Monitoring purposes as well as missile Electronic subsystems.

RISKS AND UNCERTAINTIES

Risks associated with the company's activity

Defense market trend

According to the Stockholm International Peace Research Institute (SIPRI), global defense spending trends in 2018 were as follows:

Global defense spending for 2018 is estimated to have been \$ 1.822 billion, equivalent to 2,1% of the Global Gross Domestic Product (GDP), representing a marginal increase of 2,6% against 2017.

Following 13 consecutive years of successive increases, from 1998 to 2011, and relatively unchanged spending from 2012 to 2016, global defense spending rose in the years 2017 and 2018.

The largest part of this expenditure over the last years is spent mainly by fifteen (15) particular countries with yearly ranking differentiations only. In 2018, these countries spent \$ 1.470 billion on defense i.e. 81% of global defense spending.

In 2018, the US, which is at the top of the world military spending list, spent a total of \$ 649 billion, which accounts for more than one third (2018: 36%) of global spending, and 2,6 times higher than expenditures of China (\$250 billion), which comes second in the world ranking. The remaining 13 countries listed in military spending ranking order for 2018 are: Saudi Arabia (\$67,6 billion), India (\$66,5 billion), France (\$63,8 billion), Russia (\$61,4 billion), the United Kingdom (\$50,0 billion), Germany (\$49,5 billion), Japan (\$46,6 billion), South Korea (\$43,1 billion), Italy (\$27,8 billion), Brazil (\$27,8 billion), Australia (\$26,7 billion), Canada (\$21,6 billion) and Turkey (\$19,0 billion).

Seven of the 15 abovementioned countries are members of the North Atlantic Treaty Organization (NATO). These seven countries spent in 2018 a total of \$ 880 billion, amount which accounts for 48% of global military expenditure. Total spending by all NATO members (29 countries) reached \$963 billion in 2018.

Regionally, the largest percentage increases in military spending in 2018 compared to the previous year (2017) were made in Central Europe, Central and North America, Central-South and East Asia. Six Middle East countries showed very high military spending as a percentage of the Gross Domestic Product, between 4,3% and 8,8% of GDP.

On a country level, the highest rate of increase (24 per cent) between 2017 and 2018 among the top fifteen military spenders, was made by Turkey, which increased military spending over the last decade by 65%, to reach \$19,0 billion in 2018.

Greece is placed 36th in the SIPRI rankings having \$5,2 billion military spending in 2018. This accounts for a 2,4 per cent share of GDP.

Financial Risks

Foreign Exchange Risk

The Company intends to maintain 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.

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.

ENVIRONMENTAL ISSUES

IDE as well as Intracom Holdings Group places emphasis on the commitment to environmental responsibility.

The company is committed to maintaining an environmentally sensitive and accountable position and managing its activities accordingly by applying preventive measures to protect the environment and minimizing any negative environmental impacts that may arise.

To this end, the company has developed and implemented Environmental Management System (EMS) which provide a well-structured approach to environmental issues and ensure the continuous improvement of environmental performance through the introduction of specific environmental objectives and the documentation and monitoring of programs pursuing to achieve these objectives.

The Company promotes the following Environmental Actions:

- Waste management
- Recycling
- Ecological Products Design (eg. Hybrid Energy systems)
- Saving of natural resources (investments in new technologies to reduce energy consumption)

SOCIAL RESPONSIBILITY

The company provides a safe working environment in which non-discriminatory policies are applied and equal opportunities are offered to all employees irrespective of gender, age, and nationality. Furthermore, employee trade union rights are respected, health & safety procedures are faithfully adhered to and open door policies are consistently implemented.

PERSONNEL

The number of company's employees at 31.12.2018 and 31.12.2017 reached 395 and 381 employees respectively.

Directors' remuneration and key management compensation amounted to € 1.152.858 in the year 2018 in comparison to € 1.139.048 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 will propose to the Ordinary General Meeting of Shareholders not to distribute a dividend for the current fiscal year 01.01.2018 -31.12.2018.

The Board of Directors considers the reported data as a statement of its proceedings and expects that the Annual General Meeting of Shareholders will approve the management according to the company's interests and the financial statements for the year ended on 31/12/2018.

It also expects that the Annual General Meeting of Shareholders by a special resolution will approve the overall management of the Company and will release the Auditors from any liability for the year from 1 January 2018 to 31 December 2018.

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, 03 April 2019

THE MANAGING DIRECTOR (CEO)

GEORGE TROULLINOS

B) Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS - PRIVATE ENTERPRISE FOR PROVISION OF SECURITY SERVICES (the Company), which comprise the balance sheet as at 31 December 2018, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS - PRIVATE ENTERPRISE FOR PROVISION OF SECURITY SERVICES as at 31 December 2018, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as incorporated into the Greek Legislation. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company throughout our appointment in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code), as incorporated into the Greek Legislation and the ethical requirements that are relevant to the audit of the financial statements in Greece, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the current legislation and the above-mentioned IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Board of Directors’ Report for which reference is made to the “Report on other Legal and Regulatory Requirements”, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with

the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs, as incorporated into the Greek Legislation, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as incorporated into the Greek Legislation, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Taking into consideration that management is responsible for the preparation of the Board of Directors' Report, according to the provisions of paragraph 5 of article 2 (part B') of L. 4336/2015, we note that:

- a) In our opinion the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of the article 43a of cod. L. 2190/1920 and its content corresponds with the accompanying financial statements for the year ended 31/12/2018.
- b) Based on the knowledge we obtained during our audit of INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS - PRIVATE ENTERPRISE FOR PROVISION OF SECURITY SERVICES and its environment, we have not identified any material misstatements in the Board of Directors' Report.

Athens, 15 May 2019

ANNA K. GKINI

Certified Public Accountant Auditor

Institute of CPA (SOEL) Reg. No. 34471



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C) Annual Financial Statements in accordance with IFRS

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Balance Sheet

	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Property, plant and equipment	6	30.570.479	31.360.106
Other intangible assets	7	241.050	172.510
Investment property	8	1.606.212	1.631.987
Deferred income tax assets	9	5.148.113	5.969.791
Trade and other receivables		41.030	41.030
Total		37.606.883	39.175.424
Current assets			
Inventories	10	21.954.426	23.351.193
Trade and other receivables	11	13.119.191	17.878.350
Current income tax receivables		0	278.355
Cash and cash equivalents	12	8.036.466	15.535.498
Total		43.110.084	57.043.395
Total assets		80.716.967	96.218.819
EQUITY			
Share capital	13	52.906.568	52.906.568
Other reserves	14	9.314.601	9.319.059
Retained earnings		4.513.251	3.283.919
Total equity		66.734.421	65.509.546
LIABILITIES			
Non-current liabilities			
Retirement benefit obligations	15	2.520.654	2.329.630
Long-term provisions for other liabilities and charges	16	430.431	422.161
Trade and other payables	17	937.968	3.114.884
Total		3.889.053	5.866.675
Current Liabilities			
Trade and other payables	17	9.311.968	24.303.257
Current income tax liabilities	24	233.915	0
Short-term provisions for other liabilities and charges	16	547.610	539.340
Total		10.093.493	24.842.597
Total liabilities		13.982.546	30.709.272
Total equity and liabilities		80.716.967	96.218.819

The notes on pages 19 έως 53 are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	1/1-31/12/2018	1/1-31/12/2017
Sales	18	59.770.105	65.856.157
Cost of goods sold	19	(45.129.118)	(49.601.071)
Gross profit		14.640.987	16.255.086
Selling and research costs	19	(8.546.552)	(10.217.286)
Administrative expenses	19	(3.618.068)	(3.858.806)
Net impairment gains/ (losses) of financial assets and contract assets		(36.326)	(20.937)
Other income	21	392.977	469.248
Other gains/(losses) - net	22	75.060	(106.619)
Operating profit		2.908.078	2.520.686
Finance income	23	135.628	2.107.925
Finance cost	23	214.775	(1.422.787)
Finance costs - net		350.403	685.138
Profit before income tax		3.258.480	3.205.824
Income tax expense	24	(1.915.341)	(1.176.659)
Profit after tax for the period		1.343.139	2.029.166
Profit/ (loss) after tax attributable to:			
Equity holders of the Company		1.343.139	2.029.166
		1.343.139	2.029.166
Other comprehensive income:			
Available-for-sale financial assets - Fair value gains			
Actuarial gain/losses	15	(118.264)	(35.882)
Other comprehensive income, net of tax:		(118.264)	(35.882)
Total comprehensive income for the period		1.224.875	1.993.283
Profit per share			
basic	25	0,058	0,088

The notes on pages 19 έως 53 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital	Other reserves	Retained earnings / (loss)	Total equity
Balance at 1 January 2017		52.906.568	9.298.180	1.311.515	63.516.263
Actuarial gains/ (losses), net of tax	14		(35.882)		(35.882)
Profit for the period				2.029.166	2.029.166
Total comprehensive income for the period			(35.882)	2.029.166	1.993.283
Statutory reserves formation	14		56.761	(56.761)	-
Balance at 31 December 2017		52.906.568	9.319.059	3.283.919	65.509.546
Balance at 1 January 2018		52.906.568	9.319.059	3.283.919	65.509.546
Actuarial gains/ (losses), net of tax	14		(118.264)	-	(118.264)
Profit for the period				1.343.139	1.343.139
Total comprehensive income for the period			(118.264)	1.343.139	1.224.875
Statutory reserves formation	14		113.807	(113.807)	-
Balance at 31 December 2018		52.906.568	9.314.601	4.513.251	66.734.421

The notes on pages 19 έως 53 are an integral part of these financial statements.

Cash flow statement

	Note	1/1-31/12/2018	1/1-31/12/2017
Cash flows from operating activities			
Cash generated from operations	26	(6.438.024)	9.560.666
Interest paid		(295.763)	(234.175)
Income tax paid		(612.122)	(1.778.732)
Net cash from operating activities		(7.345.909)	7.547.758
		-	-
Cash flows from investing activities			
		-	-
Purchase of property, plant and equipment		(417.076)	(317.709)
Purchase of intangible assets		(181.294)	(38.085)
Interest received		133.368	2.103.330
Net cash used in investing activities		(465.002)	1.747.537
		-	-
Cash flows from financing activities			
		-	-
		-	-
Net (decrease) / increase in cash & cash equivalents		(7.810.911)	9.295.295
Cash and cash equivalents at beginning of the period		15.535.498	6.888.244
Effects of exchange rate changes on cash and cash equivalents		311.879	(648.041)
Cash and cash equivalents at end of the period	12	8.036.466	15.535.498

The notes on pages 19 έως 53 are an integral part of these financial statements.

Notes to the Financial Statements for the year ended December 31, 2018

1. General Information

INTRACOM S.A. DEFENSE ELECTRONIC SYSTEMS-PRIVATE ENTERPRISE FOR THE PROVISION OF SECURITY SERVICES (“Intracom Defense”, “the Company”) was founded in Greece and operates mainly in the design, development and manufacturing of defense electronic products, systems and applications and the provision of technical support services and maintenance as well as in the provision of safety services.

The company operates in Greece and in foreign countries.

The Company’s registered office is at 21 km Markopoulou Ave., Koropi 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 2018 have been published on its website at www.intracom.com.

These financial statements have been prepared by the Board of Directors on April 3rd 2019, approved by the Annual General Meeting of shareholders on 13 June 2019 and have been posted on the web site at the address www.intracomdefense.com

2. Significant accounting policies

2.1 Basis of preparation

The annual financial statements include the financial statements of the company for the year ended 31 December 2018 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 2018, are consistent with those described in the published financial statements for the year ended 31 December 2017, 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 2018.

2.2 New standards, amendments to existing standards and interpretations

2.2.1 New Standards and Amendments Adopted by the Company

The Company adopted certain standards and amendments, compulsorily, for the first time for the fiscal year 2018. The Company has not previously adopted some other standard, interpretation or amendment issued but is not obligatory to be applied for the fiscal year 2018.

The nature and impact of each new standard or amendment related to the Company's activity is described below.

IFRS 9 "Financial Instruments"

The new standard sets out the principles of recognizing and measuring the financial assets, financial liabilities and some sale or purchase contracts of non-financial assets. The standard shall replace the existing IAS 39. The financial assets are measured at the undepreciated cost, the fair value via the results or the fair value via the other total incomes based on the business model of the entity for the management of financial assets and contractual cash flows of the financial assets. Apart from the entity's credit risk, the classification and measurement of financial liabilities has not changed in terms of the current requirements. IFRS 9 introduces a new impairment model for financial assets, the model of expected credit losses. The standard also introduces significant changes in the set-off model.

IFRS 9 is applied retrospectively, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, for annual periods beginning on or after 1 January 2018. However, non-retrospective application is possible and any impact from the first application of the standard is directly recognized in equity at 1.1.2018. The Company has fully applied IFRS 9 on 1.1.2018, and not retrospectively, ie without the revision of the comparative figures. Consequently, the comparative amounts at 31.12.2017 are presented in accordance with IAS 39.

The new accounting principles for financial instruments and the impact of the standard on the Company's financial statements are described below in note 2.3.10.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 determines the recognition requirements for the revenue applied in all contracts with customers, with the exception of contracts in the scope of the standards related to financial instruments, leases and insurance contracts. IFRS 15 replaces all previous standards (and interpretations) related to revenue.

The standard offers a five-step model that must be applied for all contracts with customers to recognize the revenue. Also, the entity shall recognize as asset the incremental cost of a contract with a customer, if estimated that said cost will be recovered. IFRS 15 requires extensive disclosures both qualitative and quantitative, so that the users of the financial statements will be able to understand the nature, amount timing and uncertainty of the revenue and cash flows from a contract with a customer.

IFRS 15 is mandatory for annual accounting periods starting on or after January 1, 2018. Adoption of the Standard has no impact on the Company's financial statements.

The accounting principles for recognizing income from contracts with customers in accordance with IFRS 15 as detailed in note 2.3.2.

Amendments to IAS 40 Investment Property: Transfer of Investment Property

The amendment clarifies that an entity shall transfer a property to, or form, investment property when, and only when, there is change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments are effective for annual periods beginning on 1 January 2018 and have no impact on the Company's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies which exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency. This applies to annual accounting periods beginning on or after 1st January 2018.

The company applied this interpretation to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the 1st January 2018.

The implementation of the interpretation affected the items of exchange differences (Other gains / (losses) - net), sales, and costs of sales.

Specifically, the effect on the financial statements of the financial year 2018 was as follows:

<u>Statement of Comprehensive Income</u>	
Increase in Sales	827.058
Increase in Cost of goods sold	(348.179)
Decrease in Other gains/(losses) - net	<u>(478.879)</u>
Total	<u>-</u>

Other Amendments

The following amendments, which are mandatory for the current financial year 2018, are not related to the Company's operations and have no impact on the financial statements:

- IFRS 2 Share-based Payment (Amendment): Classification and measurement of share-based transactions.
- IFRS 4 Insurance Contracts (Amendment): Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
- Annual Improvements to IFRSs 2014-2016 Cycle (IAS 28 Exemptions from the application of the equity method)

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

The following new standards, amendments of standards and interpretations have been issued, are related to the Company's activity but are compulsory for later periods. The Company has not previously applied the following standards and is studying its impact on the financial statements

IFRS 16 Leases

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases for the lessor and the lessee. The IFRS 16 supersedes and replaces the IAS 17 *Leases and the interpretations*, SIC 15 *Operating leases - Incentives*, SIC 27 *Evaluating the substance of*

transactions involving the legal form of a lease and IFRS 4 Determining whether an arrangement contains a lease.

The standard introduces a single lease accounting model on lessee's side, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Consequently, lessors continue to classify leases as operating or finance, and follow different lessor accounting for each type of contract. The standard also requires extensive disclosures in the lessee's financial statements.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Company will apply IFRS 16 from its effective date of application on 1 January 2019. With respect to the options and exemptions permitted under IFRS 16, the Company will follow the following approach:

- Application of the new standard using the simplified transition approach, according to which the comparative information of the previous year should not be restated.
- On transition date (1.1.2019) shall measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease.
- For short-term leases and leases for which the underlying asset is of low value, the Company will choose to recognize the lease payments of those leases as operating lease expenses using the straight-line method, in accordance with the exceptions provided by IFRS 16.
- Will be elected the exemption provided by the standard to lessees, not to separate non-lease components from lease components and instead account for all components as a lease
- Will be used a single discount rate implicit in each class of lease with similar characteristics (such as leases with a similar term, assets of a similar value and in a similar economic environment).

The Company will recognize a right-of-use asset and a lease liability for operating leases concerning the lease of vehicles. Subsequent to initial recognition, the Company will:

- depreciate the right-of-use asset on a straight - line basis over the lease term; and
- will measure the corresponding liability by increasing and decreasing the outstanding balance in a way that reflects interest and lease payments respectively.

Based on the above, the Company analyzed the expected impact of IFRS 16 on 1 January 2019 as well as the estimated impact on the income statement for the year 2019. The Company estimates that it will recognize right-of-use assets and equal lease liabilities at the transition date amounting to € 267,746. Additionally, the Company estimates that it will recognize in the following year 2019 interest expense and depreciation costs increased by approximately € 2,600 compared to the expenses recognized using the straight line method under IAS 17.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. The changes are effective from 1

January 2020, not yet adopted by the European Union, and will have no impact on the Company's financial statements.

Amendments to IAS 19 Employee benefits: plan amendment, curtailment or settlement

IAS 19 Employee Benefits specifies how a company accounts for a defined benefit plan. When a change to a plan—an amendment, curtailment or settlement—takes place, IAS 19 requires a company to remeasure its net defined benefit liability or asset. The amendments require a company to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. Until now, IAS 19 did not specify how to determine these expenses for the period after the change to the plan. By requiring the use of updated assumptions, the amendments are expected to provide useful information to users of financial statements. The amendments shall be effective for annual periods beginning on or after January 1, 2019, have not yet been adopted by the European Union and will not have any impact on the Company's financial statements.

IFRIC 23 Uncertainty over Income Tax Treatments

It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 *Income Taxes* specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The amendment shall be effective for annual periods beginning on or after January 1, 2019, have not yet been adopted by the European Union and will not have any impact on the Company's financial statements.

Other Amendments

The following amendments and the new standards, which are mandatory applicable for later periods are not relevant to the Company's operations and will not have an impact on the financial statements:

- IFRS 3 Business Combinations (amendment): Definition of a Business (Effective for annual periods beginning on or after January 1, 2020)
- IFRS 9 Financial Instruments (amendment): Prepayment Features with Negative Compensation (Effective for annual periods beginning on or after January 1, 2019)
- IAS 28 Investments in Associates and Joint Ventures (amendment): Long-term Interests in Associates and Joint Ventures. (Effective for annual periods beginning on or after January 1, 2019)
- Annual Improvements to IFRSs 2015-2017 Cycle (Effective for annual periods beginning on or after January 1, 2020)

2.3 Summary of significant accounting policies

2.3.1 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 during the year and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

Receiving an advance or paying in foreign currency respectively leads to the recognition of a non-monetary item (asset or liability) that is not measured at the balance sheet date. The transaction date for the purposes of initial recognition of the related expense or revenue assets is the date of payment or collection of the relevant advance.

2.3.2 Revenue from Contracts with Customers

The Company recognizes revenue from a contract with a customer when (or as) a performance obligation is satisfied by transferring a promised good or service (i.e., an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. The customer obtains control of a good or a service when it has the ability to direct the use of, and obtain substantially all of the remaining benefits from it.

As revenue shall be defined the amount of consideration to which the company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Variable amounts are included in the consideration and are calculated using either the "Expected Value" method or the "Most Likely Amount" method.

The performance obligation of the contract can be fulfilled either at a point in time or over time.

The performance obligation to sell a good or provide a service is satisfied either at a point in time or over time when:

- (i) the customer simultaneously receives and consumes the benefit provided by the entity's performance as the entity performs,
- (ii) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced,
- (iii) the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

When the company performs the contractual obligations by transferring goods or services to a customer, before the customer pays consideration or before payment is due, the company presents the contract as a contract asset. A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer.

When the customer pays consideration or the company has the unconditional right to receive consideration before the Company's contractual obligations for goods or service transfers then the company presents the contract as contractual liability. The contract liability is derecognized when the contractual obligations are fulfilled and the revenue is recorded in the statement of comprehensive income.

(a) Sales of goods

Revenue from the sale of the Company's assets includes the construction of parts of electronic units mainly related to missile and telecommunication systems and the construction of integrated electromechanical missile systems, and in the majority include a single implementation obligation. Revenue from the sale of equipment is recognized at a point in time when the asset is transferred to the customer, in particular when the goods are transferred to and accepted by the customer.

i) Variable exchange

The Company's contracts with its customers do not include variable remuneration elements due to discounts, price subsidies, refunds, credits, price reductions, incentives, additional performance benefits, sanctions or other similar items.

ii) Warranties

The Company provides two-year repair guarantees for all products sold, in line with industry practice. The guarantees provided by the Company are assurances that the product meets the assurance-type warranties in accordance with IFRS 15 that the Company accounts for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and are included in the item "Forecasts "(note 16).

iii) Contractual assets and liabilities

The contractual assets of the Company relate mainly to accrued income and are included in the item "Trade and other receivables" (note 11), while the liabilities refer to deferred income and customer advances and are presented in the item "Trade and other payables" (note 17) respectively in the balance sheet.

(b) Sales of services

Revenue from provision of services mainly concerns maintenance and support contracts, on-site design and development services, and instrument calibration and testing services. They are recognized over a long period of time by the fixed method during the contract as the customers receive and at the same time reap the benefits resulting from the provision of the service on the part of the Company. Primarily, the services include a single enforcement obligation.

(c) Rental income

Rental income arising from operating leases on investment properties is accounted on a straight line basis during the lease term and is included in Other income in the statement of comprehensive income.

2.3.3 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 all attached conditions will be complied with.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate. Government grants relating

to the purchase of property, plant and equipment are included in non-current liabilities and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.3.4 Current and deferred income tax

The fiscal year taxation includes the current and deferred tax. The taxation is recognized in the results unless it is related to items recognized in the other total income or directly in the net position. In this case, the tax is also recognized in the other total income or directly in the net position, respectively.

Current income tax

The current income tax is calculated based on the taxation result, according to the taxation laws applied in Greece. The expenditure for the current income tax includes the income tax arising from the Company's profits, as shown in its tax statement and provisions for additional taxes for not-audited fiscal years and is calculated according to the laid-down or substantially laid-down tax rates.

Deferred income tax

The deferred income tax arises from the provisional differences between the tax base and the book value of the assets and liabilities. Deferred income tax is not taken into account if it arises from the initial recognition of assets or liabilities in a transaction, except business venture, which when made did not affect the accounting or taxation 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.

The deferred tax is determined taking into account the tax rates (and tax laws) in force on the balance sheet date and expected to be in force when the deferred tax asset is paid or the deferred tax is settled.

The deferred tax assets are set off with the deferred tax liabilities when settled at the same tax authority.

2.3.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

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

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

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

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

2.3.6 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 and impairment. 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.

2.3.7 Leases

The Company as lessee

Leasing of assets, where the Company maintains all risks and benefits of ownership, is classified as financial leasing. Financial leasing is capitalized upon the beginning of the lease at the lowest value between the fair value of the asset and the present value of minimum rents. Each rent is allocated between the obligation and financial expenses so as to achieve a fixed rate for the remaining financial obligation. The corresponding obligations from rents, net of financial expenses, are shown in the liabilities. The part of the financial expenditure related to financial leasing is recognized in the operating results during the lease. The assets acquired with financial leasing are depreciated at the smallest period between the useful life of the assets and the lease duration, unless there is reasonable certainty that the Company shall acquire the ownership of the assets upon the expiry of the lease, in which case they are depreciated during their useful life. During the current and previous fiscal year, the Company did not have any financial leasing and there were no obligations from financial leasing.

Leases in which all the risks and benefits of ownership are maintained by the lessor are classified as operational leases. The payment of rents based on an operational lease is recognized using the direct method during the lease against the results.

The Company as Lessor

Leases in which all the risks and benefits of ownership are maintained by the Company are classified as operational leases. Revenues from operational leases are recognized in the results using the fixed method during each lease.

2.3.8 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.

2.3.9 Impairment of non-financial assets

The book values of non-current assets are controlled for impairment purposes when incidents or changes in the conditions denote that the book value may not be recoverable. When the book value of an asset exceeds the recoverable amount an impairment loss is recognized in the results. The recoverable value is determined as the highest value between the fair value minus the sale cost and the use value. The fair value minus the sale cost is the price one would get for the sale of an asset in a normal transaction between market participants after deducting any additional direct sale cost of the asset, while use value is the net present value of the estimated future cash flows expected to be realized from the continuous use of an asset and the expected proceeds from its sale at the end of the estimated useful life. For the determination of the impairment, the assets are grouped at the lowest level for which the cash flows can be separately determined.

2.3.10 Financial instruments

a. Financial assets

i. Initial Recognition and Derecognition

The Company recognizes a financial asset when it becomes one of the parties of the financial instrument.

A financial asset is derecognised when the contractual rights to the cash flows of the financial asset expire or the financial asset is transferred and the transfer qualifies for derecognition.

ii. Classification and Measurement

Financial assets at initial recognition are measured at their fair value (usually the transaction price, ie the fair value of the consideration given or received) plus transaction costs directly attributable to their acquisition or issue, unless it is for financial assets measured at fair value through profit or loss where transaction, issue, etc. costs are borne by the results.

The trade receivables that do not include a significant portion of funding are measured at the transaction price.

For subsequent measurement purposes, financial assets are classified in accordance with the entity's business model for the management of financial assets and their contractual cash flows.

Financial assets are classified into one of the following three categories, which determines their subsequent measurement:

- Amortised cost,
- fair value through other comprehensive income (fair value through OCI) and
- fair value through profit or loss.

The Company, in addition to trade receivables from customers, does not hold any other financial assets. It classifies them at amortized cost and subsequently measures them using the effective interest method if they have a long-term share.

Effect from the First Implementation of IFRS 9

The Company did not carry out any reclassification of financial assets in the current year. Based on the current business model, Customer Receivables that were measured at amortized cost using the effective interest rate method in accordance with IAS 39 are still measured at amortized cost in accordance with IFRS 9.

iii Impairment

For trade receivables, the Company applies the simplified approach of the Standard and calculates the expected credit losses on the basis of the expected credit losses over the whole life of those items.

For the calculation of the expected credit losses of trade receivables, the Company separates its customers in two categories.

The first customer category includes large clients with an external rating that have a low probability of default (PD). Expected credit losses for this category of customers were estimated as follows:

$$ECL = \sum_{t=1}^T PD_t * LGD_t * EAD_t * DF_t$$

ECL = Expected Credit Losses

T= Time Horizon of Credit Exposure

PD_t = Probability of Default t

LGD_t = Loss Given Default t

EAD_t = Exposure at Default t

DF_t = Discount Factor p

To calculate the probability of default (PD), the external rating (S&P) is taken for each customer and matched with the probability of default. LGD receives 75% of the claim while the discount factor (DF) is unit because it is short-term receivables. All of the above parameters are reassessed at each reporting date.

The second category includes customers without external rating having the same characteristics and small claim balances. The provision for impairment for these customers is calculated using a provision matrix. The loss rates per latency interval are calculated based on the customer's transition rates in the year.

Effect from the First Implementation of IFRS 9

On the date of transition to IFRS 9, 1.1.2018, no provision for impairment of expected credit losses for Company's trade receivables has arisen. In the period 1.1-31.12.2018 provision for expected credit losses amounting € 37.913 (note 11) was recognized in the income statement.

b. Financial liabilities

i. Initial Recognition and Derecognition

An entity recognizes a financial liability in its statement of financial position when and only when the entity becomes a party to the financial instrument.

All the financial liabilities are initially recognized at their fair value and, in the case of loans, net of the direct costs of the transaction.

A financial liability is written off from the statement of financial position when it is settled.

A material change in the terms of an existing financial liability (difference of at least 10% at present value with the initial interest rate) is accounted for as a repayment of the initial financial liability and recognition of a new financial liability. Any difference is recorded in the results.

ii. Classification and Measurement

The financial liabilities are classified at the initial recognition as financial liabilities measured at amortized cost or financial liabilities that are measured at fair value through profit or loss.

The Company's financial liabilities include trade and other payables.

The Company's trade and other payables are subsequently measured by the amortized cost method using the effective interest rate. The Company has not undertaken liabilities that are measured at fair value through profit or loss.

c. Offsetting financial instruments

Financial assets are set off and the net amount is presented in the balance sheet when there is a legal right to set off amounts that have been recognized and there is also the intention of entering a settlement on a net base or the acquisition of the asset and the settlement of the liability are carried out simultaneously.

2.3.11 Inventories

Inventories are stated at the lower value between the acquisition cost and the net realizable value. The cost is determined using the weighted average method. The cost of finished products and semi-finished inventories includes the cost for materials, the direct labour cost and a proportion of the general production expenses. The net realizable value is estimated based on the current reserve sale prices in the context of the usual activity deducting possible sale expenses and for semi-finished products the estimated expenses for their finishing. An impairment provision for slowly moving or depreciated inventories is formed if necessary. Impairments are recognized in the related results.

2.3.12 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.

2.3.13 Share capital

The share capital includes the Company's ordinary shares. The ordinary shares are included in the equity.

Direct expenses for the issuance of shares are shown after deducting the relevant income tax, in reduction of the issuance product.

The acquisition cost of own shares is shown as a deduction of the Company's equity up to when the own shares are sold or cancelled. Each gain or loss from the sale of own shares, net of any expenses and taxes related directly to the transaction, is shown in the retained earnings.

2.3.14 Employee Benefits

(a) Short-term benefits

Short-term benefits for the personnel in money and kind are entered as expenses when they become accrued.

(b) Post-employment benefits

Benefits upon leaving the service include both defined contribution plans (state plans) and defined benefit plans.

The accrued cost of the defined contribution plans is entered as expenses in the related period.

The obligations arising from defined benefit plans for the personnel are calculated at the discounted value of the future benefits for the personnel that have been accrued on the balance sheet date. The obligation of the defined benefit is calculated annually by an independent actuary using the projected unit credit method.

The actuarial profits and losses arising from experiential adjustments and changes in the actuarial assumptions are recognized in the other total revenues in the related period.

The work experience cost is directly recognized in the results.

(c) Termination benefits

The benefits for employment termination are payable when the Company either terminates the employment of employees before retirement or after the decision of employees to accept an offer of benefits by the Company in exchange of terminating their employment. The Company recognizes the benefits for employment termination as an obligation and expenditure on the earlier among the following dates: a) when the entity cannot withdraw the offer of said benefits; and b) when the entity recognizes the restructuring cost falling within the scope of IAS 37 and meaning the payment of benefits for employment termination. Benefits for employment termination due to be paid 12 months after the balance sheet date are discounted.

2.3.15 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.

When the effect of the time value of money is material, the amount of the provision is the present value of the expense that is expected to be required to settle the obligation. The discount rate will be a pre-tax interest rate that reflects the current market estimates for the time value of money and liability-related risks.

(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.

2.3.16 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.

2.3.17 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the 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.

3. Financial risk management

3.1 Financial risk factors

«Intracom Defense» is exposed to financial risks such as market risks (changes in exchange rates, interest rates, market prices), credit risk and liquidity risk. Risk management of the Company operates within the framework of the general risk management program of the Intracom Holdings Group and seeks to minimize the potential negative impact of the volatility of the financial markets on its financial performance.

The financial liabilities of the Company consist mainly of trade payables. Additionally, the Company manages financial assets, mainly in the form of short-term deposits, derived from operating activity. The company with its funds finances its needs in working capital as well as its investments in capital equipment. At the end of the current period there are no open positions in financial derivatives. In any case, such products are used solely for the management of interest rate or foreign exchange risk, since according to the approved policy of the "Intracom Holdings" group use thereof is not allowed for speculation.

3.1.1 Market risk

i. Foreign exchange risks

The Company's currency risk is relatively limited because, in most cases where there are receivables from foreign currency contracts, there are corresponding liabilities in the same currency. Foreign currency contracts are almost all in USD, as are the corresponding liabilities.

In cases where satisfactory natural hedging is not possible due to particularly high foreign currency liabilities, use of forward currency agreements is considered.

With respect to holding reserve assets in foreign currency, the Company's policy is to hold the minimum necessary amount to cover short-term liabilities in that currency.

The following table presents an analysis of the Company's net results sensitivity to possible changes in the exchange rate for the years 2018 and 2017. This analysis took into account the Company's cash reserves and trade receivables and liabilities in USD on 31 December 2018 and 2017 respectively.

Change in EUR/USD rate by	Effect on net results 31/12/2018	Effect on net results 31/12/2017
-12,00%	147.565	128.469
-9,00%	295.130	256.939
-6,00%	442.695	385.408
-3,00%	590.260	513.877
3,00%	(147.565)	(128.469)
6,00%	(295.130)	(256.939)
9,00%	(442.695)	(385.408)
12,00%	(590.260)	(513.877)

ii. Price risk

The company is not exposed to price risk.

iii. Cash flow and fair value interest rate risk

Interest rate risk for the company is limited given that there is no borrowing. Any risk arises from the company's cash reserves held in interest-bearing placements. The following tables present an analysis of the Company's net results sensitivity to possible interest rate fluctuations for the years 2018 and 2017. This analysis took into account the cash reserves of the Company as at 31 December 2018 and 2017 respectively.

Financial instruments in Euro

Change in interest rates (base units)	Effect on net results 31/12/2018	Effect on net results 31/12/2017
(100)	(48.519)	(65.443)
(75)	(36.390)	(49.082)
(50)	(24.260)	(32.722)
(25)	(12.130)	(16.361)
25	12.130	16.361
50	24.260	32.722
75	36.390	49.082
100	48.519	65.443

Financial instruments in USD

Change in interest rates (base units)	Effect on net results 31/12/2018	Effect on net results 31/12/2017
(100)	(32.903)	(92.051)
(75)	(24.677)	(69.038)
(50)	(16.452)	(46.025)
(25)	(8.226)	(23.013)
25	8.226	23.013
50	16.452	46.025
75	24.677	69.038
100	32.903	92.051

3.1.2 Credit risk

The Company's trading takes place almost entirely with highly reputable private or public sector organizations. In many cases, there is a many years of good cooperation history. Consequently, it is considered that the risk of bad debts is very limited.

In relation to credit risk associated with cash deposits, it is noted that the Company collaborates only with financial institutions with a high credit rating.

3.1.3 Liquidity risk

Liquidity risk is kept at a low level by keeping sufficient cash and sufficient free credit limits.

3.2 Capital risk management

The purpose of the Company in managing funds is to safeguard the Company's ability to continue its business in order to ensure returns for shareholders and the benefits of the other parties that are related to the Company and to maintain an optimal capital structure.

There is no capital risk for the Company. All its liabilities fall far short of the capital and there are no loans. Dividend payments are always covered by the Company's cash and cash equivalents.

4. Critical accounting estimates and Judgements

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

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

4.1 Useful life of property, plant and equipment

The management makes estimates for the useful life of depreciable fixed assets. More information is given in 2.3.5, 2.3.6 and 2.3.8.

4.2 Estimated net realizable value of inventories

Under the accounting policy referred to in paragraph 2.3.11, the estimate of the net realizable value of inventories is the Management's best estimate, based on historical sales trends and its view on the quality and volume of inventories, to the extent that available inventories at the balance sheet date will be sold below cost.

4.3 Provision for impairment of doubtful receivables

The Company makes estimates to determine the expected credit losses of trade receivables that are based on the financial position of customers and the economic environment (note 2.3.10).

The amount of expected credit losses depends to a large extent on changes in the circumstances and the future financial situation. Furthermore, past experience and estimates may not lead to conclusions indicative of the actual amount of customer default in the future.

4.4 Employee retirement benefit obligations

Employee retirement benefit obligations are calculated on the basis of actuarial methods that require from the management to assess specific parameters such as the future increase in employee remuneration, the discount rate for these liabilities, the severance rate of employees, etc. The Management tries at each reporting date where this provision is reviewed to best estimate these parameters.

4.5 Income Tax

The Company recognizes receivables and payables for current and deferred income taxes, as well as the results associated there with, based on estimates of the amounts expected to be collected from or be paid to tax authorities for the current and future fiscal years. Estimates are influenced by factors such as the practical application of the relevant legislation, expectations of future taxable profits and the resolution of any disputes with tax authorities, etc. Future tax audits, changes in tax legislation and the amount of taxable profits made may result in adjusting the amount of receivables and payables for current and deferred income tax and in the payment of tax amounts other than those recognized in the Company's financial statements. Any adjustments are recognized in the year within which they are finalized.

4.6 Warranties provisions

The Company recognizes a provision that corresponds to the present value of the estimated liability for the repair or replacement of warranted products or the delivery of projects / services at the balance sheet date. This estimate is calculated on the basis of historical data on repairs and replacements.

5. Segmental Information

Sectors are determined on the basis of the internal information received by the Company's Management and presented in the financial statements on the basis of this internal classification.

The Company is active in the field of Defense Electronic Systems. Geographically, the Company is operating in the Greek Territory and sells products and services to EU countries, European countries outside the EU, the United States of America, North Africa and Southeast Asia.

There is only one business sector in which the company is operating, that of defense systems.

Geographical segment

	Sales		Non current assets(*)	
	1/1-31/12/2018	1/1-31/12/2017	31/12/2018	31/12/2017
Greece	3.155.070	850.514	32.417.741	33.164.603
European Union	8.797.891	6.082.283	-	-
Other European countries	8.510	8.574	-	-
Other countries	47.808.635	58.914.785	-	-
Total	59.770.105	65.856.157	32.417.741	33.164.603

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.

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

Sales revenue by category

See analysis of revenue by category in note 18 below.

6. Property, plant and equipment

	Land - buildings	Machinery	Vehicles	Furniture & other equipment	Total
Cost					
Balance at 1 January 2017	53.680.269	15.858.737	217.563	4.280.991	74.037.560
Additions	69.483	534.895	-	152.058	756.435
Write offs	-	(366.950)	(593)	(77.741)	(445.285)
Balance at 31 December 2017	53.749.752	16.026.682	216.970	4.355.307	74.348.711
Accumulated depreciation					
Balance at 1 January 2017	23.451.048	14.630.596	208.339	3.950.229	42.240.212
Depreciation charge	759.565	313.173	2.664	117.858	1.193.261
Write offs	-	(366.731)	(593)	(77.543)	(444.867)
Balance at 31 December 2017	24.210.613	14.577.037	210.410	3.990.545	42.988.605
Net book amount at 31 December 2017	29.539.139	1.449.645	6.560	364.762	31.360.106
Cost					
Balance at 1 January 2018	53.749.752	16.026.682	216.970	4.355.307	74.348.711
Additions	64.082	219.257	-	118.152	401.491
Write offs	-	(1.145.622)	(631)	(856.436)	(2.002.689)
Transfer to investment property (note 8)	(8.911)	-	-	-	(8.911)
Net book amount at 31 December 2018	53.804.923	15.100.316	216.339	3.617.023	72.738.601
Accumulated depreciation					
Balance at 1 January 2018	24.210.613	14.577.037	210.410	3.990.545	42.988.605
Depreciation charge	761.777	288.346	2.402	129.496	1.182.021
Write offs	-	(1.145.565)	(631)	(856.308)	(2.002.504)
Balance at 31 December 2018	24.972.390	13.719.817	212.182	3.263.733	42.168.123
Net book amount at 31 December 2018	28.832.533	1.380.499	4.158	353.289	30.570.479

There are no real lines on the above assets.

At 31.12.2018 the Company had no contractual obligations for purchase of PPE assets.

7. Intangible assets

	Trademarks and licences	Software	Other	Total
Cost				
Balance at 1 January 2017	40.240	6.655.149	11.000	6.706.388
Additions	-	69.950	-	69.950
Balance at 31 December 2017	40.240	6.725.099	11.000	6.776.338
Accumulated depreciation				
Balance at 1 January 2017	40.240	6.472.920	11.000	6.524.160
Depreciation charge	-	79.668	-	79.668
Balance at 31 December 2017	40.240	6.552.588	11.000	6.603.828
Net book amount at 31 December 2017	0	172.510	-	172.510
Cost				
Balance at 1 January 2018	40.240	6.725.099	11.000	6.776.338
Additions	-	158.063	-	158.063
Disposals	-	(3.484.049)	-	(3.484.049)
Net book amount at 31 December 2018	40.240	3.399.112	11.000	3.450.352
Accumulated depreciation				
Balance at 1 January 2018	40.240	6.552.588	11.000	6.603.828
Depreciation charge	-	89.522	-	89.522
Disposals	-	(3.484.049)	-	(3.484.049)
Balance at 31 December 2018	40.240	3.158.062	11.000	3.209.302
	-	-	-	
Net book amount at 31 December 2018	-	241.050	-	241.050

8. Investment Property

	31/12/2018	31/12/2017
Cost		
Balance at beginning of year	2.701.314	2.701.314
Transfer from PPE (note 6)	8.911	-
Balance at end of year	2.710.225	2.701.314
Accumulated depreciation		
Balance at beginning of year	1.069.327	1.034.663
Depreciation charge	34.686	34.663
Balance at end of year	1.104.013	1.069.327
Net book amount at end of year	1.606.212	1.631.987

Rental income for 2018 and 2017 amounted to € 109.626 and € 108.733 respectively (note 21).

The carrying value of investment property approximates their fair value.

9. 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:

	31/12/2018	31/12/2017
Deferred tax assets:	(6.354.518)	(7.337.484)
Deferred tax liabilities:	1.206.405	1.367.693
	(5.148.113)	(5.969.791)

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

The total movement in deferred income tax is as follows:

	31/12/2018	31/12/2017
Balance at the beginning of the year:	(5.969.791)	(5.954.138)
Income statement charge (Note 24)	790.950	(997)
Charged/ (credited) to the other Comprehensive income	30.729	(14.656)
Balance at the end of the year	(5.148.113)	(5.969.791)

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

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

Deferred tax liabilities:	Accelerated tax depreciation	Other	Total
Balance at 1 January 2017	1.338.169	10.403	1.348.572
Charged / (credited) to the income statement	29.226	(10.105)	19.121
Balance at 31 December 2017	1.367.395	298	1.367.693
Balance at 1 January 2018	1.367.395	298	1.367.693
Charged / (credited) to the income statement	(154.600)	(6.688)	(161.288)
Balance at 31 December 2018	1.212.795	(6.390)	1.206.405

Deferred tax assets:	Impairments of Land	Impairments of inventories	Impairments of receivables	Accrued expenses	Provisions	Other	Total
Balance at 1 January 2017	(3.083.126)	(3.052.951)	(247.410)	(663.248)	(252.965)	(3.010)	(7.302.710)
Charged / (credited) to the income statement	-	44.057	26.930	2.312	(25.870)	(67.547)	(20.118)
Charge in the other Comprehensive income	-	-	-	(14.656)	-	-	(14.656)
Balance at 31 December 2017	(3.083.126)	(3.008.894)	(220.480)	(675.593)	(278.835)	(70.557)	(7.337.484)
Balance at 1 January 2018	(3.083.126)	(3.008.894)	(220.480)	(675.593)	(278.835)	(70.557)	(7.337.484)
Charged / (credited) to the income statement	425.259	270.084	220.480	14.701	17.897	3.818	952.238
Charge in the other Comprehensive income	-	-	-	30.729	-	-	30.729
Balance at 31 December 2018	(2.657.867)	(2.738.810)	(0)	(630.163)	(260.939)	(66.738)	(6.354.518)

10. Inventories

	31/12/2018	31/12/2017
Raw & auxiliary materials	16.594.606	16.950.065
Semi-finished goods	12.132.466	13.414.626
Finished goods	2.007.747	2.477.451
Work in progress	2.071.070	876.445
Merchandise	7.779	8.102
Total	32.813.667	33.726.689

Less: Provisions for obsolete inventories

Raw & auxiliary materials	7.180.699	6.997.039
Semi-finished goods	3.051.959	2.822.724
Finished goods	626.583	555.733
Total	10.859.241	10.375.496
Net realisable value	21.954.426	23.351.193

The movement of the provision is as follows:

	31/12/2018	31/12/2017
At the beginning of the year	10.375.496	10.527.417
Provision for impairment	614.799	430.814
Amount of provision reversed during the year	(131.054)	(582.734)
At the year end	10.859.241	10.375.496

11. Trade and other receivables

	31/12/2018	31/12/2017
Trade receivables	9.334.322	7.751.907
Less: provision for impairment	(333.434)	(297.108)
Trade receivables - net	9.000.888	7.454.799
Receivables from related parties (note 29)	76.090	173.882
Prepayments to creditors	1.018.828	8.645.911
Other prepayments	224.414	186.270
V.A.T. Receivables from Tax Authorities	2.426.351	1.316.508
Other receivables	413.649	142.009
Total	13.160.220	17.919.379
Non-current assets	41.030	41.030
Current assets	13.119.191	17.878.350
Total	13.160.220	17.919.379

The decrease in trade receivables is due to receipts of invoiced claims.

The change in the amounts of advance payments to suppliers is related to the implementation of the projects undertaken by the Company.

The fair value of receivables approximates their carrying amounts.

The movement in the provision for trade receivables is as follows:

	Trade receivables	Total
31 December 2017 - calculated under IAS 39	297.108	297.108
Opening loss allowance as at 1 January 2018	297.108	297.108
Increase in loss allowance recognised in profit or loss during the period	37.913	37.913
Unused amounts reversed	-1.586	-1.586
Balance ar 31 December 2018	333.434	333.434

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:

	31/12/2018	31/12/2017
Euro	6.423.134	3.167.284
US Dollar	6.691.991	14.668.658
GBP	40.505	51.445
CHF	4.590	31.992
Total	13.160.220	17.919.379

12. Cash and cash equivalent

	31/12/2018	31/12/2017
Cash at bank and in hand	3.141.707	9.532.287
Short-term bank deposits	4.894.760	6.003.210
Total	8.036.466	15.535.498

The effective interest rate on short-term bank deposits in Euro and USD was 0,74% and 1,71% respectively (2017: 0,69% and 0,97% for Euro and USD 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:

	31/12/2018	31/12/2017
Euro (EUR)	4.785.479	6.454.658
US Dollar (USD)	3.245.247	9.078.970
UK Pound (GBP)	4.935	1.102
Swiss Franc (CHF)	142	20
Other	664	748
Total	8.036.466	15.535.498

13. Share capital

	Number of Shares	Common Shares	Total
Balance at 1 January 2017	23.103.305	52.906.568	52.906.568
Balance at 31 December 2017	23.103.305	52.906.568	52.906.568
Balance at 31 December 2018	23.103.305	52.906.568	52.906.568

14. Reserves

	Statutory reserves	Tax free reserves	Extraordinary reserves	Actuarial gains/ (losses) reserve	Total
Balance at 1 January 2017	580.314	9.274.814	341.041	(897.990)	9.298.180
Transfer from retained earnings	56.761	-	-	-	56.761
Actuarial gains/ (losses)	-	-	-	(35.882)	(35.882)
Balance at 31 December 2017	637.075	9.274.814	341.041	(933.872)	9.319.059
Balance at 1 January 2018	637.075	9.274.814	341.041	(933.872)	9.319.059
Statutory reserve formation	113.807	-	-	-	113.807
Actuarial gains/ (losses)	-	-	-	(118.264)	(118.264)
Balance at 31 December 2018	750.882	9.274.814	341.041	(1.052.136)	9.314.601

(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 reserve

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. (note 15)

15. Retirement benefit obligations

	31/12/2018	31/12/2017
Balance sheet obligations for :		
Pension benefits	2.520.654	2.329.630
Total	2.520.654	2.329.630
Income statement charge		
Pension benefits (note 20)	135.488	311.170
Total	135.488	311.170
Actuarial (gains) / losses (Other comprehensive income)		
Pension benefits	87.535	50.539
Total	87.535	50.539

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

	31/12/2018	31/12/2017
Present value of unfunded obligations	2.520.654	2.329.630
Liability in the Balance Sheet	2.520.654	2.329.630

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

	31/12/2018	31/12/2017
Current service cost	67.218	59.727
Interest cost	39.604	41.167
Losses from settlements	28.666	210.276
Total, included in staff costs (note 20)	135.488	311.170

The total charge is allocated as follows:

	31/12/2018	31/12/2017
Cost of goods sold	87.310	167.142
Selling and research costs	37.145	119.912
Administrative expenses	11.033	24.116
Total	135.488	311.170

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

	31/12/2018	31/12/2017
Balance at the beginning of the year	2.329.630	2.287.063
Total expense charged / (credited) in the income statement	135.488	311.170
Contributions paid	(32.000)	(319.142)
Total	2.433.118	2.279.091
Actuarial gains/ (losses) from changes in financial assumptions	33.146	30.288
Other Actuarial gains/ (losses)	54.389	20.250
Balance at the end of the year	2.520.653	2.329.630

The principal actuarial assumptions used are as follows:

	31/12/2018	31/12/2017
	%	%
Discount rate	1,60%	1,70%
Inflation rate	2,00%	2,00%
Future salary increases	2,00%	2,00%

The present value's sensitivity analysis for the changes in principal actuarial assumptions is as follows:

	Assumption Change	Assumption increase	Assumption decrease
Discount rate	0,50%	6% decrease	7% increase
Future salary increases	0,50%	5% increase	4% decrease

The average expected maturity of the retirement benefit obligation (plan duration) is 13,47 years.

16. Provision

	Warranties	Provisions for the tax liabilities due to unaudited fiscal years	Other provisions	Total
Balance at 1 January 2017	750.233	106.550	122.060	978.843
Additional provision for the period	225.586	-	117.179	342.765
Unused amounts reversed	-	(106.550)	(22.060)	(128.610)
Utilised during the year	(131.497)	-	(100.000)	(231.497)
Balance at 31 December 2017	844.322	-	117.179	961.501
Additional provisions	271.036	-	-	271.036
Utilised during the year	(254.496)	-	-	(254.496)
Balance at 31 December 2018	860.862	-	117.179	978.041

Analysis of total provisions:	31/12/2018	31/12/2017
Current liabilities		
Warranties	547.610	422.161
	547.610	422.161
Non- current liabilities		
Warranties	430.431	422.161
Other provisions	-	117.179
	430.431	539.340
Total	978.041	961.501

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

17. Trade and other payables

	31/12/2018	31/12/2017
Trade payables	3.360.051	5.321.477
Amounts due to related parties (note 29)	542.163	675.858
Accrued expenses	285.183	125.987
Social security and other taxes	1.195.291	1.168.065
Advances from customers	4.843.982	20.120.238
Other liabilities	23.266	6.517
Total	10.249.936	27.418.141
Non-current liabilities	937.968	3.114.884
Current liabilities	9.311.968	24.303.257
Total	10.249.936	27.418.141

The decrease in advance from customers is due to the completion of the relevant projects.

Trade and other payables are denominated in the following currencies:

	31/12/2018	31/12/2017
Euro (EUR)	5.161.356	7.947.948
US Dollar (USD)	5.018.408	19.465.317
UK Pound (GBP)	70.171	4.639
Swiss Franc (CHF)	-	237
Total	10.249.936	27.418.141

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

18. Sales by category

Analysis of revenue by category is as follows:

	1/1-31/12/2018	1/1-31/12/2017
Sales of products	55.039.258	63.483.390
Revenue from services	4.730.847	2.372.767
Total	59.770.105	65.856.157

19. Expenses by nature

	Note	1/1-31/12/2018	1/1-31/12/2017
Employee benefit expense	20	(15.208.831)	(15.107.665)
Inventory cost recognised in cost of goods sold		(33.185.933)	(39.908.303)
Depreciation of PPE			
-Freehold property	6	(1.182.021)	(1.193.261)
-Leasehold property		-	-
Depreciation of investment property	8	(34.686)	(34.663)
Amortisation of intangible assets	7	(89.522)	(79.668)
Impairment of inventories		(614.799)	(430.814)
Reversal of Inventories write down		131.054	582.734
Subcontractors' fees		(1.155.085)	(1.571.492)
Repairs and maintenance		(852.345)	(902.888)
Operating lease payments			
-Vehicles and machinery		(139.803)	(133.419)
-Furniture and other equipment		(13.799)	(12.423)
Transportation and travelling expenses		(1.327.988)	(1.067.571)
Hospitality Expenses, conferences, exhibitions, advertising, etc.		(446.677)	(459.543)
Telecommunication, lighting & heating		(805.076)	(821.374)
Third party fees		(1.708.369)	(1.908.921)
Taxes and duties		(143.959)	(7.108)
Other expenses		(515.900)	(620.785)
Total		(57.293.739)	(63.677.163)

	1/1-31/12/2018	1/1-31/12/2017
Split by function:		
Cost of goods sold	(45.129.118)	(49.601.071)
Selling and research costs	(8.546.552)	(10.217.286)
Administrative expenses	(3.618.068)	(3.858.806)
Total	(57.293.739)	(63.677.163)
Split of depreciation and amortisation by function:		
Cost of goods sold	(750.254)	(631.682)
Selling and research costs	(395.421)	(502.673)
Administrative expenses	(160.555)	(173.237)
Total	(1.306.229)	(1.307.593)

20. Employee benefits

	1/1-31/12/2018	1/1-31/12/2017
Wages and salaries	(11.808.445)	(11.587.670)
Social security costs	(2.810.015)	(2.738.089)
Other employers' contributions and expenses	(454.882)	(470.736)
Pension costs - defined benefit plans (note 15)	(135.488)	(311.170)
Total	(15.208.831)	(15.107.665)

The average number of staff employed in the years 2018 and 2017 was 401 and 389 respectively, while at 31 December 2018 and 31 December 2017 the company employed 411 and 395 people respectively.

21. Other operating income

	1/1-31/12/2018	1/1-31/12/2017
Income from grants	261.634	38.361
Rental income	109.626	108.733
Insurance Compensation	4.603	-
Other	17.114	322.154
Total	392.977	469.248

22. Other gain / (losses) – net

	1/1-31/12/2018	1/1-31/12/2017
Net foreign exchange gains / (losses)	75.246	(106.201)
Write offs of PPE	(186)	(417)
Total	75.060	(106.619)

23. Finance costs – net

	1/1-31/12/2018	1/1-31/12/2017
Finance expenses		
- Letters of guarantee	(284.836)	(184.816)
- Other	(106.402)	(112.236)
- Net foreign exchange gains / (losses)	606.013	(1.125.734)
Total	214.775	(1.422.787)
Finance income		
-Interest income	135.628	51.909
-Interest income from customers	-	2.056.016
Total	135.628	2.107.925
Finance costs – net	350.403	685.138

Foreign exchange differences classified in financial income refer to foreign exchange differences arising from the cash and cash equivalents of the Company.

Interest income from customers concerns the company's adjudged claim against the Greek State.

24. Income tax expense

	1/1-31/12/2018	1/1-31/12/2017
Current tax	(1.124.392)	(1.177.656)
Deferred tax (Note 9)	(790.950)	997
Total	(1.915.341)	(1.176.659)

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

	1/1-31/12/2018	1/1-31/12/2017
Profit before tax	3.258.480	3.205.824
	29%	29%
Tax calculated at tax rates applicable to Greece	(944.959)	(929.689)
Expenses not deductible for tax purposes	(340.129)	(353.520)
Differences from changes in tax rates	(706.292)	-
Other	76.039	106.550
Tax charge	(1.915.342)	(1.176.659)

Unaudited tax years

The company has not been tax audited for fiscal years 2013-2018.

Audit Tax Certificate

From the year ended 31 December 2011 onwards, in accordance with Law 4174/2013 (article 65A), as in force (and as defined by article 82 of Law 2238/1994), Greek limited companies (S.A) and limited liability companies (EPE) whose annual financial statements must mandatorily be audited by statutory auditors, were required until the years starting prior to 1st January 2016 to receive an "Annual Tax Certificate", issued after a relevant tax audit by the statutory auditor or audit firm auditing the annual financial statements. For the years starting from 1 January 2016 onwards, the "Annual Tax Certificate" is optional, but the Company has chosen to receive it.

The Compliance Reports for the years 2011 to 2016 were issued without reservation.

The tax audit by the company's auditors for the year 2018 is in progress and is expected to be completed after the publication of the Financial Statements; however any additional charges to arise after its completion are not expected to have a material effect on the Financial Statements.

According to the Greek tax legislation and the corresponding Ministerial Decisions, companies for which a tax certificate is issued without any indications of breaches of tax legislation are not excluded from the imposition of additional taxes and fines by the Greek tax authorities after the completion of a relevant tax audit in the framework of the law restrictions (as a general principle, 5 years as of the end of the fiscal year in which the tax return should have been submitted). The Company's Management estimates that in the case of tax audit by the tax authorities no additional tax liabilities will arise that may have a material effect beyond those recorded and presented in the financial statements.

Changing tax rates

By virtue of Law 4579/2018 (Government Gazette A '201/03.12.2018), article 58 of the Code of Income Tax was replaced (Law 4172/2014). In particular, the tax rate for the tax year 2018 will be applied to the current tax rate (29%), while for the tax year 2019 the tax rate is set at twenty eight per cent (28%) for the income for the tax year 2020 to twenty seven per cent (27%) for income tax year 2021 to twenty six per cent (26%) and for the income for the tax year 2022 and subsequent years the rate is set at twenty five per cent (25%).

The Company on December 31, 2018 measured the deferred tax assets and liabilities with the tax rates that are expected to apply to the period in which deferred tax assets and liabilities will be settled. From this measurement a tax expense amounting to Euro 706,292 was incurred.

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.

	1/1-31/12/2018	1/1-31/12/2017
Profit/(Losses) attributable to the equity holders of the Company	1.343.139	2.029.166
Weighted average number of shares	23.103.305	23.103.305

Earnings / (Losses) per share (euro per share)	0,058	0,088
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The number of shares of the company has not changed during the year. The Company does not hold any treasury shares.

Diluted earnings / (loss) per share

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

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

26. Cash generated by operations

	Note	1/1-31/12/2018	1/1-31/12/2017
Profit for the year		1.343.139	2.029.166
Adjustments for:			
Tax	24	1.915.341	1.176.659
Depreciation of PPE	6	1.182.021	1.193.261
Depreciation of investment property	8	34.686	34.663
Amortisation of intangible assets	7	89.522	79.668
Impairment of inventories	10	483.745	(151.921)
Write offs of PPE	22	186	417
Interest income	23	(135.628)	(2.107.925)
Interest expense	23	391.238	297.052
Foreign exchange difference		(312.779)	673.766
		4.991.472	3.224.807
		-	-
Changes in working capital		-	-
(Increase) / decrease in Inventories		913.022	(506.413)
(Increase) / decrease in trade and other receivables		4.817.493	26.586.236
Increase/ (decrease) in trade and other payables		(17.280.039)	(19.718.650)
Increase/ (decrease) in provisions		16.540	(17.342)
Increase/ (decrease) in retirement benefit obligations		103.488	(7.972)
		(11.429.496)	6.335.859
		-	-
Cash generated from operations		(6.438.024)	9.560.666

27. Commitments

Operating lease commitments– the Company as lessee

On December 31, 2018 and 2017 the Company has signed operating lease agreements regarding the lease of vehicles.

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

	31/12/2018	31/12/2017
No later than 1 year	125.846	97.012
Later than 1 year and no later than 5 years	182.823	146.147
Total	308.670	243.159

Operating lease commitments – the Company as Lessor

On December 31, 2018 and 2017 the Company has signed operating lease agreements concerning the lease of part of its premises presented as investment property.

The future aggregate minimum rental income is as follows:

	31/12/2018	31/12/2017
Up to 1 year	109.368	107.868
Later than 1 year and no later than 5 years	351.555	258.267
Later than 5 years	157.830	330.007
Total	618.753	696.142

Capital commitments

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

28. Contingent liabilities/receivables

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

Guarantees

	31/12/2018	31/12/2017
Guarantees for advance payments	8.854.402	8.033.154
Guarantees for good performance	2.547.921	2.555.413
Guarantees for participation in contests	481.774	257.764
Total	11.884.097	10.846.331

Letters of guarantees include letters of guarantee issued to the Customs authorities concerning the import of materials under specific customs regimes. The amount of these guarantees is 4.888.660 at 31/12/2018 and 4.179.600 at 31/12/2017 respectively.

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 affiliated parties of the Company include:

- the parent company Intracom Holdings, the entities that are controlled, jointly controlled or significantly affected by it,
- affiliates and other related companies of the Intracom Holdings Group,
- the key members of the Company's Management, close relatives, and entities controlled or jointly controlled by such persons; and
- Persons or a close member of those person's family (and entities controlled or jointly controlled by these persons) that control or jointly control or have a significant influence over the parent company Intracom Holdings.

The related parties Transactions for the current and prior period are as follows:

	1/1-31/12/2018	1/1-31/12/2017
Sales of goods / services:		
To INTRACOM HOLDINGS group Subsidiaries	280	770
To other related parties	160.888	215.904
Total	161.168	216.674
Purchases of goods / services:		
From parent company INTRACOM HOLDINGS	194.158	194.158
From INTRACOM HOLDINGS group Subsidiaries	670.215	653.554
From other related parties	698.414	705.067
Total	1.562.787	1.552.779
Purchases of fixed assets:		
From INTRACOM HOLDINGS group Subsidiaries	36.579	32.495
Total	36.579	32.495
Rental Income		
From other related parties	86.347	85.590
Total	86.347	85.590

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

	31/12/2018	31/12/2017
Receivables from related parties		
From INTRACOM HOLDINGS group Subsidiaries	2.110	9.185
From other related parties	73.980	164.697
Total	76.090	173.882
Payables to related parties		
To parent company INTRACOM HOLDINGS	18.600	41.589
To INTRACOM HOLDINGS group Subsidiaries	243.863	354.569
To other related parties	279.700	279.700
Total	542.163	675.858

Services by 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 € 1.152.858 during the year 2018 in comparison to € 1.139.048 during the previous year.

30. Independent auditors' fees

The contractual fees of the auditing company "Associate Certified Accountants SA" for the current and previous years are as follows:

	1/1-31/12/2018	1/1-31/12/2017
Fees for the financial statements audit	30.000	30.000
Fees for the Annual Tax Certificate (article 65a, Law 4174/2013)	30.000	30.000
Total	60.000	60.000

31. Dividends

The company did not pay dividends in the current and prior year. The Board of Directors will propose to the Shareholders General Meeting not to distribute dividends for the current fiscal year 01.01.2018-31.12.2018.

32. Events after the balance sheet date

Further to those already referred there are no significant subsequent to 31 December 2018 events, which should either be referred or that should differ the items of the published financial statements.