

Prospectus dated January 24, 2024



PROSPECTUS

for the admission to trading on Euronext Amsterdam

of

all ordinary shares of nominal value €0.01 each ("**Shares**") in the capital of

THEON INTERNATIONAL PLC.

*(a public limited company incorporated under the laws of Cyprus) ("**Company**")*

International Securities Identification Number ("**ISIN**"): CY0200751713

Trading Symbol: THEON (Euronext)

This prospectus ("**Prospectus**") has been drawn-up in the form of a single document within the meaning of Article 6(3) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 ("**Prospectus Regulation**"), and prepared on the basis of Annex 1 and Annex 11 of the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No. 809/2004, and the Cyprus Public Offer and Prospectus Laws of 2005 to 2019 to the extent that they are valid after the entry into force of the Prospectus Regulation ("**Cyprus Prospectus Law**").

This Prospectus has been approved by the Cyprus Securities and Exchange Commission ("**CySEC**"), in its capacity as the competent authority in Cyprus as the Company's home member state within the meaning of the Prospectus Regulation. The CySEC only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the quality of the Shares or of the Company. Investors should make their own assessment as to the suitability of investing in the Shares.

The approval of this Prospectus by the CySEC will be notified to the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "**AFM**") along with the certificate of approval for this Prospectus. The AFM is the competent authority for the purposes of the relevant implementing measures of the Prospectus Regulation in the Netherlands. Application will be made for the admission to listing and trading ("**Admission**") of all Shares including the Shares issued on the Settlement Date (as defined below) (such newly issued Shares, the "**New Shares**", and the prior-existing Shares, the "**Existing Shares**") under the ticker symbol "THEON" on Euronext Amsterdam, a regulated market operated by Euronext Amsterdam N.V. ("**Euronext Amsterdam**"). Subject to acceleration or extension, trading of the Shares on Euronext Amsterdam is expected to commence at 9:00 a.m. Central European Time ("**CET**") on or about February 7, 2024 ("**First Trading Date**") on an "as-if-and-when-issued/delivered" basis (i.e. trading securities not issued and/or settled on a conditional basis for securities that are authorized but not yet issued or delivered).

The validity of this Prospectus will expire with the commencement of the trading of the Company's Shares on Euronext Amsterdam, which is expected to occur on February 7, 2024 (subject to acceleration or extension) and no obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will apply when this Prospectus is no longer valid.

The Company and the Company's directors that are signing this Prospectus by virtue of section 20 of the Cyprus Prospectus Law accept the responsibility for the information contained in this Prospectus. The Company and the Company's directors that are signing this Prospectus declare that, to the best of their knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

Global Capital Securities and Financial Services Limited ("**Global Capital**" or "**Investment Firm**"), in its capacity as the financial institution responsible for the drawing up of the Prospectus, responsibly declares that the information contained in the Prospectus is, to the best of its knowledge, in accordance with the facts and the Prospectus makes no omissions likely to affect its import.

Prospective investors should read this Prospectus in its entirety. In particular, attention of prospective investors is drawn to the Section 1. "*Risk Factors*" of this Prospectus for a discussion of the risks that might affect the value of a shareholding in the Company. Investors should be aware that an investment in the Shares of the Company involves a degree of risk and that, if certain of the risks described in this Prospectus were to occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of all or part of their investment. Persons interested in investing in the Shares are urged to (a) base any decision to invest in the Shares on the entire information provided in this Prospectus, including information in any supplement, or information provided through incorporation by reference, and (b) consult with their own independent advisers as to investment, legal, tax, business, financial and related aspects.

The Prospectus shall be made available to the general public in electronic form on the Company's website (www.theon.com), on CySEC's website (www.cysec.gov.cy), and on the website of the Investment Firm responsible for drawing up the Prospectus, Global Capital (www.globalcapital.com.cy). No person is or has been authorized to give any information or to make any representation not contained in or not consistent with the Prospectus or any other financial statements or further information supplied pursuant to the terms of the Shares and, if given or made, such information or representation must not be relied upon as having been authorized by any of the Company or its directors.

This Prospectus does not constitute an offer or invitation to sell or issue, or any solicitation of any offer to acquire, Shares in any jurisdiction.

Sole Global Coordinator and Joint Bookrunner

UBS

Joint Bookrunner

Rabobank

Co-Lead Manager

Stifel

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SUMMARY OF THE PROSPECTUS

I. INTRODUCTION AND WARNINGS

The prospectus ("**Prospectus**") relates to the admission to trading on Euronext Amsterdam (as defined below) of all ordinary voting shares of nominal value €0.01 each ("**Shares**") in the capital of Theon International Plc ("**Company**"). The international securities identification number ("**ISIN**") of the Shares is CY0200751713.

The issuer of the Shares is Theon International Plc. The Company is a public limited company, having its registered office address at 5 Agiou Antoniou Street, Muskita Building 2, 1st floor, apartment 102, 2002, Strovolos, Nicosia, Cyprus. The Company is registered with the business entities register of the Department of Registrar of Companies and Intellectual Property of the Republic of Cyprus with Registration Number HE 424549. The Company's telephone number is +357 22770740 and its website is <https://www.theon.com/>. The legal entity identifier ("**LEI**") of the Company is 2138002Y6CEIWHLN8775.

The Prospectus has been approved by the Cyprus Securities and Exchange Commission ("**CySEC**"), as competent authority under Regulation (EU) 2017/1129 ("**Prospectus Regulation**"), with its head office at 19, Diagorou Street, 1097 Nicosia, Cyprus, and telephone number: +357 22 506600.

The Prospectus was approved by the CySEC on January 24, 2024. The Company has requested CySEC to notify the approved Prospectus in accordance with Article 25 of the Prospectus Regulation, with a certificate of approval attesting that the Prospectus has been prepared in accordance with the Prospectus Regulation, to the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*, the "**AFM**").

*This summary has been prepared in accordance with Article 7 of Regulation (EU) 2017/1129 and should be read as an introduction to the prospectus prepared in connection with the expected admission of the Shares to listing and trading on Euronext Amsterdam ("**Admission**"), a regulated market operated by Euronext Amsterdam N.V. ("**Euronext Amsterdam**"). Any decision to invest in the Shares should be based on a consideration of the Prospectus as a whole by an investor. Investors in the Shares could lose all or part of their invested capital. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent, when read together with the other parts of the Prospectus, or where it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.*

II. KEY INFORMATION ON THE ISSUER

Who is the issuer of the securities?

Issuer Information

The Company is a Cypriot public limited company, incorporated under the laws of Cyprus on August 10, 2021 as a private limited liability company and was converted to a public limited company as of September 13, 2021, with the name Theon International Plc. The commercial name is "Theon International / Theon Sensors". The principal law and legislation under which the Company operates is Cyprus law. The registered office address of the Company is 5 Agiou Antoniou Street, Muskita Building 2, 1st floor, apartment 102, 2002, Strovolos, Nicosia, Cyprus.

On August 27, 2021, the Company approved the acquisition from the shareholders of Theon Sensors AG of 204,082 issued and fully paid shares, corresponding to the total share capital of said company, in exchange for 199,000 ordinary shares of the Company with nominal value of €1.00 each. This acquisition became fully effective on September 13, 2021, whereby the Company became the parent entity of the Group (as defined below). The Company is registered with the business entities register of the Department of Registrar of Companies and Intellectual Property of the Republic of Cyprus with registration number HE 424549. The Company's LEI is 2138002Y6CEIWHLN8775.

Principal Activities

The Company, together with its subsidiaries ("**Group**" or "**Theon**"), is a leading developer and manufacturer of customizable night vision and thermal imaging systems for military and security applications in Europe with a global footprint. The Group traces its origins to 1997 and has since become one of the most relevant players in the segment with offices in Athens, Cyprus, Kempen, Arlington, Abu Dhabi, Dubai, Zug, Copenhagen and Singapore and has further established a presence in Riyadh, coupled with manufacturing facilities in Athens, Wetzlar and Plymouth. Theon's commercial presence extends to 68 countries, of which 24 belong to the North Atlantic Treaty Organization ("**NATO**"), with more than 150,000 systems manufactured and sold as of the date of the Prospectus.

Theon designs and manufactures cutting-edge optoelectronic devices across both man-portable and dismantled platform-based systems that allow the visualization of images in low light or obscure conditions using different state-of-the-art technologies. The main application of the Group's products is for military and security operations, with all systems designed and tested in accordance with military specifications and standards while some products may also be used for civil applications, such as hunting or firefighting. The Group's devices use either image intensification (i.e. night vision) or thermal imaging technology. Among its night vision devices, the Group manufactures binoculars and monoculars, as well as weapon sights in either standalone or clip-on configuration, night driver viewers, vehicle mounted digital day and night cameras as well as night driver upgrade kits for armored vehicles. Among its thermal imaging devices, the Group manufactures weapon sights (standalone and

clip-on), small size thermal clip-on systems (mounted on night vision goggles), thermal driver viewers, customized thermal targeting equipment, as well as multi-sensor observation systems that integrate day and thermal vision combined with laser range-finding devices. In addition, the Group is developing systems that integrate image intensifying and thermal technology, which results in one fused image for both man-portable and platform-based applications. The Group offers maintenance and product support services for all of its products.

All products are designed in house by an experienced team of engineers who are highly skilled experts in their fields, including optical, mechanical and electronic engineering, as well as systems design. As a result, the Group is able to adjust, develop and customize its products to specific customer requirements, which it considers a comparative advantage in the market. The Group operates two state-of-the-art production facilities in Greece as well as one facility in Germany (in cooperation with Hensoldt Optronics) and another in the United States of America (in cooperation with EO TECH).

The Group is highly geographically diversified with more than 96% of its revenue coming from sales outside of Greece, while the Group's cash reserves exceed its total borrowing as of the date of the Prospectus. In the past three years, the Group has increased sales not only for its most commonly sold products, but also for the most specialized products, such as the series of night vision and thermal imaging goggles for vehicle systems and digital platforms, and thermal instruments for anti-tank equipment. At the same time, the Group is also developing a new series of electro-optical systems, which combines night vision and thermal imaging technologies.

Main Shareholders, and information on direct and indirect controlling parties

As of the date of the Prospectus, the Company's issued share capital comprises €600,000.10 corresponding to 60,000,000 Shares and ten (10) non-voting shares with a nominal value of €0.01 each ("**Non-Voting Shares**"); and Christianos Hadjiminis is the only Shareholder (as defined below) who holds, indirectly through CHRE Investments Limited and Venetus Limited, a substantial interest (*i.e.* a holding of at least 5 per cent. of the share capital or voting rights) in the Company, as represented in the table below.

Direct Shareholders	Ownership in %	
	As of the date of the Prospectus	Assuming the completion of the Private Placement^(*)
Venetus Limited ⁽¹⁾	88.44%	69.12%
CHRE Investments Limited ⁽²⁾	11.08%	9.62%
Free Float	n.a.	21.26%
Total		100.00%

^(*) Assuming the private placement of 4,000,000 Existing Shares (as defined below) from the holdings of Venetus Limited ("**Selling Shareholder**") and of 9,090,909 New Shares at the mid-point of the Price Range (as defined below) and assuming the full exercise of the Over-Allotment Option (as defined below), resulting in gross proceeds for the Company of approximately €100 million and gross proceeds for the Selling Shareholder of €58.4 million.

⁽¹⁾⁽²⁾ Christianos Hadjiminis is the ultimate controlling shareholder of CHRE Investments Limited, holding 100% of its share capital and voting rights, and he further is the ultimate controlling shareholder of Venetus Limited, controlling 93.80% of Venetus Limited's voting rights through CHRE Investments Limited. As a result, the total shareholding in the Company of CHRE Investments Limited and Venetus Limited, both controlled by Christianos Hadjiminis amounts to 99.52%, and Christianos' economic beneficial interest in the Company amounts to approximately 94.03% as of the date of the Prospectus. Assuming a successful Private Placement (as defined below) at the mid-point of the Price Range as described under ^(*) above, Christianos Hadjiminis' indirect economic beneficial ownership in the Company would amount to approximately 74.45% and the total shareholding in the Company of CHRE Investments Limited and Venetus Limited would amount to 78.74%.

As of the date of the Prospectus, the Company is controlled by Christianos Hadjiminis, indirectly through CHRE Investments Limited and Venetus Limited.

Identity of key managing directors

The executive members of the Company's board of directors ("**Board of Directors**") as of the date of expected commencement of trading on Euronext Amsterdam ("**First Trading Date**"), will be Christianos Hadjiminis, Philippe Mennicken and Stelios Anastasiou. Christianos Hadjiminis holds the function of the Vice-Chairperson of the Board of Directors. In addition, Christianos Hadjiminis acts as Chief Executive Officer of the Company and Philippe Mennicken holds the function of the Business Development Director of the Company.

For management of its day-to-day operations, the Company relies on its senior management who hold key functions in the Company, comprising Christianos Hadjiminis, Philippe Mennicken and Dimitris Parthenis, the Chief Financial Officer of the Company (together the "**Senior Management**").

Identity of statutory auditors

The Company's current approved statutory group auditor is KPMG Limited organized under the laws of Cyprus, having its registered office at 14, Esperidon Str., 1087 Nicosia, Cyprus, registered under the registration number HE 163844.

The Company's auditor for the years ended December 31, 2022 and December 31, 2021 was PKF abas limited organized under the laws of Cyprus, having its registered office at 67 Limassol Avenue, 5th floor, 2121 Nicosia, Cyprus, registered under the registration number HE416976.

What is the key financial information regarding the issuer?

Selected historical key financial information

With regard to the financial information as of and for the financial years ended December 31, 2022, 2021 and 2020 and as of and for the nine-months period ended September 30, 2023, presented in the Prospectus, references to Theon, the Company or the Group refer to the Company (and its subsidiaries from time to time, if the context requires), unless otherwise indicated. The Prospectus includes the audited consolidated financial statements of the Company as of and for the years ended December 31, 2022 and 2021 ("**Audited Consolidated Financial Statements**"), the combined consolidated pro forma financial statements of the Company as of and for the years ended December 31, 2018, 2019 and 2020 ("**2020 Consolidated Combined Financial Statements**" and together with the Audited Consolidated Financial Statements, the "**Annual Financial Statements**") and the unaudited condensed consolidated financial statements of the Company as of and for the three month and the nine-month period ended September 30, 2023 ("**Unaudited Condensed Consolidated Financial Statements**" and together with the Annual Financial Statements, the "**Consolidated Financial Statements**"). The selected information presented below as of and for the financial year ended December 31, 2020 is extracted from the audited consolidated financial statements of the Company as of and for the year ended December 31, 2021. The Annual Financial Statements were prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("**IFRS**") and the Audited Consolidated Financial Statements have been audited. The Unaudited Condensed Consolidated Financial Statements were prepared in accordance with IAS 34 as adopted by the European Union.

During preparation of the Unaudited Condensed Consolidated Financial Statements, the Group discovered that revenues had been erroneously recognized in its consolidated financial statements since 2021. The errors related to premature revenue recognition of specific sale invoices which should have been recognized in later periods according to IFRS 15 (Revenues from contracts with customers). These errors impact the following statement of financial position line items: contract liabilities, inventories, and deferred tax assets, which the Group addresses by presenting restated statements of financial position as of December 31, 2022 and as of January 1, 2022 in note 26 to the Unaudited Condensed Consolidated Financial Statements. In these restated statements, the Group further addressed other previously erroneously classified amounts, such as: between merger reserves and foreign exchange reserves, between accrued and other current liabilities and contract liabilities, as well between inventories and contract amounts. Due to the type of identified errors as well as the low quantum of changes required for the corrections, the Group has elected not to make any changes to the historic Audited Consolidated Financial Statements.

Selected consolidated statement of profit and loss and other comprehensive income information.

<i>(€) thousands</i>	For the nine-month period ended September 30,		For the year ended December 31,		
	2023⁽ⁱ⁾	2022⁽ⁱ⁾	2022⁽ⁱⁱ⁾	2021⁽ⁱⁱ⁾	2020⁽ⁱⁱ⁾
Revenue	115,758.8	70,376.7	147,386.2	80,557.8	54,219.6
Cost of sales.....	(82,314.0)	(44,323.6)	(96,416.3)	(46,913.1)	(36,791)
Operating Profit ⁽¹⁾⁽²⁾	23,507.1	18,589.4	40,996.7	25,407.5	11,136.1
Operating Profit Margin ⁽¹⁾⁽³⁾	20.3%	26.4%	27.8%	31.5%	20.5%
Profit before income tax	20,688.4	15,776.4	38,560.9	24,315.0	10,171.7
Total comprehensive income after tax	14,759.9	13,447.0	30,609.2	19,064.5	7,420.2

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

⁽¹⁾ These financial measures are Alternative Performance Measures ("**APMs**") and should not be viewed as an alternative to the equivalent IFRS financial measure. Certain of these measures are derived from the IFRS accounts of the Company and others are derived from management reporting or the accounting or controlling systems of the Group. These are APMs as defined in the guidelines issued by the European Securities and Markets Authority on October 5, 2015 on alternative performance measures. Theon uses these APMs to measure performance, identify trends, and make strategic decisions.

⁽²⁾ Operating Profit is calculated as Revenue less Cost of sales, plus other income, and less administrative expenses, selling and distribution expenses, research and development expenses and less other expenses.

⁽³⁾ Operating Profit Margin consists of the ratio of Operating Profit divided by Revenue.

Selected consolidated statement of financial position information

	As of	As of December	As of January 1	As of December 31,		
	September 30,	31,		2022 ⁽ⁱⁱ⁾	2021 ⁽ⁱⁱ⁾	2020 ⁽ⁱⁱ⁾
<i>(€) thousands</i>	2023 ⁽ⁱ⁾	2022 (restated) ⁽ⁱ⁾	2022 (restated) ⁽ⁱ⁾			
Total non-current assets	19,978.7	21,972.8	11,518.3	21,699.2	11,358.2	8,163.9
Total current assets, of which:	157,457.3	135,382.8	61,138.8	131,094.3	60,575.6	37,981.8
Total Inventories	63,233.8	34,021.6	14,250.7	33,507.3	15,530.5	13,347.3
Cash and cash equivalents	13,951.3	24,035.1	26,096.4	24,035.1	26,096.4	14,632.3
Total assets	177,436.0	157,355.6	72,657.0	152,793.5	71,935.6	46,145.7
Share Capital	200	200	200	200	200	200
Reserves	53,130.3	64,092.1	33,077.8	65,255.6	33,645.2	14,418.5
Total Net Assets	53,330.3	64,292.1	33,277.8	65,455.6	33,845.2	14,618.5
Total Long-term liabilities	14,435.8	4,011.8	8,895.9	3,849.8	8,733.9	9,031.8
Total Short-term liabilities	109,669.9	89,051.7	30,483.3	83,326.1	29,194.5	22,242.5
Total liabilities	124,105.7	93,063.5	39,379.2	87,337.9	37,928.4	31,527.2
Total net assets and liabilities	177,436.0	157,355.6	72,657.0	152,793.5	71,935.6	46,145.7

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

Selected consolidated statement of cash flows information

	For the Nine-Month Period ended September 30		For the year ended 31 December		
	2023 ⁽ⁱ⁾	2022 ⁽ⁱ⁾	2022 ⁽ⁱⁱ⁾	2021 ⁽ⁱⁱ⁾	2020 ⁽ⁱⁱ⁾
Net cashflows from (used in) operating activities (a).....	(3,085.7)	(17,446.0)	(5,976)	18,880	8,757.6
Net cashflows used in investing activities (b)	(4,190.4)	(8,256.8)	(11,275.9)	(4,181.7)	(830.4)
Net cashflows from (used in) financing activities (c).....	(2,169.5)	7,112.2	15,199.4	(3,308.3)	(412.7)

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

Qualifications in the audit report

There are no qualifications in the auditor's report on the Audited Consolidated Financial Statements.

What are the key risks that are specific to the issuer?

The following is a brief description of the most material risk factors specific to the Company and its Group contained in the Prospectus:

- The Group's operations and forecasts depend on its order backlog and if the Group does not realize all of the sales expected from its order backlog in a timely manner or at all, the Group's profitability, results of operations and cash flows will be materially adversely affected.
- The Group relies on a limited number of specific suppliers for sourcing certain components such as image intensifier tubes in order to produce the majority of its products and any disruptions in the supply of such components could affect the Group's production capacity.
- The Group may not be able to meet the technical requirements imposed by certain customers on customized products and such customers may not accept delivery of the Group's products.
- In order to successfully bid for larger defense tenders, the Group may form consortiums or enter into joint ventures or form other strategic partnerships, which could result in the Group's dependence on adequate performance by the partners, a divergence of views between the Group and its partners on the identification and achievement of operating and strategic objectives, competition of jointly developed products with its proprietary products, claims for damages or contractual penalties under the relevant agreements, regulatory requirements regarding the establishment or continuation of such cooperations and antitrust issues, and limits on the ability to exercise control or extract profits.
- The Group is dependent on government tenders, which may result in improper awards and challenges of awarded contracts potentially delaying delivery of the Group's products.
- The Group handles highly sensitive information and is exposed to the risks of data breaches, attacks, or disruptions of the Group's information technology and infrastructure.
- The Group may not be successful in expanding through acquisitions, which could affect the Group's business plan and growth strategy.
- The Group's operations depend on its ability to retain the services of its key executives and recruit and retain technical and other skilled personnel otherwise its business, results of operations, financial condition and prospects could be materially and adversely affected.

- The Group's activities require substantial expenditures for research and development, which may not be recovered if the Group is not able to develop new products for which there is sufficient demand on the market.
- The Group's activities as well as its supply chains are subject to sales and export restrictions and controls applicable to its products and the tools and equipment into which such products are integrated, including government approval requirements and moratoriums, and any delay of or failure to comply with the relevant sales and export restrictions and controls could expose the Group to severe fines and other penalties as well as reputational damage.
- The Group's core customers are government agencies, supranational organizations, and their armed and security forces and the Group's revenues depend, directly and indirectly, on their defense and security spending, which is subject to change and various approvals.
- The Group operates in the highly competitive defense industry sector, facing challenges from both established and emerging competitors, which could affect the Group's ability to win new tenders and consequently have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

III. KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

Type, class and ISIN.

The Shares are ordinary dematerialized registered shares, with a nominal value of €0.01 each, created under and in accordance with Cyprus companies law. The ISIN Code of the Shares is CY0200751713.

Currency, denomination, par value and number of securities issued.

The Shares are denominated in Euro, with nominal value of €0.01. As of the date of the Prospectus, 60,000,000 Shares are outstanding. As a result of the issuance of the New Shares (as defined under "*Private Placement*" below) on the Settlement Date (as defined under "*Private Placement*" below), up to 10,000,000 additional Shares would be issued.

Rights attached to the Shares

Dividend rights

All Shares carry equal dividend rights and grant each holder of the Shares the right to participate in the Company's profits. New Shares carry full dividend rights as of the date they are issued. In accordance with the memorandum of association and articles of association of the Company ("**Articles of Association**"), the Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Board of Directors. Subject to the provisions of the Law on Limitation of Inviolable Rights of 2012, Law 66 (I) / 2012, right to dividend paid is not subject to any limitation period.

The Shares are subordinated to all other securities and claims in the case of an insolvency of the Company and are freely transferable in accordance with the applicable legal requirements. Shares traded on Euronext Amsterdam will be transferred through book-entry systems of the Netherlands Central Institute for Giro Securities Transactions (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*) trading as Euroclear Nederland ("**Euroclear Nederland**") on the accounts of investors with intermediaries that are participants in Euroclear Nederland or intermediaries that hold, directly or indirectly, accounts with participants in Euroclear Nederland.

Voting rights

Each Share carries one vote at the Company's shareholders' meeting. Every shareholder of the Company ("**Shareholders** and each a "**Shareholder**") who is registered as a shareholder of the Company on the record date set by the Board of Directors has a right to attend in person or by proxy and vote at any general meeting. There are no restrictions on voting rights.

Pre-emptive rights

Under Cyprus companies law, and the Articles of Association, the Board of Directors can issue shares up to the limit of the authorized share capital. Any new issue of Shares is subject to the pre-emptive rights of existing Shareholders unless the pre-emptive rights are waived in the authorization by the Shareholders' resolution.

Winding up

In accordance with the Articles of Association, if the Company is wound up, the liquidator may, subject to approval of a special resolution and any other approval required under Cyprus companies law, divide among the Shareholders all or part of the assets of the Company.

Redemption

The Shares can only be redeemed by special resolution for reduction of share capital, any capital redemption reserve funds or any share premium account.

Conversion

No conversion provisions apply.

Rank of securities in the issuer's capital structure in the event of insolvency

The Shares do not carry any rights in respect to capital to participate in a distribution (including on a winding-up) other than those that exist as a matter of law. The Shares will rank *pari passu* in all respects.

Restrictions on the free transferability of the securities

There are no restrictions on the transferability of the Shares in the Articles of Association or under the applicable law.

Dividend policy

As of the date of the Prospectus, the Company does not intend to pay any dividends in 2024. Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company's results of operations, financial condition, contractual restrictions and capital requirements. The Company's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities.

Where will the securities be traded?

Market where Shares will be traded

Application will be made for the Admission of all of the Shares under the symbol "THEON" on the regulated market of Euronext Amsterdam. The Non-Voting Shares will not be admitted to listing and trading on Euronext Amsterdam.

What are the key risks that are specific to the securities?

The following is a brief description of the most material risk factors specific to the Shares and to the Admission:

- The payment of future dividends and other distributions will depend on the Company's business, net assets, financial condition, cash flows and results of operations, as well as the Company's operating subsidiaries' distributions to the Company.
- Following the Admission, the Company's founder and chief executive officer, Christianos Hadjiminias will still be in a position to exert substantial influence on the Group, which could differ from the interests of the other Shareholders.
- There can be no assurance that a liquid trading market for the Shares will develop or be sustained and even if an active trading market develops, the trading volume and price of the Shares may fluctuate significantly.

IV. KEY INFORMATION ON THE ADMISSION TO TRADING ON A REGULATED MARKET

Under which conditions and timetable can I invest in this security?

Admission and Closing

Application for admission approval is expected to be made on January 24, 2024 and trading on an "as-if-and-when-issued/delivered" basis (i.e. trading securities not issued and/or settled on a conditional basis for securities that are authorized but not yet issued or delivered) in the Shares on Euronext Amsterdam is expected to commence at 09:00 Central European Time on or about February 7, 2024 (i.e. the First Trading Date) (subject to acceleration or extension). Prior to the First Trading Date, there has been no public trading market for the Shares, nor has the Company been listed on any regulated market in the European Union, but until September 19, 2023 the Shares were listed on the Emerging Companies Market, a multilateral trading facility operated by the Cyprus Stock Exchange.

Private Placement

On January 29, 2024, in anticipation of the expected Admission, the Company, together with UBS Europe SE, acting as sole global coordinator ("**Sole Global Coordinator**") and joint bookrunner, Coöperatieve Rabobank U.A. acting as joint bookrunner (together with UBS Europe SE, the "**Joint Bookrunners**") and Stifel Europe Bank AG, acting as co-lead manager (together with the Joint Bookrunners, the "**Underwriters**"), expects to initiate a private placement of up to 14,000,000 Shares ("**Private Placement**"), consisting of: (i) up to 10,000,000 newly issued Shares ("**New Shares**") from a capital increase against contributions in cash expected to be resolved by the Board of Directors on or about February 6, 2024 ("**Placement Capital Increase**") using authorized capital approved by a Shareholders' meeting of the Company on November 16, 2023; and (ii) up to 4,000,000 existing Shares ("**Existing Shares**") held by the Selling Shareholder (together with the New Shares, the "**Base Placement Shares**"). Subject to acceleration or extension of the timetable, the Private Placement is expected to take place between January 29, 2024 and February 6, 2024 ("**Private Placement Period**").

In connection with the Private Placement, the Selling Shareholder has granted the Sole Global Coordinator in its capacity as stabilization manager ("**Stabilization Manager**") (on behalf of the Underwriters), an option ("**Over-Allotment Option**") pursuant to which the Stabilization Manager (on behalf of the Underwriters) may require the Selling Shareholder to sell at the placement price of the Shares set by the Selling Shareholder, the Company and the Underwriters in the context of the Private Placement ("**Placement Price**") up to 1,400,000 additional Shares ("**Over-Allotment Shares**" and together with the Base Placement Shares (unless the context requires otherwise), the "**Placement Shares**"), comprising up to 10% of the total number of Base Placement Shares, to cover short positions resulting from over-allotments (if any) or facilitate stabilization transactions (if any) made in connection with the Private Placement. The Over-Allotment Option is exercisable in whole or in part by the Stabilization Manager (on behalf of the Underwriters) within 30 calendar days after the First Trading Date.

The Company targets gross proceeds of approximately €100 million from the Private Placement resulting from the sale of the New Shares. The price range for the Private Placement of €10.00 to €12.00 per Placement Share ("**Price Range**") has been set to ensure that at the low end of the Price Range, the Company would still achieve its target proceeds with the New Shares available from the Placement Capital Increase. If the Placement Shares are placed at a placement price that is higher than the low end of the Price Range, the number of New Shares will be reduced accordingly. At the low end of the Price Range, assuming gross proceeds for the Company of approximately €100 million from the Private Placement, approximately 10,000,000 the New Shares would be issued. The Price Range is an indicative price range. During the Private Placement Period, the Company and the Selling Shareholder, in agreement with the Sole Global Coordinator (on behalf of the Underwriters), may decide to change the Price Range (which could result in more or less New Shares being issued in order to reach the targeted gross proceeds) and may also decide to increase or decrease the total number of Existing Shares to be sold by the Selling Shareholder, and

consequently also increase or decrease the number of Over-Allotment Shares, at any time prior to the end of the Private Placement Period. Any such change will be announced in a press release that will also be posted on the Company's website.

As a result of the Private Placement, assuming the full exercise of the Over-Allotment Option and assuming 14,000,000 Base Placement Shares, the Selling Shareholder will retain a 69.12% stake of the share capital (corresponding to 69.12% of the voting rights) at the mid-point of the Price Range and assuming gross proceeds for the Company of approximately €100 million from the Private Placement.

Book-entry delivery of the Placement Shares sold in the Private Placement against payment of the Placement Price is expected to occur on or around February 9, 2024 ("**Settlement Date**") (subject to acceleration or extension of the timetable for the Private Placement).

Use of proceeds

The Company targets €100 million in gross proceeds from the issue of the New Shares as part of the Private Placement, which the Company intends to use for organic and inorganic growth, such as for potential bolt-on acquisitions. The Company will not receive any proceeds from the sale of the Existing Shares and/or the sale of any Over-Allotment Shares by the Selling Shareholder, the proceeds of which will be received by the Selling Shareholder.

Private Placement Expenses

The costs of the Company and the Selling Shareholder related to the Private Placement are expected to total approximately €8.0 million at the mid-point of the Price Range. Of the total costs, the Company will bear approximately €5.0 million and the Selling Shareholder will bear the remaining approximately €3.0 million.

Investors will not be charged expenses by the Company, the Selling Shareholder or the Underwriters. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

Who is the offeror and/or the person asking for admission to trading?

Admission to trading

The Company will apply for the admission of the Shares to trading on Euronext Amsterdam.

Why is the Prospectus being produced?

Reasons for the Admission

The Company believes that the Admission will raise the Company's profile with the international investment community and its customers and original equipment manufacturers, enhance brand recognition and credibility and promote trust towards the Group with the aim to support its growth strategy. In addition, the Admission will provide further financial flexibility and diversity to the Company through access to a wider range of capital-raising options. At the same time, the Admission will create a market in the Shares for the future Shareholders and will enhance employee and manager retention through an enhanced governance structure and future equity-based incentive plans.

Expenses

The costs of the Company and the Selling Shareholder in regards to the Admission are expected to total approximately €2 million. Of the total costs, the Company will bear approximately €1.3 million and the Selling Shareholder will bear the remaining approximately €0.7 million.

Investors will not be charged expenses by the Company, the Selling Shareholder or the Underwriters. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

Material conflicts of interest pertaining to the offer or the admission to trading

Members of the Board of Directors and Senior Management are Shareholders and therefore have an interest in the Admission. Besides these interests, there are no other interests or potential conflicts of interest that are material to the Admission.

Certain of the Underwriters and/or their respective affiliates may have from time to time been engaged, and may in the future engage, in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company, the Selling Shareholder or any parties related to or competing with any of them, in respect of which they have received or may in the future receive customary compensation, fees and/or commission. In addition, certain of the Underwriters or their affiliates may participate in financing arrangements, including a potential margin loan, with the Company and/or the Selling Shareholder, in relation to which such Underwriters or their respective affiliates may receive fees or other compensation. Additionally, the Underwriters and/or their affiliates, including their respective parent companies, may, in the ordinary course of their business, hold the Company's securities for investment purposes, or otherwise actively trade such securities, for their own account and for the accounts of their customers. As a result, these parties may have interests that may not be aligned or could possibly conflict with the interests of investors or of the Company, the Selling Shareholder or the Group.

1. RISK FACTORS

In considering whether to invest in the Shares, potential investors should carefully consider the following risks in this Prospectus. In this Prospectus, references to the terms "Theon" or "Group" are references to the Company and its consolidated subsidiaries collectively. According to Article 16 of the Prospectus Regulation (as supplemented by Commission Delegated Regulation (EU) 2019/980 and Commission delegated Regulation (EU) 2019/979), the risk factors featured in a prospectus must be limited to risks which are specific to the issuer and/or to the securities and which are material for investors in making an informed investment decision. Therefore, the following risks are only those material risks that are specific to the Company and the Shares.

The following risk factors are organized into categories. In each category the most material risk factors, in the assessment undertaken by the Company, taking into account the expected magnitude of their negative impact on the Company and the probability of their occurrence, are set out first, with the two most material risk factors mentioned at the beginning of each category. The risks mentioned may materialize individually or cumulatively.

1.1 Risks relating to the Group's industry and market

1.1.1 *The Group's core customers are government agencies, supranational organizations, and their armed and security forces and the Group's revenues depend, directly and indirectly, on their defense and security spending*

As a defense and security equipment manufacturer, the majority of the Group's revenues are derived either directly or indirectly from government agencies, supranational organizations, and their armed and security forces. The Group's product portfolio comprises customizable night vision and thermal imaging devices for military and security applications. In addition, the Group develops systems that integrate both image intensifying and thermal technology into one fused image for man-portable and platform-based military and dual use military/civil applications.

A majority of the Group's revenue originates, directly or indirectly, from governments' defense and security-related programs, whether through direct sales to governments and their armed and security forces, or indirectly through components supplied by the Group for other products and platforms ultimately purchased by governments. With respect to such customers, the funding of contracts awarded by governments or supranational organizations is typically strictly connected to the budgeted public spending, which is dependent on political and economic factors and is therefore likely to fluctuate from one year to the next. Factors affecting funding of contracts might also include, among other things, political sector budgets and appropriation processes, changes to defense and security spending in reaction to geopolitical events or macroeconomic developments, and unexpected macroeconomic conditions and fluctuations, which are beyond the Group's and its management's control.

For example, in 2022, recent international tensions caused by the conflict between Russia and Ukraine and the conflict in Israel, among others, have resulted in calls for increased defense budgets in Europe, the United States of America ("**United States**" or "**U.S.**") and the rest of the world. As a result, the respective markets for defense spending in Europe, North America and the rest of the world increased by approximately 6%, 10% and 6% respectively year on year in 2022/2023. This increase in budgets and projected spending positively impacted the Group's revenue and results of operations in 2022 and 2023 and is, so far, continuing in 2024. Market participants and industry advisors expect that the demand for defense products will continue to increase in the short to medium term across all markets. However, such increases may not continue in the future, or may continue at lower rates than anticipated, or certain defense markets may even experience decreases. This may be the case particular if the conflict in Ukraine, started in February 2022, when the Russian invasion of Ukraine led to armed conflict in the region ("**conflict in Ukraine**") is resolved or tensions weaken or government defense spending is reduced as a result of any other factors which can have an impact on governments' budget allocations (see "*1.1.4 The Group derives a significant portion of its revenue from international operations and is exposed to risks arising from international trade such as tariffs, interest rate fluctuations and changing political circumstances*"). Moreover, the budgetary decision-making processes of governments tend to be time-consuming. Even when a budgetary decision regarding a certain defense program or project has been made, it may take a substantial amount of time (sometimes exceeding a year) until specific contracts are awarded and companies are able to realize any returns.

Furthermore, depending on policies and circumstances, defense-related appropriations may rank lower than other areas in terms of priority for each government. Many government agencies have in the past experienced budget deficits that have led to decreased spending in defense, law enforcement and other military and security areas. In addition, changes in governments' compositions, elections, or financial, economic, or diplomatic crises may lead to policy reversals and defense budget cuts, which might reduce the funding of current or future projects in which the Group participates or might participate, or delay or terminate such projects altogether.

Finally, the prioritization and allocation of existing defense budgets, whether in connection with budget cuts or independently from such, might not favor the Group's product offering, for example, because budget might be spent on personnel rather than equipment, or because governments might decide to purchase existing or future equipment developed and produced without the Group's involvement or may prioritize equipment or services that are not offered by the Group.

The results of the Group's operations may be subject to substantial periodic fluctuations because of these and other factors affecting military, law enforcement and other governmental spending. A substantial reduction of, or a change in the allocation of, funding for government agencies, supranational organizations, and their armed and security forces could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.2 *The Group's financial results and expansion are dependent on the timing of award of defense contracts and its ability to secure new contracts*

The Group's profits and cash flows are dependent, to a significant extent, on the timing of government tenders and on the awarding of defense contracts. The majority of the Group's contracts are non-recurring and of a relatively short duration, and with the exception of the Group's framework agreements with certain key customers, the Group's contracts do not cover multi-year requirements. However, the Group has historically experienced repeating business with a number of its customers. Additionally, the Group, as part of its strategy, generally seeks to focus on larger tenders and projects. As a consequence, the Group's revenue breakdown is affected by the presence of major agreements for such tenders and projects. For the nine months ended September 30, 2023, for example, the largest five contracts awarded accounted for approximately 80% of the Group's aggregate revenue.

As a result, a delay in the receipt of one or a small number of orders could affect the Group's earnings and achievement of its budget in any given financial year. Additionally, due to the timing of the Group's financial year end, delays in the finalization of contracts (or the conditions precedent thereto) or delays in payments on these contracts from the third to the fourth quarter of a calendar year could materially adversely affect the Group's reported financial year results.

The Group operates in a competitive market where it is difficult to predict when, or if at all, it will be awarded contracts, as such awards often involve complex, lengthy negotiations and bidding processes, the results of which are generally based on a combination of factors, including pricing, technical requirements, delivery lead time and reputation in the market. These negotiations and bidding processes are more complex in defense markets outside the North Atlantic Treaty Organization ("NATO"), and uncertainties regarding the timing of contract awards in regions including the Middle East and Asia-Pacific are therefore more significant in respect of potential contracts with customers in these regions. Given the nature of the counterparties, even if the Group has recorded repeated orders from certain clients, there can be no assurance that the Group will be able to secure new contracts (or new contracts of a similar value or margins to existing ones) on a regular basis. If the Group is unable to secure new contracts or if there is any significant lapse of time between the Group's orders due to the fact that it is unable to secure new contracts on a regular basis, then the Group's financial condition and results of operations may be materially adversely affected.

1.1.3 *The Group's activities as well as its supply chains are subject to sales and export restrictions and controls applicable to its products and the tools and equipment into which such products are integrated, including government approval requirements and moratoriums*

Products in the Group's portfolio qualify as military goods or, alternatively, as dual-use goods or military services under export control regulations and consequent sales and export restrictions. Sales and export restrictions impose on the Group additional cost and compliance risks, and, in some cases, limit or prevent the Group's access to certain markets or customers or require specific export authorizations. Examples of

such restrictions include, *inter alia*, export controls (for example, under the Union Customs Code (Regulation (EU) No 952/2013) and the U.S. re-export regulations (for example, the EAR)) and license requirements, as well as the European dual-use regulation (Regulation (EU) 2021/821) ("**Dual-Use Regulation**"). Moreover, some countries, such as Germany, the United Kingdom, and the U.S., as well as, for example, the Security Council of the United Nations and the Council of the European Union, regularly impose moratoriums on exports to certain countries. In addition, the Group's products are often incorporated into integrated products or platforms, such as, among others, the CV 90 Infantry Fighting Vehicle, Leopard 2 family of Main Battle Tanks, M-113 Armored Personnel Carriers and the Mowag Piranha Infantry Fighting Vehicle which are considered defense material and, as such, subject to additional restrictions and controls. Purchasing such products may require customers to obtain an "end-user certificate" ("**EUC**"), an official document, issued by a competent national authority of the importing state, used in international transfers of dangerous goods, which certifies that the buyer is the final recipient of the materials and does not plan on transferring the materials to another.

Additionally, the introduction of new or more stringent restrictions or controls, or the stricter interpretation or handling of existing restrictions or controls, whether due to, for instance, changes in governments' composition, elections, media coverage, geopolitical events and developments, or policy changes, might result in additional obstacles to, or entirely prevent, the Group's access to certain markets or customers in the future. This may also lead to the revocation of previously granted permits and approvals. For example, the Group is prevented from or has limited access to exports to certain countries, such as China, Iran, and Russia.

The impact of restrictions and controls relating to the Group's products may be further exacerbated due to the extraterritorial approach of specific provisions. Certain restrictions and controls do not only apply to the direct exports to restricted destinations, but also to sales to non-restricted destinations to the extent that such products are intended to be integrated as components in other products or platforms that are exported to a restricted end-customer or destination.

Moreover, the Group faces the risk that some of its components become unsuitable or unavailable for integrated products or platforms due to new or additional export restrictions and controls. These circumstances could induce some of the Group's customers to source components for their projects from providers that are not subject to similar export restrictions and controls. As a consequence, the Group's access to such customers and projects might become limited or be entirely prevented.

Finally, the Group is subject to different export regimes depending on the jurisdiction in which it operates. Compliance with all applicable restrictions and controls imposed by one jurisdiction does not exclude that the Group must adopt additional measure and/or procedures to ensure compliance with the requirements imposed by a different jurisdiction, which may also be more burdensome or result in additional cost. Also, the Group's supply chain may be subject to export control regulations. As a result, cross-border deliveries of subcomponents by our suppliers have been, and may continue to be, delayed or become more expensive because required approvals or licenses could not be obtained in time or at all (see also: "*1.2.2 The Group relies on a limited number of specific suppliers for sourcing certain components such as image intensifier tubes in order to produce the majority of its products*").

Any delay of or failure to comply with the relevant sales and export restrictions and controls could expose the Group to severe fines and other penalties as well as reputational damage and could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.4 ***The Group derives a significant portion of its revenue from international operations and is exposed to risks arising from international trade such as tariffs, interest rate fluctuations and changing political circumstances***

The Group has a global sales and distribution network with a presence in more than 68 countries. As a consequence, sales outside of Greece accounted for a substantial portion of Theon's revenues (c. 96% of total revenue for the year ended December 31, 2022) and the Group expects that international revenue will continue to account for a significant portion of the total amount. Furthermore, a part of the Group's business activity is being conducted with, or in, less-developed countries and sometimes countries with unstable governments, or in areas of military conflict or at military installations.

The Group's activities may be affected by conflicts and developments on an international, national, political and economic level, including by way of trade restrictions, added complexity and barriers to the Group's

sales and supply chain, or political support for competitors. Ongoing instability and current conflicts in global markets, including in Ukraine and Eastern Europe, the Middle East and Asia, and the potential for other conflicts and future terrorist activities and other recent geopolitical events throughout the world, including new or increased tariffs and potential trade wars, have created and may continue to create uncertainty in financial and insurance markets, which may ultimately affect the Group's activities. For example, recent instability and current conflicts have had a negative impact on global markets and have contributed to inflation, particularly in the energy markets, and thereby to a significant increase in interest rates. These matters may result in increased costs, such as for insurance coverage and performance bonds (or result in them being unavailable altogether), as well as difficulty with future borrowings under existing or future credit facilities or, more in general, with financing the Group's projects.

Similarly, major events, catastrophes, pandemics and other developments on an international, national, political, and economic level, especially in countries with high levels of public debt, may cause such countries to reduce the overall public spending, including the budget for defense equipment or military operations, in order to comply with tightened budget constraints or public spending requirements. Such circumstances could also adversely affect the ability of the Group's international customers and suppliers to obtain financing and could result in a decrease in or cancellation of orders for the Group's products and services or impact the ability of the Group's customers to make payments, causing the Group to incur higher costs than expected and have a negative impact on its cash flows and available resources.

In addition, some of the projects in which the Group participates, directly or indirectly, have long lead times, while at the same time, political circumstances, political support, and demand for these projects are subject to change, both rapidly and over time. For example, sudden or unexpected regime changes can impact the calculated demand for certain defense platforms in which the Group participates, and similar sudden developments might affect its long-term planning in the future.

Strategic considerations might also affect the participation of countries in multinational defense projects, or the inclusion of the Group's products therein. For example, certain governments might have security concerns regarding the transmission of sensitive information to other countries in connection with such projects, leading them to abandon such projects, or to object to the Group's inclusion in such projects.

Similarly, nationalist or anti-European movements, or other political trends, might lead to the unilateral abandonment of multinational projects or a reduction of defense cooperation generally, which could harm the Group's market prospects, given that they may result in the termination, abandonment or decision to downsize projects in which the Group is involved. In addition, such events may directly affect the Group's foreign subsidiaries in the countries in which they operate. As a result, the Group's ability to interact between different international locations may be limited, which might adversely affect the Group's internal supply chain, among other things.

Further, national protectionist policies may also result in additional trade barriers for the Group's products, such as tariffs, as well as subsidies or political support for the Group's international competitors (see "1.1.7 *The Group's contracts with government agencies, supranational organizations, and their armed and security forces may not be fulfilled in a timely manner and may contain unfavorable provisions*") or for certain components produced abroad by foreign suppliers subject to specific export and re-sale requirements and regulations. For instance, the U.S. International Traffic in Arms Regulations ("**ITAR**") impose a requirement for approval by the U.S. Directorate of Defense Trade Controls of exports and re-exports/re-transfers of certain products produced in the U.S. when the sales are intended to be made to persons not covered by a previously granted license.

Although the Group does not currently have its own production facility in the U.S., but rather a presence through partnerships with companies such as Elbit Systems Ltd of America ("**Elbit**") and EO TECH, the U.S. represents a major customer and the Group cannot exclude that it may open production facilities in the U.S., also in the context of broader projects and/or partnerships. As a consequence, the Group may become subject to ITAR and other U.S. provisions in the future, which may restrict its ability to sell and/or export certain products.

Similarly, any international future expansion of the Group's sales, customer base or supply chain would likely amplify the Group's exposure to these risks. The occurrence of any of the above circumstances could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.5 ***The Group operates in the highly competitive defense industry sector, facing challenges from both established and emerging competitors***

The Group operates in a highly competitive market, the defense industry, with a variety of different types of companies ranging from small businesses to multinational corporations. While the Group's small and mid-size competitors, such as NightVision Lasers Spain, OIP Sensor Systems, Senop Oy, and QinetiQ Group PLC, are typically specialized in certain market niches, the Group also competes with large defense companies, such as Hensoldt, Raytheon Technologies, Elbit, Thales, Safran-Vectronix ("**Safran**") or L3Harris. Some of these competitors have more extensive resources, including financial resources, research and development ("**R&D**") budgets, and more diverse operations, and may therefore be better positioned to develop and market new products and take advantage of economies of scale.

Competitors who are larger, better financed and better known may be able to cross-subsidize the relevant divisions the Group competes with or may benefit from technology or intellectual property developed for other divisions and may be better positioned in following new industry trends and meeting market demand. As their product range comprises products competing with the Group's products as well as additional products, these competitors may also be in a position to offer integrated solutions, platforms, and packaged deals to end-customers, potentially at a discount. Given their global presence, large sales infrastructure, and potentially better-known brand name, these competitors may have better access to certain customers. Some of the Group's competitors also face less stringent legal restrictions and controls, including moratoriums, government approval requirements, and trade barriers, as they are located or operate in different jurisdictions (see "*1.1.3 The Group's activities as well as its supply chains are subject to sales and export restrictions and controls applicable to its products and the tools and equipment into which such products are integrated, including government approval requirements and moratoriums*"). All these factors pose competitive challenges to the Group.

Moreover, some of the Group competitors in the defense and security industry, particularly U.S.-based original equipment manufacturers, benefit from national promotion programs and political support. A prominent example is the Foreign Military Sales ("**FMS**") program of the U.S. Department of Defense ("**DoD**"), which facilitates sales of U.S. arms and defense equipment to foreign governments by permitting such governments to procure through the DoD rather than directly from the manufacturer. The benefits of procuring through the DoD may include lower unit costs through consolidation with other DoD purchases, higher service standards, and improved relationships with the U.S. military. In some cases, the U.S. also provides financing to support specific projects or platforms. Potential customers may also use special financing provided by the United States to help foreign countries purchase U.S. weapons and defense equipment. By facilitating foreign investment into U.S. weapons programs, FMS and the related financing options thus generate sales and support local R&D and production, which the Group's U.S. competitors benefit from.

Furthermore, in order to stay competitive, the Group must keep pace with changing technologies and customer preferences. If the Group is unable to differentiate its products and services from those of its competitors, revenues may decline. In addition, there is also a significant industry trend towards consolidation, with some of the Group competitors having established relationships among themselves or with third parties to increase their ability to address customer needs. As a result, new competitors or alliances amongst competitors may emerge and compete more effectively against the Group.

Similarly, given the limited number of players in certain market niches in the defense sector, larger contractors may choose to engage in cooperations with such companies, for example as partners in a consortium or a joint venture. This is a practice which the Group itself follows through the establishment of joint ventures or joint companies (see "*1.2.4 In order to successfully bid for larger defense tenders, the Group may form consortiums or enter into joint ventures or form other strategic partnerships*"). As a consequence, when competing with these players, the Group must also maintain good business relationships, otherwise it may miss out on further business opportunities. As the Group continues to grow, it may face increased competition from other companies in the defense sector and the Group may find it harder to cooperate with other participants to pitch for government tenders or procure parts and materials, or may only be able to do so at increased costs, or may have to compete by lowering prices for its products, thereby reducing its profitability.

Additionally, the Group has experienced increased competition in non-NATO markets from both NATO-based players who have expanded into non-NATO markets as well as non-NATO-based players who have traditionally supplied non-NATO regions. In particular, players based in Middle Eastern countries may be

able to compete in tenders by offering products at significantly lower prices because they are subsidized by their home countries and their margins are therefore not affected by such discounts. This increased competition may also lead to decreased profit margins for the Group as it may be required to decrease its bids in order to win government contracts in non-NATO countries. Decreased profit margins across the industry could lead to further consolidation and vertical integration in the European defense industry in the future. As a consequence, competition-related risks, in particular from larger competitors, may further increase in the future. The occurrence of any of the above events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.6 *The Group may be unable to keep at pace with evolving products and service offerings and technological change and the Group's future product or ventures may not be successful*

The markets in which the Group competes are characterized by rapid technological developments. The success of the Group thus depends on its ability to continue to design, develop, manufacture, assemble, test, market and support new products and enhancements on a timely and cost-effective basis and tailored to the needs of the Group's customers.

The need for new developments and improvements is particularly challenging given that many of the Group's products are customized for specific customers, which requires the Group to develop technological innovations that are specific for such products and may be more burdensome to test and validate.

Due to the features of the Group's products, the customization requests received from customers may require additional R&D investments or engaging with new and/or different suppliers to develop these new prototypes and ensure adequate quality standards (see also "1.2.3 *The Group may not be able to meet the technical requirements imposed by certain customers on custom products*"). In the past, the Group has allocated substantial funds to research and development programs and other related investments (see "1.3.3 *The Group's activities require substantial expenditures for R&D, which may not be recovered*"). This practice will continue to be required in the future. Even so, the Group may not be able to successfully identify new opportunities and may not have the necessary financial resources or expertise to develop new products and systems in a timely or cost-effective manner. At the same time, products and technologies developed by others may render the Group's products, services and systems obsolete or non-competitive.

Furthermore, many of the Group's products also require extensive and costly development and manufacturing processes. Due to the complex and advanced nature of its technology and products, the Group faces technological challenges that arise in the development and manufacture of these new products, which may lead to, for example, cost increases, quality issues, or delivery delays.

The Group will also need to ensure that new product developments arising as a result of research and development activity are completed in a timely manner and to a standard which allows the Group to manufacture such new products in the requisite volumes. The new products will also need to be manufactured against high reliability and safety criteria to meet both regulatory and customer requirements. Additionally, in the course of developing more sophisticated and/or technologically advanced and/or customer-specific products, the risk of defects, failures or malfunctions may increase due to limited experimentation of such new technologies. For example, the Group is actively developing new products, such as fused night vision goggles, new thermal devices as well as integrated platforms for both night vision and thermal systems. The success of these new products is important for the Group's long-term growth prospects.

The Group's failure to develop new products and technological upgrades in a timely manner could make its products obsolete or non-competitive. In addition, the Group may be unable to successfully market its new products. Any such event may have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.7 *The Group's contracts with government agencies, supranational organizations, and their armed and security forces may not be fulfilled in a timely manner and may contain unfavorable provisions*

As a defense and security equipment manufacturer, the majority of the Group's revenues are either directly or indirectly from government agencies, supranational organizations, and their armed and security forces. Sovereign governments and their agencies can typically terminate or modify any of their contracts with the Group either for their convenience or if the Group defaults by failing to perform under the terms of the

applicable contract. A termination arising out of the Group's default could expose it to financial liabilities, subject to the relevant contractual provisions, and, in the most severe cases, may affect its ability to compete for future contracts and orders with the same government or related entities. Additionally, government contracts often allow the relevant government to unilaterally suspend the Group from receiving new contracts pending resolution of alleged violations of procurement laws or regulations, reduce the value of existing contracts, issue modifications to a contract and control, and potentially prohibit the export of its products, services and associated materials.

In addition, when awarding a contract in the defense sector, some governments require that contracting companies undertake certain contractual obligations, known as offset obligations, which may include specific in-country purchases, investments, manufacturing agreements or financial or other support arrangements or obligations, which may extend for many years. Offset obligations may be direct (the execution of parts of the contract by local manufacturers, often known as industrial participation), semidirect (location in the customer country of Group activities which are not directly related to the execution of this contract), or indirect (such as local investments in the training industry). The Group's ability to factor the offset requirements into its proposals can also be a major source of differentiation, and as such have a decisive impact on its commercial success. Compliance with offset obligations may result in additional costs, quality issues – in cases of required local procurement or production – or contribute to the creation of potential new competitors as a result of the Group being required to undertake technology transfers, any of which might outweigh the benefits realized from a particular project.

On the other hand, non-fulfilment of these contractual obligations may expose the Group to penalties, and, in certain cases, the Group may be prevented from participating in future contract award procedures in the countries concerned. Moreover, depending on the particular arrangements and beneficiaries, the requirements of the offset obligations might prevent the Group from undertaking a certain contract, due to requirements in its anti-corruption compliance policies and programs for economic reasons.

Government agencies routinely audit government contracts and the Group, like all entities that contract with government agencies, could have its major government contracts, audited at some point during the life of the contract. These agencies review a contractor's performance under its contract, pricing practices, cost structure and compliance with applicable laws, regulations and standards. The Group has never been audited and in the eventuality that the government's audit results in negative assessments, the Group may not be reimbursed for any costs found to be improperly allocated to a specific contract, while it would be required to refund any improper payments already received. The Group would also be subject to sanctions, penalties and reputational damage. As a result, an audit could result in a substantial impact to the Group's revenues, profitability and reputation.

In addition, governments generally pay upon completion of a contract, or according to contractual schedules or milestones. The Group tries to mitigate the impact of such circumstances by agreeing with its customers down-payments, letters of credit, and/or partial payments against milestone deliveries but there can be no assurance as to the timeliness of counterparty performance or other required steps, particularly in non-NATO and/or non-NATO-equivalent markets, or whether they will be able to entirely fulfil their payment obligations, since such payments are generally subject to strict and lengthy internal procedures and political approvals, as well as being vulnerable to temporary budget constraints (see "1.1.8 Engaging in contracts with governments, whether directly or indirectly, involves delays and uncertainty, including due to required parliamentary or administrative approvals and procurement procedures and regulations").

Furthermore, payments from such customers may be further delayed or jeopardized in the event of a change in political policy, budget deficit or internal disorder, or for other reasons. Additionally, certain non-NATO business counterparts may provide a lump sum payment on completion of a contract rather than milestone payments.

Separately, the Group's relationship with government customers is characterized by their significant political and/or purchasing power, economic size, financial strength, and commercial sophistication, as well as the general reliance of suppliers on contracts being awarded by them. For these reasons, and due to the interest in maintaining good relationships with these customers to obtain future orders, the Group might follow requests for discounts or order reductions or cancellations without legal cause. As a result, the Group may not always be able to recognize the expected revenue from such contracts or in exceptional circumstances suffer losses if the agreed compensation does not cover the Group's costs. Moreover, procurement agencies may increasingly demand contractual protection from suppliers against delays and insist on contractual penalties, which, if incurred, could have similar effects.

Though the Group makes use of letters of credit, advanced payments and other actions to help mitigate these risks when the risks are considered a realistic possibility, the Group may not have recourse against such customers for non-payment due to the sovereign government's exercise of sovereign immunity and may experience negative impacts on its cash flows and liquidity available.

Any of the foregoing could prevent the Group from realizing profit on the contracts it undertakes and could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.1.8 ***Engaging in contracts with governments, whether directly or indirectly, involves delays and uncertainty, including due to required parliamentary or administrative approvals and procurement procedures and regulations***

Engaging in contracts with governments and their armed forces, whether directly or indirectly, involves specific challenges related to the nature of the counterparty. First, defense sector contracts may require relevant approvals from parliament, government ministers, government departments, or other government bodies or agencies. It is possible that, due to difficulties in obtaining such approvals, finalizing contracts may be delayed before procurement has started, during the tender stage, during the period between being appointed as the preferred bidder and execution of final contracts or prior to the delivery of products (and recognition of revenue).

The member states of the European Union (the "**Member States**"), such as Germany and several other countries not members of the European Union ("**EU**") in which the Group operates, such as the U.S., may require the preliminary approval from parliament or government for contracts in excess of certain thresholds. Obtaining such approvals is generally a lengthy and not always predictable process due to the various stakeholders involved and may significantly delay the negotiation and execution of the contracts.

Pending the approval process, each country's parliament or the other relevant authorities might request to amend or cancel previous orders for reasons of public interest, political considerations or budget constraints (see "*1.1.1 The Group's core customers are government agencies, supranational organizations, and their armed and security forces and the Group's revenues depend, directly and indirectly, on their defense and security spending*"). Such parliamentary or governmental approvals create uncertainty, in particular with respect to timing around the Group's business prospects. Various factors, such as political considerations by members of a parliament or, at an earlier stage, by the representatives involved, including due to the influence of lobbying groups, or adverse media coverage, may impede, slow down, or prevent procurement approvals. In addition, because procurement contracts must be fully negotiated before a proposal for parliamentary approval is submitted, the Group may spend significant time and resources on exploring demand, developing capabilities to meet the demand, and negotiating contracts with the relevant procurement department, with no certainty regarding the timing of future compensation, if any.

These matters are beyond the Group's control and any resulting delays could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

Additionally, as a contractor with government agencies and government-regulated customers, the Group must comply with specific procurement regulations and other requirements, which can change from time to time. Public procurement law generally requires public entities, sectorial contracting entities, and concession grantors to award contracts and concessions in a transparent and non-discriminatory tender procedure, depending on certain thresholds, either on the national or on the European level. Occasionally, these requirements may be less clear in non-NATO and/or non-NATO-equivalent markets and may require the Group to devote additional time and resources to ensure compliance with a country's specific procurement regulations and other requirements. These requirements, although customary when entering into contracts with government bodies, increase the Group's bidding, performance and compliance costs. If procurement requirements or "eligibility to bid" criteria change, the Group's eligibility to bid for such contracts may be affected or the costs of bidding for or complying with such contracts could increase and materially adversely affect the Group's financial condition and results of operations.

Failure to comply with or satisfy bid criteria, procurement rules and regulations could result in reductions in the number or value of contracts awarded to the Group, the Group not being allowed to participate in future tenders, or contract modifications or terminations, any or all of which could materially adversely affect the Group's financial condition and results of operations. Failure to comply with these rules and regulations or meet the relevant criteria could lead to the Group being unable to contract with the

government body concerned either at all or for a period of time and could negatively impact the Group's reputation and ability to procure future contracts.

Furthermore, when dealing with certain governments, the prices the Group may charge for its products are regulated under public price law which limits the Group's profit margins.

Additional risks of challenge related to the Group's compliance with procurement and other legal requirements for the validity of the Group's governmental contracts could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2 Risks Related to the Group's Business and Operations

1.2.1 *The Group's operations and forecasts depend on its order backlog*

The Group's financial performance and ability to operate successfully are significantly influenced by its order backlog, which represents customer orders for products and services that are yet to be fulfilled but that have been contractually agreed and for which the Group received a purchase order. While a healthy order backlog can indicate strong demand and revenue potential, it also exposes the Group to various risks that could impact its business, financial condition, and results of operations. As of September 30, 2023, Theon's order backlog amounted to €220 million.

The Group's financial performance may be affected by developments in its order backlog. Revenue associated with the backlog is typically recognized upon fulfillment of contractual conditions or the delivery of the Group products to the customer. Depending on the timing, this could lead to fluctuations in reported revenue and profitability in different reporting periods. Defense contracts may involve long lead times between order placement and fulfillment. Economic, geopolitical, or technological changes during this period could affect the relevance and value of the ordered parts, potentially leading to cancellations or renegotiations. Furthermore, international orders within the backlog expose the Group to currency exchange rate risks. Fluctuations in exchange rates could impact the value of the Group's backlog in terms of revenue and profitability upon conversion (see also "1.3.1 *The Group's results of operations are exposed to currency exchange rate fluctuations*").

Theon's order backlog is significantly influenced by government defense budgets, which are subject to fluctuations based on geopolitical, economic, and policy factors, and by the Group's ability to win tenders and secure contracts (see "1.1.1 *The Group's core customers are government agencies, supranational organizations, and their armed and security forces and the Group's revenues depend, directly and indirectly, on their defense and security spending*"). Reductions or delays in defense spending or the Group's inability to secure additional contracts could lead to a decline in its order backlog, impacting future revenue and profitability.

Additionally, the size of Theon's order backlog may be subject to fluctuations in customer demand, which can be influenced by various factors including economic conditions, industry trends, and market competition. A sudden decline in demand could lead to a reduction in the Group's order backlog, adversely affecting its revenue and profitability.

Finally, Theon's ability to fulfill orders within the backlog relies on a mainly outsourced supply chain, subject to strict regulations due to the nature of the final goods. Disruptions caused by geopolitical tensions, trade restrictions, materials shortage or other factors could hinder adequate access to critical components and materials, leading to delays, production interruptions, and even lead to potential penalties under the customer contracts (see also: "1.2.2 *The Group relies on a limited number of specific suppliers for sourcing certain components such as image intensifier tubes in order to produce the majority of its products*").

If the Group does not realize all of the sales expected from its order backlog in a timely manner or at all, the Group's profitability, results of operations and cash flows will be materially adversely affected.

1.2.2 *The Group relies on a limited number of specific suppliers for sourcing certain components such as image intensifier tubes in order to produce the majority of its products*

The Group uses an international supply chain for the production of all components and the Group relies on the timely delivery of high-quality components by its suppliers. In particular, for its night vision devices, the Group is dependent on the supply of specific intermediate products, such as image intensifier tubes ("IITs"), which account for roughly 30-65% of a night vision device's material cost, alongside other more

accessible materials such as lenses, metal bodies and plastic parts. Parts for the Group's thermal vision products are more readily accessible but may still be affected by shortages in the event of global supply chain disruptions or shortages.

Certain components such as IITs are only available from a small number of suppliers worldwide. Since 2022 and as of the date of this Prospectus, the Group has experienced a shortage of IITs, owing in part to the increased demand for night vision devices, which until recently were viewed as specialized devices but are now increasingly in demand. The manufacture of IITs is regulated and highly complex, and the number of suppliers worldwide is unlikely to increase. While the IIT manufacturers are aiming to increase production capacity in the short- to medium-term, Theon cannot accurately predict when the IIT shortage will be alleviated, if ever. Furthermore, certain IIT manufacturers are owned by competitors of the Group or may become targets for vertical integration by further competitors. The Group may not find adequate alternative suppliers in a timely manner, or such suppliers may result in higher costs for Theon, impacting operating margins. Theon could experience difficulties in replacing IIT suppliers and as a result experience challenges to its ability to manufacture and deliver night vision devices to its customers. The Group may seek to mitigate this risk by building up inventories of IITs and other critical components, but this may be costly and, in any event, may not always be possible, while also exposing the Group to the risk that it over- or under-purchased particular components.

Furthermore, while the cost of IITs (as well as other products) is in most cases passed to the end customer, or fixed at the start of a government tender process, protecting the Group's margins, the Group's interim or yearly financial results may be materially adversely affected in the event that it does not receive the required IITs in a timely manner. While Theon is able to pre-assemble the other parts of the night vision devices, appropriate specification IITs are a prerequisite for onwards delivery and payment.

Similarly, when developing new products and technology upgrades (see "1.1.6 *The Group may be unable to keep at pace with evolving products and service offerings and technological change and the Group's future product or ventures may not be successful*") the Group may not be able to identify cost-effective or otherwise adequate suppliers for such new products and technologies, which might reduce the Group's operating margins or impair its capacity to develop, or produce in a larger scale, such products. Finally, all products of the Group must be compatible and fully tested for compliance with military standards. In this regard, the possible substitution of intermediate products might result in increased costs in order for the final product to meet the military standards.

The occurrence of any of the above events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.3 *The Group may not be able to meet the technical requirements imposed by certain customers on custom products*

The Group offers customizable night vision and thermal imaging systems for military and security applications. Customization processes involve the customers directly, and they may request to adapt each product to their specific requirements in terms of performance, weight, resistance and sizing. Implementing such changes to its base products may require the Group to incur additional expenses or expend significant effort in connection with R&D investments and dedicate a significant amount of time and resources to identify the adequate solution and/or technical improvements to fulfill the customer's requests.

Most customer orders have unique specifications, which may be subject to change over time and require extensive customization. Even when the products meet contractually agreed specifications, the products may be deemed "not fit for purpose" due to an actual or perceived discrepancy between the contractually agreed specifications and the needs of the entities operating such products, or the platforms in which the Group's products are integrated, and the customer may not accept delivery of the products.

Similarly, certain custom products may have such unique specifications that it is not possible to completely assess their reliability because of the absence in the market of similar products or a consolidated benchmark practice to validate, test, and, eventually, manage potential faults, weaknesses or malfunctions.

As a consequence, the Group may not be able to adequately re-design such products or to address any failure to perform, which may result in the customer refusing the products, contractual liabilities, and reputational damage.

Additionally, the Group generally tries to continuously upgrade its products to anticipate its customers' possible needs (see "*1.1.6 The Group may be unable to keep at pace with evolving products and service offerings and technological change and the Group's future product or ventures may not be successful*" and "*1.3.3 The Group's activities require substantial expenditures for R&D, which may not be recovered*"), but there is no assurance that the Group will be able to identify the future market trends or the most appealing new features for each product, which also may vary from customer to customer, or may not have the necessary financial or technical resources to develop additional new products and/or technical upgrades.

Any failure to maintain high quality standards for the Group's products, whether actual or perceived by the Group's customers, could negatively affect the market acceptance of the Group's products.

In addition, the Group requires its suppliers and sub-contractors to be punctual in their deliveries and to give particular attention to the quality of their supplies, but the suppliers may not always comply. Additionally, for those critical components which are provided by a limited number of suppliers (see "*1.2.2 The Group relies on a limited number of specific suppliers for sourcing certain components such as image intensifier tubes in order to produce the majority of its products*"), such suppliers may not be able to provide in a timely manner, or at all, components which satisfy the customization requests of the Group's customers and the Group may need to turn to more expensive supplier, if available at all, for its solutions to remain competitive or even stop offering such features or functionalities.

Accordingly, any failure of suppliers or contractors to meet their contractual obligations, including meeting specified deadlines, product specifications and quality standards, could adversely affect the Group's ability to fulfill customer orders on a timely basis.

The occurrence of any of the above events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.4 *In order to successfully bid for larger defense tenders, the Group may form consortiums or enter into joint ventures or form other strategic partnerships*

The Group may enter into or be requested by certain government customers to enter into consortiums, joint ventures, and other forms of industrial cooperation with other companies, and might continue to use partnerships and alliances as a means to develop and market certain products in the future. Government tenders or other customers may require that the Group forms such strategic partnerships either as a result of national restrictions or as a result of financial assets or production capacity thresholds.

In 2020 for example, the Group partnered with EO TECH, a U.S.-based manufacturer of holographic weapon sights and rifle scopes to advance U.S. presence through distribution of night vision devices and thermal imagers. Also in the U.S., the Group partners with Elbit in order to supply night vision devices to the United States Marine Corps as part of its \$249 million supply contract. In 2022 the Group announced a joint company with Hensoldt, called Hensoldt Theon NightVision GmbH ("**HTN**"), set-up in connection with the award of an Organisation for Joint Armament Co-Operation ("**OCCAR**") contract to a consortium of Theon and Hensoldt Optronics for 20,000 night vision goggles on behalf of the governments of Belgium and Germany.

Strategic opportunities such as those described above may not always be available to the Group in the future. Furthermore, the Group's potential partners may source other opportunities themselves, seek to vertically integrate or be acquired by competitors. For example, for the United States Marine Corps tender, Theon initially partnered with HARRIS Night Vision USA ("**Harris USA**"), which was then acquired by Elbit.

The Group generally structures its partnerships as agreements where the Company (or the relevant Group entity) acts as the contractor for the main procurement and the partner acts as a sub-contractor for specific components and/or products. As a consequence, the Group may have to assume unanticipated liabilities or be required to provide additional equity contributions, while in other cases, the anticipated cash flows from these undertakings may be delayed or may face losses or reputation backlashes, and while Theon may have a legal claim against its partners for a contribution according to their share or responsibility for such liability, the Group may not be able to recover in full such contribution amounts.

Additionally, some of the companies with whom the Group has entered into partnership agreements are also competitors (see "*1.1.5 The Group operates in the highly competitive defense industry sector, facing*

challenges from both established and emerging competitors"), which may add further complexity to the management of the relevant relationship. In addition, due to the consolidation trends in the industry, any deterioration of the business relationship with a former partner because of either party's failure to cooperate in a partnership could have a lasting adverse effect on the Group's market position. To the extent Theon is not the leader of the consortium or the majority shareholder in a joint venture or it does not enjoy a privileged contractual position, it may have to follow and implement decisions, for example with respect to product design or supplier selection, which may be deemed adverse to the Group's interests.

Additional risks in any form of cooperation might include, for instance, dependence on adequate performance by the partners, a divergence of views between the Group and its partners on the identification and achievement of operating and strategic objectives, competition of jointly developed products with its proprietary products, claims for damages, indemnities, or contractual penalties under the relevant agreements, regulatory requirements regarding the establishment or continuation of such cooperations and antitrust issues, the misuse of the Group's proprietary know-how and limits on the ability to exercise control or extract profits. The Group's reputation may also be adversely impacted if one of the partners violates local laws or the provisions of the joint venture agreements. If the Group's partners fail to meet their funding commitments, the Group may be forced to make cash contributions.

For various reasons, including regulatory ones, the Group might intend or be forced to exit or wind up a consortium or joint venture, which can be a long and costly process and could require the Group to share or transfer technology and know-how that it originally contributed.

The occurrence of any of the above events may affect the Group's existing and future partnerships and could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.5 *Dependence on Government Tenders and Potential for Improper Awards and Challenges*

Theon relies heavily on winning government or other defense tenders as a primary source of revenue. While such tenders can provide significant business opportunities, they also expose the Group to various risks, including the possibility that these tenders may not always be awarded through proper and transparent processes. The Group's financial performance may be influenced by the uncertainty associated with government tenders. The unpredictable nature of these awards can make it challenging to forecast revenue and plan for long-term growth.

For example, tender processes may lack transparency, making it difficult for the Group to ascertain whether awards are made fairly and based on merit. This lack of transparency can give rise to suspicions of corruption, favoritism, or other improprieties. Furthermore, the financial and/or technical specifications of tenders may be improperly determined or presented, making it difficult for the Group to successfully bid. New policies, regulations, or political agendas may favor different suppliers, leading to a shift in tender award patterns away from the Group.

The Group's participation in defense tenders may be challenged by competitors or other stakeholders who believe the tendering process was unfair. Theon itself has in the past regularly challenged processes that it believes were unfairly organized or awarded and may be required to do so in the future. Legal disputes, protests, or investigations can result from such challenges, leading to delays, increased legal costs, and potential reputational damage. Even after winning a tender, contracts may be subject to cancellation or renegotiation if allegations of impropriety or contract irregularities arise. This could lead to a loss of revenue and contractual obligations that are difficult to fulfill.

Furthermore, the Group must navigate complex regulatory environments and adhere to strict ethical standards when participating in government tenders. Failure to comply with relevant laws and regulations or engaging in unethical practices can result in legal repercussions, fines, and damage to its reputation. In addition, as part of certain bids, the Group may need to publicly submit technical specifications or comply with other public procurement transparency requirements that may expose it to the potential loss of competitive advantage against other bidders.

The risks associated with government tenders are inherent in the Group's business model, and adverse developments in this regard may have a material adverse effect on Theon's financial performance, results of operations and reputation.

1.2.6 ***The Group handles highly sensitive information and is exposed to the risks of data breaches, attacks, or disruptions of the Group's IT technology and infrastructure***

As an advanced technology-based solutions provider, and particularly as a government contractor with access to national security or other highly confidential and/or sensitive government information, the Group is subject to special secrecy obligations and requirements for special protection of business and products against unauthorized interference from third parties, manipulation and sabotage. It therefore faces a heightened risk of a security breach or disruption from threats to gain unauthorized access to the Group's and the Group's customers' proprietary information on the Group's information technologies ("IT") networks and related systems. In addition, the Group handles sensitive customer data and is subject to the EU Regulation no. 679/2016 ("GDPR") and the respective implementation legislation in the national laws of Member States as well as to other similar data protection rules in other jurisdictions, where applicable.

As a consequence, the Group is exposed to cyber-attacks from highly skilled computer specialists sponsored by governments or government-funded organizations with significant resources at their disposal and other attempts to threaten its information technology systems. Threats to the Group's IT technology and infrastructure might include, for example, computer viruses, break-ins, phishing attacks, identity theft, theft of address files or user identification or password data, customized malware seeking to access infrastructure and gather critical information, and unauthorized use of data, systems, products, or services by employees or customers.

These types of information and IT networks and related systems are critical to the operation of the Group's business and essential to the Group's ability to perform day-to-day operations. Thus, the Group has adopted several measures to prevent such incidents, including employee awareness campaigns and training, dedicated cyber-security team and budget, security monitoring and IT audits.

However, techniques used to gain unauthorized access to private networks are constantly evolving, and the measures adopted by the Group might prove, from time to time, individually or in the aggregate, inadequate to protect the Group from such threats.

A security breach or other significant disruption involving these types of information and IT networks and related systems could disrupt proper functioning of these networks and systems and, therefore, the Group's operations and/or result in unauthorized access to, and destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information of the Group, the Group's customers or the Group's employees, including trade secrets, which could be used to compete against the Group or for disruptive, destructive or otherwise harmful purposes and outcomes, including compromising national security and other sensitive government functions.

The materialization of these risks may require significant management attention and resources to deal with damages and result in claims against the Group for failing to comply with its legal obligation to protect confidential and sensitive information, product liability or other claims of the Group's customers, as well as damaging the Group's reputation with the customers. A violation of obligations under the GDPR or other similar data protection rules may constitute an administrative offense, which can result in fines or investigative measures imposed by the competent data protection authority.

The Group must also rely on the safeguards put in place by customers, suppliers, vendors, subcontractors or other third parties to minimize the impact of cyber threats, other security threats or business disruptions. These third parties may have varying levels of cybersecurity expertise and safeguards, and their relationships with government contractors may increase their likelihood of being targeted by cyber threats. The Group's commercial arrangements with these third parties include processes designed to require that the third parties and their employees and agents agree to maintain certain standards for the storage, protection and transfer of confidential, personal and proprietary information. However, The Group remains at risk of a data breach due to the intentional or unintentional non-compliance by a third party's employee or agent, the breakdown of a third party's data protection processes, which may not be as sophisticated as the Group's, or a cyber-attack on a third party's information network and systems.

The occurrence of any of the above events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.7 *The Group may experience losses or reduced profits under contracts if costs increase above estimates*

The Group conducts its business under several types of contractual arrangements where costs are estimated in advance. As part of its preparation process for the submission of quotations and tenders to its customers, the Group carries out budgeting estimates based on the scope of work, labor and material costs, third-party costs and other requirements. Although the bulk of the Group's contracts are in respect of pre-existing products for which costs can be estimated with a higher degree of accuracy than for non-pre-existing products, the accuracy of these cost estimates is subject to the Group's experience and technical expertise in understanding the complexity and challenges of each quotation and tender. If the Group fails to accurately estimate the resources and time necessary for these contracts or fails to complete these contracts within the time frame and costs that have been agreed upon, there may be a material impact on the profitability the Group realizes on the contract, as well as on the Group's reputation.

Additionally, some government contracts are entered into in the form of fixed price for a specified term. Under these contracts, the Group agrees to perform a specific scope of work or deliver a certain quantity of end items for a fixed price. Typically, the Group assumes more risk with fixed-price contracts since these contracts are subject to rising labor costs and raw materials and components price risk. Fixed-price contracts require the Group to price its contracts by forecasting potential expenditures. When making proposals for fixed-price contracts, the Group relies only on the management's estimates of costs and timing for completing these projects. These estimates reflect management's judgments regarding the Group's capability to complete projects efficiently and timely. The Group's fixed price contracts usually contain price adjustment formulas to factor in such unforeseen circumstances, but there is no guarantee that the Group will be able to entirely cover the costs incurred or to adequately adjust the contractual conditions. The Group's production costs may, however, exceed forecasts due to unanticipated delays or increased cost of materials, components, labor, capital equipment or other factors. Risks under the Group's contracts which may result in cost overruns, delays in the production of orders or other problems include, among others: (i) difficulties relating to the performance of sub-contractors, suppliers, or other third parties; (ii) unanticipated technical problems, including issues with regard to the design phases of contracts; (iii) unforeseen increases in or failure to properly estimate the cost of materials, components, equipment, labor or the inability to obtain them in a timely manner; and (iv) order modifications creating unanticipated costs or delays.

As a consequence, the Group may incur losses on fixed price contracts that it had expected to be profitable, or such contracts may be less profitable than expected.

These risks tend to be exacerbated in the case of longer term contracts since there is an increased risk that the circumstances under which the Group based its original bid may change, resulting in an increase in costs. In many of these contracts, the Group may not be able to obtain compensation for additional work performed or expenses incurred, and if a contracted order suffers any delays to its schedule, the Group may be contractually liable to pay liquidated damages. If the Group is unable to manage such cost overruns, its financial condition and results of operations could be materially adversely affected.

1.2.8 *The Group owns and registers limited intellectual property rights*

For the majority of its ideas and inventions, the Group does not file for patents, as the technology level in its core markets is constantly evolving, and the patent application process may result in being too lengthy to adequately keep pace with other players and competitors or being non-relevant due to fast paced competitive environment and the request for continuous and/or custom upgrades.

Additionally, patent registration may result in disclosing such idea or invention to competitors and end-customers' adversaries, and it may be difficult to prove breach of a patent by competitors due to limited access to their equipment. The confidentiality of the Groups' non-registered intellectual property ("IP") is therefore crucial for maintaining and developing its competitive position.

In such cases, the Group generally relies on maintaining such IP confidential as trade secrets or by entering into confidentiality agreements with the Group's employees, consultants, collaborators, suppliers, clients and others upon the commencement of their relationships. These agreements require that all confidential information developed by the individual or made available to such individual during the course of the contractual relationship shall be protected and kept confidential. However, the Group may not obtain these agreements in all circumstances, and, even if obtained, may not provide adequate protection against or remediation of unauthorized use or disclosure of the Group's trade secrets or other confidential information.

Thus, despite the existence of such agreements, the knowledge about the Group's non-registered IP may become available to third parties.

In rare instances, the Group selectively protects some of its IP through the registration of patents, trademarks, and copyrights, as well as license agreements and other contractual provisions. Its registered IP rights might, however, not be sufficiently broad to prevent others from using the Group's technologies or developing competing products. In addition, the issuance of a patent is not conclusive of its validity or enforceability. The patents on which the Group relies may also be challenged and invalidated, including by competitors, and the Group's patent applications may not result in issued patents.

The Group may also have difficulties in enforcing the Group's IP rights against third parties in certain circumstances. In particular, customers who have funded R&D activities might own certain IP rights and have the right to royalty-free use of the Group's products and technologies that have been developed under the relevant contracts. Under certain circumstances, the export of IP rights resulting from development contracts with public authorities, or the export of products in which such IP rights are used, requires the approval of the respective public authorities.

To the extent the Group's employees, consultants, or contractors use technology or know-how owned by third parties, disputes may arise between the Group and those third parties as to the rights in related inventions. The Group's internal control system may also not prove to be effective in detecting and preventing unauthorized use of third parties' IP rights by the Group's employees, and the Group may be unable to timely and effectively identify any third parties' IP rights that it plans to use in its R&D activities.

To the limited extent that protection of IP is relevant, any IP-related claims, with or without merit, could be time-consuming and expensive, and could divert the Group's management's attention away from other matters. If such claims have a negative outcome, the Group could be required to give or obtain licenses, cease manufacturing of a product, transfer IP, or pay damages.

1.2.9 *The Group's customer follow-on support services business might not perform as expected*

As part of the complimentary services offered to its customers, the Group may negotiate from time to time also to provide follow-on support services through customized service level agreements ("**SLA**") in relation to both Night Visions and Thermal segments. The Group's customer support and services portfolio may include both aftermarket support for the Group's products, such as logistic support, spare parts supply, preventive and/or corrective maintenance services, as well as training performed by skilled and experienced personnel, including either operators training and/or technical training (i.e. how to maintain and/or repair the devices), and a number of special services (e.g., upgrading of third-party products already in use by the customer).

The Group's follow-on support services business faces some specific risks which include, for example, typically tighter customer budgets for ongoing services than for product procurement, increased competitive pressure due to lower market entrance barriers and competing in-house service providers, lower demand for services as a result of product quality improvements, difficult predictions regarding the costs of long-term services (for instance, for keeping supply parts in stock), and changes in customers' decision-makers for customer support and services that are typically different from the Group's contacts for product sales.

In addition, while the Group has so far been able to offer individualized product support and coverage, the Group may not be able to continue to offer the same level of follow-on support services in the future, or may be only able to do so at increased costs, as the number of products delivered by the Group increases.

The occurrence of any of the foregoing developments could adversely affect the Group's customer support and maintenance services business and could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.10 *The Group may not be successful in expanding through acquisitions*

As part of its growth strategy, the Group may opt to supplement organic growth and internal research and development with targeted mergers and acquisitions ("**M&A**") programs to expand its product and technology offering and customer base. The Group has a limited M&A track-record and may be unsuccessful in identifying suitable acquisition candidates.

Additionally, acquisitions involving companies in the defense industry may pose special challenges. These include, for instance, a lack of information that may be disclosed by the target or its owner(s), including for confidentiality and secrecy reasons, and requirements for complex or time-consuming government or other stakeholder approvals, including difficulties in determining whether such approvals are required in the first place. In addition, in particular due to the relatively small number of competitors and customers, acquisitions frequently need antitrust clearance in various jurisdictions and may fail for this reason. In case a contemplated acquisition cannot be completed as planned, the Group may face sunk costs related to previously devoted resources for pursuing the transaction, which would not provide any benefit.

It is also possible that not all material risks in connection with acquisitions will be identified in the due diligence process, and while the respective contractual agreements will generally contain representations, warranties, and indemnities to address unfavorable circumstances, such representations, warranties, and indemnities are typically subject to limitations such as caps and baskets and, thus, cover related risks only to a certain degree.

Moreover, particularly acquisitions of foreign targets may add further regulatory complexity to the business or may restrict license or approval processes for current business operations. For acquisitions in certain jurisdictions, the Group may also have to enter into security arrangements with foreign governments allowing them certain control or veto rights in connection with such acquisitions, which might prevent the Group from achieving the expected benefits.

The occurrence of any of the foregoing circumstances could adversely affect the Group's business plan and growth strategy and could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.2.11 *The Group's operations depend on its ability to retain the services of its key executives and recruit and retain technical and other skilled personnel.*

The Group has been and will continue to be dependent on the continued services of its senior management team. If the Group loses the services of any of these executives, the Group may not be able to find suitable replacements promptly or at all, or at acceptable cost, and its business, results of operations, financial condition and prospects could be materially and adversely affected.

The Group's success depends on attracting and retaining skilled personnel. Due to intense competition within the industry, there is a risk of losing qualified employees to competitors or being unable to find a sufficient number of appropriate new employees at all, or within a reasonable time frame. Considerable expertise could be lost, or access thereto gained by competitors.

Because the Group is engaged in the production of highly technical products, it relies on the skills of designers and engineers to maintain the Group's high-quality standards and implementing the Group's standardized process and quality management globally. Thus, the success of the Group's operations and growth strategy will also depend on attracting such personnel (including the need to identify, recruit, train and integrate additional employees). The demand for such individuals is generally higher than the ready supply and finding individuals with the requisite skills can be time-consuming and costly.

Accordingly, if the Group is not able to hire personnel with these valuable skills, it may have a material and adverse effect on the Group's revenue and profit margins and, therefore, the Group's business, financial condition, results of operations and prospects.

1.3 Financial Risks

1.3.1 *The Group's results of operations are exposed to currency exchange rate fluctuations*

The Group operates worldwide and is therefore exposed to market risks stemming from fluctuations in currency exchange rates.

The reporting currency of the Group's financial statements is the Euro. Due to its global operations, a portion of the revenue is denominated, and some of the Group consolidated subsidiaries report, in foreign currencies. Instead, when purchasing from foreign firms, the main transactional currency is the USD. The results of operations are therefore affected by exchange rate fluctuations, in particular the rates of the U.S. dollar, British Pound Sterling, and Swiss Franc to the Euro.

Typically, Group contracts, currency-wise, are back-to-back or denominated in the currency of the major supplier, to naturally hedge the effect of exchange rate fluctuations, and in particular USD. Where the foreign exchange ("FX") risk cannot be managed in this way, the Group generally relies on financial FX derivatives (option-forwards) to hedge risk of changes in the exchange rates. Additionally, for excess cash available in U.S. dollars, the Group enters into forward contracts to hedge the exchange rate risk.

The Group cannot predict exchange rate developments and might recognize a loss in the future and such measures may not, however, effectively manage such risks or offset the adverse financial impact resulting from exchange rate variations. In particular, the hedging transactions that the Group has entered into to limit its exposure to currency exchange rate fluctuations might be insufficient or too costly to balance adverse exchange rate developments.

The occurrence of any of the above events could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.2 The Group has incurred, and may as part of future expansion incur upfront investments in connection with its long-term projects which could pressure the Group's liquidity

The Group is regularly required to incur capital expenditures for the acquisition of tangible and intangible assets ("capex") in order to, among other things, acquire, maintain, and improve R&D or production equipment, increase operating efficiency, improve existing products and services, and invest in and develop new technologies and products (see "1.3.3 The Group's activities require substantial expenditures for R&D, which may not be recovered").

These upfront investments pose challenges to the Group's cash flow and working capital management. One of the Group's strategies to meet these challenges is to negotiate and collect customer advances and progress payments. However, intense competition in the markets in which the Group operates, and customers' negotiating power, may result in fewer and lower advance payments, leading to increasing discrepancies between the Group's disbursements and amounts received on orders placed. In addition, any reduction in the overall volume of orders placed, or a deterioration of the payment terms on these orders, could place pressure on the Group's liquidity and, thus, the Group's operations.

Moreover, if circumstances arise that affect the Group's customers' or partners' ability or willingness to perform their payment obligations, the Group may experience payment delays or, in more severe circumstances, may not be able to collect certain payments at all, and have to make provisions for doubtful receivables or incur write-offs, which could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.3.3 The Group's activities require substantial expenditures for R&D, which may not be recovered

The Group operates in a highly competitive market and continuously develops new products and technology improvements to retain its market share (see "1.1.6 The Group may be unable to keep at pace with evolving products and service offerings and technological change and the Group's future product or ventures may not be successful"). Additionally, new product development may be required to compete in certain tenders and larger projects.

Therefore, the Group invests constantly in research and in the fields of optics, mechanics and electronics with a focus on new innovative products that may ensure a competitive advantage. In the year ended December 31, 2022, the expenditures in the research and development amounted to €1,985,082 (compared to €1,482,444, for the year ended December 31, 2021, corresponding to an increase of +33.90%). In 2022, the Group also hired 11 new highly qualified technicians for R&D activities in various fields.

The Group's R&D activities are mainly self-funded and include the development of new products, as well as product variants and enhancements, based on management's own assessment and predictions of market demand and technology developments, and are intrinsically subject to risks and uncertainties involved in this kind of independent assessments and predictions.

The Group also conducts R&D aimed towards future key defense projects, in the expectation that any pre-developed technology or product that meets the expectation of existing and potential customers and that it might provide the Group with a competitive advantage for orders in connection with these projects. In addition, the Group sometimes funds R&D in connection with individual customer orders, including for attempts to leverage developments for such individual orders by developing related products that may be

attractive to a wider group of potential customers. If any of the Group's management's market predictions or product developments should prove not to be in line with expected market demand, or if Theon's competitors develop superior or less expensive competing products, this might result not only in futile R&D costs or impairments of capitalized development costs but might also be detrimental to its competitive position by reducing its financial resources available for other purposes.

Besides its self-funded R&D programs, the Group also conducts fully or partly customer-commissioned R&D, which includes research programs or programs tailored towards agreed product or technology developments. In addition to the risks related to the Group's self-funded R&D described above, these customer-commissioned R&D programs carry further risks. Depending on the particular arrangements, upon successful development of the desired product or technology, the Group's customers might own or possess certain rights with respect to the resulting IP, or a right to procure developed products at a discounted price. At the same time, there is typically no guarantee that these customers will procure any products at all, and the program, even though successfully completed, might not generate business as envisaged. If the Group's R&D efforts do not yield results to the Group's sponsoring customers' satisfaction, or if the funds are not allocated efficiently to achieve the designated purposes, it might also become subject to refund or penalty obligations with respect to the Group's customers' funding. In addition, customers might decide to discontinue customer-commissioned R&D programs or reduce the level of funding they make available for R&D, in which case the resources allocated to such programs may prove to be fruitless or may determine a lack of sufficient funding for the Group's critical R&D efforts.

With respect to all its R&D activities, the Group is exposed to risks relating to the efficient allocation of its resources. The development cycle, depending on the specifications, complexity, and technological challenges of the product, usually lasts from one to three years, which is typical for yielding a proper qualified product in the defense sector. Accordingly, the Group R&D efforts generally do not extend further than two to three years and R&D activities are generally fully funded with the Group's own resources. Given that the Group's decisions on the allocation of its resources are based on predictions that might prove to be wrong, any unforeseen circumstances affecting the results of the R&D investments could cause a loss of opportunity from other programs that might have been more successful.

The occurrence of any of the foregoing circumstances could adversely affect the Group's strategy and have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4 Legal, regulatory and tax risks

1.4.1 The Group's operations are subject to sanctions, anti-corruption, and anti-money laundering

The Group's operations are subject to compliance risks with respect to various rules and regulations, including, among other things, regarding international sanctions, anti-corruption, and anti-money laundering. Due to the Group's product portfolio, which includes, to a large extent, military equipment, the Group is subject to international, European, and national export control and foreign trade laws and regulations. In this context, the Group must also comply with embargoes and trade and economic sanctions, which impose restrictive measures against certain countries, organizations, groups, non-state entities, and individuals, and which require the Group to conduct a thorough assessment of customers' background and supply chains. More specifically, the Group is subject to trade and economic sanction programs imposed by multiple authorities, such as the United Nations, the EU and its Member States, the United Kingdom, and the United States. Such sanctions programs do and will continue to restrict the Group's ability to engage in business dealings with certain customers.

The Group's international operations are also subject to anti-corruption laws and regulations in the jurisdictions in which the Group operates, such as Greek anti-corruption laws, the United Kingdom Bribery Act of 2010, and the U.S. Foreign Corrupt Practices Act of 1977. In addition, the Group is subject to anti-money laundering laws and regulations, including laws implemented under the EU's Fifth Anti-Money-Laundering Directive (Directive (EU) 2018/843), which was adopted in 2018 and has become effective at the beginning of 2020.

Sanctions, anti-corruption, and anti-money laundering regimes evolve over time, and it is difficult for the Group to predict the interpretation, implementation, or enforcement of governmental policies in this area. Government enforcement authorities or other third parties could find upon a review of the Group's compliance policies and procedures that those policies and procedures are not designed or have not been

implemented in a manner that effectively prevents and detects breaches of relevant laws. The Group's existing internal control and compliance systems (which include the screening and onboarding from a compliance perspective of potential business partners) may also not prove to be effective in detecting and preventing sanctions violations, corruption, money laundering, or violations of other laws by the Group's employees, sales agents, resellers, distributors, customers, or partners.

The industry in which the Group operates is exposed to a higher risk of corruption due to the regular dealing with government officials, and some of the Group's international sales are into countries that are considered to be particularly high risk from an anti-corruption, anti-bribery and anti-money laundering compliance perspective.

The Group's failure to comply with applicable rules and standards could result not only in the imposition of fines and penalties, the confiscation of profits, adverse tax consequences, and reputational damage, but also in the modification, termination, or reduction in value of some of the Group's contracts with customers that have strict compliance policies with respect to their procurement.

The Group's failure to meet all formal requirements of public tender procedures, due to the violation of certain laws, may result in competitive disadvantages or the Group's temporary suspension or, in exceptional cases, permanent exclusion from government contracting or subcontracting.

At the same time, the implementation and stringent application of the Group's internal control systems resulted and may result in a loss of existing customer relationships and business opportunities, including in certain markets that the Group considers high-risk from a compliance perspective. Moreover, the expansion of the Group's internal control systems has resulted and may result in the future in delays in the Group's sales and procurement procedures and require considerable human and other resources. The Group's compliance procedures may also be perceived as onerous by certain of the Group's customers. In particular, the stringent anti-corruption and similar rules that the Group has to comply with and due diligence measures to be performed may be undesirable for certain of the Group's customers, and this might cause the Group to lose business to competitors that are subject to less rigorous requirements or do not apply the same compliance processes.

Non-compliance with the abovementioned rules and regulations could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4.2 *The Group is subject to antitrust and state aid laws and regulations, which may restrict its ability to do business*

The Group is subject to antitrust and state aid laws and regulations in the European Union and other jurisdictions and therefore exposed to risks related to (private) enforcement actions and damage claims. The defense and security industry is generally becoming increasingly consolidated and therefore subject to heightened scrutiny by antitrust authorities. In addition, in the recent past, the Group has entered into partnerships, such as consortiums and joint ventures, including with competitors, each of which exposes the Group to additional risks and requires careful analysis of antitrust issues.

A finding of an infringement of antitrust or state aid laws and regulations could result in significant fines (based on, among other factors, the value of the relevant sales), private enforcement claims by third parties, such as customers or competitors (including the exposure to joint and several liability in the context of cartel damage claims), disclosure of and changes in business practices, which may result in reduced revenue or margins, and reputational damage.

With respect to state aid regulations, the consideration received under certain of the Group's development contracts with public authorities may qualify as a public grant and may be subject to repayment obligations.

In addition, antitrust rules and regulations in certain jurisdictions, including merger control laws and regulations, may impose restrictions on the Group's ability to carry out certain acquisitions or enter into cooperations and partnerships, thus limiting the Group's ability to grow inorganically, or require forced divestments or other measures.

Non-compliance with the abovementioned rules and regulations could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4.3 ***Product defects and other quality issues could lead to recalls, regulatory inquiries, delays in new product launches, penalties and liability claims, or damage to the Group's reputation***

The Group faces risks, including liability and reputational risks, from flaws in the design or production of, or usage instructions for, the Group's products.

The adoption of new technologies, many of which are still being refined for use in the defense industry, may increase the Group's exposure to product defects and product liability. Furthermore, certain of the Group's custom products are only manufactured in small batches or just as a single unit, hence it cannot draw from existing state-of-the-art-know-how for such products' design and production. If the Group's products prove to be, or are alleged to be, faulty or defective, the Group may face order cancellations or be forced to take extensive measures to rectify such faults or defects, which may result in delayed deliveries, increased project costs, and reputational damage, as well as lost future opportunities.

The Group may also be held liable for product errors not directly caused by its employees and representatives, for instance in connection with joint ventures or consortiums, or due to the Group's reliance on outside suppliers for certain components.

To the extent the Group's efforts to implement appropriate design, testing, and manufacturing processes for the Group's products and systems are insufficient to prevent defects, the Group may not be able to obtain insurance on commercially reasonable terms in the future. Any failure to obtain adequate product liability insurance might also have repercussions on the Group's ability to obtain contracts in the first place, as many of the Group's customers request evidence of such insurance before committing to a purchase.

1.4.4 ***A change in the tax rates, tax laws or practice by the relevant tax authority or any failure by the Group to manage tax risks adequately may materially adversely affect the Group's reputation, financial condition and results of operations***

The Group is subject to corporate and other tax rules in the jurisdictions where it conducts its business operations and in Cyprus where the Company is incorporated. Changes in the tax rates, tax relief, tax laws or practice by the relevant tax authorities, or changes in interpretation of the law or the relevant tax authorities' practice, increasing challenges by relevant tax authorities or any failure to manage tax risks adequately could result in increased charges, financial loss, penalties and reputational damage, which may materially adversely affect the Group's financial condition and results of operations. In addition, aggressive tax enforcement is becoming a higher priority for many tax authorities, which could lead to an increase in tax audits, inquiries and challenges of historically accepted intra-group financing and other arrangements. Tax authorities may also actively pursue additional taxes based on retroactive changes to tax laws.

The Group is required to exercise judgement when determining its provisions for income taxes and accounting for tax-related matters, including judgement in relation to the recognition of deferred tax assets. The Group regularly makes estimates where the ultimate tax determination is uncertain. The final determination of any tax audit, tax litigation, appeal of a taxing authority's decision or similar proceedings may take many years to resolve and may differ materially from that which is reflected in the Group's financial statements. The Group operates in many different tax jurisdictions and is therefore subject to routine periodic tax audits. Although Greek regulations provide that tax audits are time-barred after five years, in accordance with the applicable statute of limitation, different jurisdictions may provide for different terms or exclude the statute of limitation at all.

In addition, certain Group entities have been in the past and are currently considered part of fiscal unities, tax groups, and other tax consolidation schemes. It cannot be ruled out that these entities will be held liable for unpaid taxes of the members of such tax consolidation schemes (including members outside of the Group) under statutory law or contract. Furthermore, should such tax consolidation schemes no longer be available, for example as a result of a reorganization or other corporate measures, or should such schemes not be accepted by the tax authorities or a tax court, additional taxes, interest, and penalties may be imposed on the Group.

Any of the foregoing could have a material adverse effect on the Group's business, assets, results of operations, financial condition and prospects.

1.4.5 *The Group's ESG performance may affect investor sentiment and the Group's reputation*

Members of the investment community are increasing their focus on environmental, social and governance ("ESG") practices and disclosures, including practices and disclosures related to diversity and inclusion initiatives and governance standards among public companies more generally. As a result, the Group may face increasing pressure regarding its ESG disclosures and practices, regardless of the underlying disclosure requirements on the exchange. Additionally, members of the investment community may screen the Group for ESG sustainability performance before investing in the Shares. Over the past few years there has also been an acceleration in investor demand for ESG investing opportunities, and many large institutional investors have committed to increasing the percentage of their portfolios that are allocated towards ESG investments. As a result, there has been a proliferation of ESG-focused investment funds seeking ESG oriented investment products. If the Group is unable to meet the standards of ESG investing, the Group may lose investors or investors may allocate a portion of their capital away from the Group, and its cost of capital may increase, which can have a negative effect on the Group's reputation, which would in turn have a material adverse effect on the Group's business, results of operations, financial condition or future prospects and therefore the Company's share price.

1.4.6 *The Group may be adversely affected by changes to the general regulatory environment*

In addition to the laws and regulations described above, the Group is subject to the issuance of new laws and regulations or changes in the interpretation of existing laws and regulations by a court, regulatory body or governmental official in each of the jurisdictions in which it operates or may operate in the future. The implementation of these changes may prove time-consuming and may cause the Group to be forced to adjust internal procedures, which could also affect its business operations.

For example, in 2019, the EU adopted Regulation (EU) 2019/452 establishing a framework for the screening of foreign direct investment ("FDI") into the EU. Although the regulation does not create an EU-level screening mechanism, it does set out minimum requirements for Member States' FDI screening mechanisms and creates a framework for the European Commission and national authorities to share information and views. While draft legislation aimed at establishing such a screening mechanism is reportedly under consideration in Greece, such legislation is not in place in either Greece or Cyprus. If and when such legislation is adopted, it could result in restrictions on FDI that could, in respect of companies that are within the scope of such legislation, require (among other things) regulatory or governmental approval for the acquisition by foreign entities of ownership interests in those companies. If the Company were subject to such a regime, controls on foreign ownership could limit the ability of foreign investors to acquire shares in the Company, which could in turn have an adverse impact on the Group's ability to raise capital or attract new investors. In addition, in the absence of such legislation, it is possible that an investor who is considered, or is located in a country or region which is considered, undesirable by certain of the Group's customers could acquire an ownership stake in the Group which could in turn damage the Group's ability to win business from such customers. Any of the foregoing developments could have a material adverse effect on the Group's business, financial condition and results of operation.

1.5 **Risks relating to the Shares and the Admission**

1.5.1 *The payment of future dividends and other distributions will depend on the Company's business, net assets, financial condition, cash flows and results of operations, as well as the Company's operating subsidiaries' distributions to the Company*

The Company intends to begin paying dividends in the medium term and targets a dividend payout ratio between 30% and 40% of its net income, subject to market conditions, the Company's results of operations for the period, financial condition, contractual restrictions and capital requirements (see also "5 Dividend Policy") for more information on the Company's dividend policy.

Distribution of dividends by the Company may take place only after the adoption of the Company's annual accounts ("**Annual Accounts**") by the general meeting of shareholders of the Company ("**General Meeting**") which show that the distribution is allowed. Additionally, the Company may make dividends and other distributions to its shareholders ("**Shareholders**") only insofar as the Company's equity exceeds the sum of the paid-in and called-up share capital increased by the reserves as required to be maintained by Cyprus companies law or by the Company's articles of association ("**Articles of Association**").

The declaration and payment of dividends and other distributions, if any, and the amounts and timing thereof, will be at the discretion of the board of directors of the Company ("**Board of Directors**") and the General Meeting. The Board of Directors will also determine whether the Company is able to make the distributions. Because the Company is a holding company, the principal assets of the Company are the equity interests it directly or indirectly holds in its operating subsidiaries. As a result, the Company's ability to pay dividends and other distributions will depend directly on distributions and other payments from such subsidiaries to the Company and the results of such subsidiaries.

The Group subsidiaries may not be able to, or may not be permitted to, make distributions. Any such distributions may be materially and adversely impacted if the Company's operating subsidiaries' profitability suffers. The amount and timing of such distributions will furthermore depend on the laws of such Group subsidiaries' respective jurisdictions. In addition, the payment of dividends is subject to factors that are beyond the Company's control, such as economic conditions. Any of these factors, individually or in combination, could restrict the Company's ability to pay dividends and therefore could negatively impact the market price of the Shares.

1.5.2 ***Following the Admission, Christianos Hadjiminias will still be in a position to exert substantial influence on the Group, which could differ from the interests of the other Shareholders***

After the Admission and upon completion of the Private Placement (as defined below in Section 3.3), Christianos Hadjiminias, through CHRE Investments Limited of which he is the sole shareholder and Venetus Limited ("**Selling Shareholder**"), where he holds 93.79% of the voting rights through CHRE Investments Limited, will continue to hold approximately 78.74% of the voting rights in the Company (assuming placement of 4,000,000 Existing Shares and of 9,090,909 New Shares at the mid-point of the Price Range (as defined below) and full exercise of the Over-Allotment Option (as defined below)). After the Admission, Christianos Hadjiminias will be in a position to exert substantial influence at the General Meeting and, consequently, on matters decided by the General Meeting. Christianos Hadjiminias' remaining stake in the Company will also enable him to block certain corporate measures that require the approval of the General Meeting. The interests of Christianos Hadjiminias may therefore substantially deviate from, or conflict with, the Company's interests or the interests of the Company's other Shareholders. For example, the (short-term) financial objectives or interests of Christianos Hadjiminias, such as receiving dividends, might conflict with the long-term objectives of the Company or its other Shareholders, such as re-investing capital in the Group. In addition, this concentration of share ownership and the foregoing governance arrangements may have the effect of delaying, preventing or deterring a change of control of the Company and could materially adversely affect the trading volume and market price of the Shares. There is therefore no assurance that Christianos Hadjiminias will exercise his influence over the Company in a way that serves the interests of the Company's other Shareholders.

Christianos Hadjiminias is the only shareholder who holds, indirectly through CHRE Investments Limited and the Selling Shareholder, a substantial interest (*i.e.* a holding of at least 5 per cent. of the share capital or voting rights) in the Company.

Each of the Selling Shareholder and Christianos Hadjiminias has agreed with the UBS Europe SE ("**Sole Global Coordinator**") (on behalf of UBS Europe SE, Coöperatieve Rabobank U.A. and Stifel Europe Bank AG (together the "**Underwriters**")) to restrictions on its ability to sell or transfer the Shares or interests therein for a period ending 365 days after payment against the Placement Price (as defined below) expected to occur on or around February 9, 2024 ("**Settlement Date**") (subject to acceleration or extension of the timetable for the Private Placement).

The Selling Shareholder has also retained the right to enter into margin loan facilities in respect of its Shares, which could compromise the entire shareholding of the Selling Shareholder. Should the Selling Shareholder enter into a margin loan facility, the security granted by the Selling Shareholder in favor of the (security agent of the) relevant margin loan lender(s) could represent a significant majority or all of the Shares that the Selling Shareholder will hold following Admission. An enforcement of such security by the (security agent of the) relevant margin loan lender(s) would reduce the shareholding of the Selling Shareholder in the Company and therefore have a significant impact on the Company's shareholding structure and corporate governance.

After the expiration of the lock-up period, each of the Selling Shareholder and/or Christianos Hadjiminias may sell its Shares or issue securities linked to Shares. In addition, the Sole Global Coordinator has full discretion to waive the lock-up in connection with the Selling Shareholder and/or Christianos Hadjiminias at any time before its expiry. This could also result in the Selling Shareholder and/or Christianos Hadjiminias

selling Shares before expiry of the applicable lock-up. In addition, there could also be a perception in the market that such sale could occur due to the expiry of the relevant lock-up period or its waiver or in connection with the enforcement of security granted over the Shares in connection with any margin loans entered into by the Selling Shareholder, which could depress the market price of the Shares. In addition, the sale or market expectation of a sale of a large number of shares on the part of the Selling Shareholder, Christianos Hadjiminias or other significant Shareholders could make it difficult for the Company to raise capital on favorable terms.

1.5.3 *Future capital measures, such as future offerings of equity securities or equity-linked or convertible debt securities, could lead to substantial dilution and may affect the value of existing Shareholders' shareholdings in the Company and their voting rights*

The Company may require additional capital in the future, such as future offerings of equity securities or equity-linked or convertible debt securities, to finance its business operations and growth, or to repay debts. Such measures may dilute Shareholders' shareholdings if the Group excludes the pre-emptive rights pertaining to the then-outstanding Shares. Because the Company's decision to issue securities in any future offer will depend on market conditions and other factors beyond its control, the Company cannot predict or estimate the amount, timing or nature of future offerings. Thus, the Shareholders bear the risk of the Company's future offerings reducing the market price of the Shares and/or diluting their shareholdings in the Company.

Each Shareholder shall, subject to exceptions, have a pre-emption right in respect of the Shares to be issued in proportion to the number of Shares already held by it. Such a pre-emption right may, however, be excluded or limited under certain circumstances by the General Meeting (see "13.3 Issuance of Additional Shares and Pre-emption Rights").

The market price of the Shares could decline if, following the Admission and after the expiration of the lock-up period, a substantial number of Shares are sold by the Selling Shareholder and/or Christianos Hadjiminias, in the public market or if there is a perception that such sales could occur. Furthermore, a sale of Shares by the Selling Shareholder and/or Christianos Hadjiminias could be perceived as a lack of confidence in the performance and prospects of the Company and could cause the market price of the Shares to decline. The Company may also seek to issue additional Shares as stock dividend or as consideration for or otherwise in connection with the acquisition of new businesses. Furthermore, the Company may issue new Shares or grant rights to subscribe for Shares in connection with the establishment of employee share participation or stock option plans. Any issue of new Shares without pre-emptive rights would dilute existing shareholders of the Company.

Any of these circumstances may adversely affect the market price of the Shares. In addition, any such sales could make it more difficult for the Company to raise capital through the issuance of equity securities in the future.

1.5.4 *The Company will incur increased costs and become subject to additional regulations and requirements as a result of becoming a publicly traded company, and the Company's management will be required to devote substantial time to new compliance matters, which could lower profits or make it more difficult to run the Company's business*

As a publicly traded company, the Company will incur significant legal, accounting and other expenses that have not previously been incurred as a private company, including costs associated with public company reporting requirements. The expenses incurred by public companies generally for reporting and post admission obligations compliance have been increasing. The Company expects these rules and regulations to increase legal and financial compliance costs and to make some activities more time-consuming and costly, although the Company is currently unable to estimate these costs with any degree of certainty. The Company's management will need to devote a substantial amount of time to ensure that the Company complies with all of these requirements. These laws and regulations also could make it more difficult or costly for the Company to obtain certain types of insurance, including director and officer liability insurance, and the Company may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. Furthermore, if the Company is unable to satisfy its obligations as a public company, it could be subject to delisting of its common stock, fines, sanctions and other regulatory action and potentially civil litigation.

1.5.5 ***There can be no assurance that a liquid trading market for the Shares will develop or be sustained***

Prior to this listing of the Shares, there has been a limited public float of the Shares on the Emerging Companies Market ("ECM"), a multilateral trading facility operated by the Cyprus Stock Exchange. The listing of the Shares on the ECM ceased, effective from September 19, 2023. Price and volume trends observed on the ECM are not indicative of future price performance for the Shares on Euronext Amsterdam.

In the context of the Private Placement, the Selling Shareholder, the Company and the Underwriters will set the placement price of the Shares ("**Placement Price**") following a bookbuilding process. The Placement Price may not be equivalent to the price at which the Shares will be traded on Euronext Amsterdam and may differ from the *pro-rata* net book value of the Company's consolidated net assets, and sufficient liquid trading may not develop or be sustained.

Some of the factors that could negatively affect the price of the Shares or result in fluctuations in the price or trading volume of the Shares include, for example, changes in the Company's actual or projected results of operations or those of the Company's competitors, changes in earnings projections or failure to meet investors' and analysts' earnings expectations, changes in the Group's business activities, failure of securities analysts to cover the Shares following the Admission, additions or departures of key management personnel, investors' evaluation of the success and effects of the strategy described in this Prospectus and evaluation of the related risks, changes in general market and economic conditions, changes in or actions by shareholders, changes in market valuations of similar companies, increases in market interest rates, changes in laws or regulations affecting the Group's business or enforcement of these laws and regulations and other factors.

Even if an active trading market develops, the trading volume and price of the Shares may fluctuate significantly. If the Share price declines, investors may be unable to resell the Shares at or above their purchase price. Investors may also be unable to sell the Shares quickly or at all if no active trading market for the Shares develops. Investors may not be in a position to sell their Shares quickly at or above the Placement Price if there is no active trading in Shares, which could materially adversely affect the value of an investment in the Shares.

1.5.6 ***If securities or industry analysts do not publish research or reports about the Company's business or industry, or if such analysts (if any) change their recommendations regarding the Shares adversely, the market price and trading volume of the Shares could decline***

The trading market for the Shares will be influenced by the research and reports that securities or industry analysts publish about the Group's business or industry. If securities or industry analysts do not publish or cease to publish research or reports about the Group's business or industry, the Group could lose visibility in the financial markets, which could cause the market price or trading volume of the Shares to decline. Also, if one or more of the analysts covering the Group's business or industry recommends selling Shares, or if negative research is published on the industry or geographic markets the Group serves, the market price of the Shares could decline.

2. GENERAL INFORMATION

This Prospectus was approved as a prospectus for the purposes of the Prospectus Regulation by, and filed with, CySEC on January 24, 2024. The CySEC only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the quality of the Shares and the Company. Investors should make their own assessment as to the suitability of investing in the Shares. The approval of this Prospectus by CySEC has been notified to the AFM in accordance with the European passport mechanism set forth in Article 25(1) of the Prospectus Regulation and will be published in electronic form on the website of Euronext Amsterdam (<https://www.euronext.com/en/markets/amsterdam>), on the website of CySEC (<https://www.cysec.gov.cy/en-GB/entities/issuers/approved-prospectuses/>), on the website of Global Capital (<https://www.globalcapital.com.cy/services/corporate-advisory>) and on the website of the Company (<https://www.theon.com/investors>).

The validity of this Prospectus will expire with the beginning of the trading of the Shares on Euronext Amsterdam, which is expected to occur on February 7, 2024 (subject to acceleration or extension), and no obligation to supplement this Prospectus in the event of significant new factors, material mistakes or material inaccuracies will apply when this Prospectus is no longer valid.

Prospective investors should only rely on the information contained in this Prospectus and any supplement to this Prospectus within the meaning of Article 23 of the Prospectus Regulation. The Company does not undertake to update this Prospectus, unless required pursuant to Article 23 of the Prospectus Regulation, and therefore prospective investors should not assume that the information in this Prospectus is accurate as at any date other than the date of this Prospectus. No person is or has been authorized to give any information or to make any representation in connection with the Admission and/or the Shares and/or the Group, other than as contained in this Prospectus. If any information or representation not contained in this Prospectus is given or made, the information or representation must not be relied upon as having been authorized by the Company, the Selling Shareholder, the Directors (as defined below), the Underwriters, Coöperatieve Rabobank U.A. acting as the Listing Agent ("**Listing Agent**") and acting as agent of Euroclear Nederland (as defined below) ("**Euroclear Nederland Agent**") or any of their respective affiliates or representatives. Neither the delivery of this Prospectus nor any issuance or sale of Shares at any time after the date hereof shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or the Group since the date of this Prospectus or that the information contained herein is correct as at any time since its date.

Prospective investors are expressly advised that an investment in the Shares entails certain risks, and that they should therefore read and carefully review the entire Prospectus and any supplement to this Prospectus within the meaning of Article 23 of the Prospectus Regulation. Prior to making any decision to purchase the Shares, prospective investors should read this Prospectus in whole and, in particular, the section "Risk factors", and not just rely on key information or information summarized within it. A prospective investor should not invest in the Shares unless it has the expertise (either alone or with a financial adviser) to evaluate how the Shares will perform under changing conditions, the resulting effects on the value of the Shares and the impact this investment will have on its overall investment portfolio. Prospective investors should also consult their own tax advisers as to the tax consequences of the purchase, ownership and disposal of the Shares.

The content of this Prospectus is not to be considered or interpreted as business, legal, financial or tax advice. This Prospectus should not be considered as a recommendation by any of the Company, the Selling Shareholder, the Underwriters, the Listing Agent, the Euroclear Nederland Agent or any of their respective affiliates or representatives that any recipient of this Prospectus should invest in the Shares. None of the Company, the Selling Shareholder, the Underwriters, the Listing Agent, the Euroclear Nederland Agent or any of their respective affiliates or representatives is making any representation to any prospective investor regarding the legality of an investment in the Shares by such prospective investor under the laws and regulations applicable to such prospective investor. Each prospective investor should consult his own stockbroker, bank manager, lawyer, auditor or other financial, legal or tax advisers before making any investment decision with regard to the Shares, to consider such investment decision in light of the prospective investor's personal circumstances, and in order to determine whether or not such prospective investor is eligible to purchase the Shares.

In making an investment decision, prospective investors must rely on their own assessment of the Company, the Shares, the information contained in this Prospectus, and any supplement to this Prospectus, should

such supplement be published, within the meaning of Article 23 of the Prospectus Regulation, including the merits and risks involved, and the risk factors described in this Prospectus. Any decision to purchase Shares should be based on the assessments that the investor in question may deem necessary, including possible tax consequences that may apply, before deciding whether or not to invest in the Shares.

Although the Underwriters are party to various agreements pertaining to the Private Placement and each of the Underwriters has entered or might enter into a financing or other arrangement with the Company and/or any of its affiliates, this should not be considered as a recommendation by any of them to invest in the Shares.

Each of the Underwriters, the Listing Agent, and the Euroclear Nederland Agent is and/or has been acting exclusively for the Company and no one else in connection with the Admission and/or the Private Placement. None of them will regard any other person (whether or not a recipient of this Prospectus) as their respective client in relation to the Admission or the Private Placement and none of them will be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for giving advice in relation to, respectively, the Admission, the Private Placement or any transaction or arrangement referred to herein. The Private Placement and the distribution of this Prospectus, any related materials and the offer, acceptance, delivery, transfer, exercise, purchase of, subscription for, or trade in, Shares may be restricted by law in certain jurisdictions, including the United States.

This Prospectus may not be used for, or in connection with, and does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire Shares in any jurisdiction. No action has been taken or will be taken in any jurisdiction by the Company, the Selling Shareholder, the Underwriters or anyone else that would permit a public offering of the Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Shares, in any jurisdiction. None of the Company, the Selling Shareholder, the Board of Directors, any of the Underwriters, the Listing Agent, and the Euroclear Nederland Agent accepts any responsibility for any violation by any person, whether or not such person is a prospective investor in the Shares, of any of these restrictions.

Each person receiving this Prospectus acknowledges that (i) such person has not relied on the Underwriters or any person affiliated with the Underwriters in connection with any investigation of the accuracy of any information contained in this Prospectus or its investment decision; and (ii) such person has relied only on the information in this Prospectus, and (iii) no person has been authorized to give any information or to make any representation concerning the Company or the Shares (other than as contained in this Prospectus and information given by the Company's duly authorized officers and employees) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company, the Selling Shareholder, the Underwriters, the Listing Agent and the Euroclear Nederland Agent.

Each of the Underwriters and any of their respective affiliates may subscribe for or purchase or sell for its own account any Shares or related investments. In addition, each of the Underwriters and any of their affiliates may enter into financing arrangements (including swaps, warrants and contracts for differences) with investors in connection with which each of the Underwriters and any of their affiliates may from time to time acquire, hold or dispose of Shares. None of the Underwriters or their affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

2.1 **Responsibility Statement**

2.1.1 *Company and Directors responsible for the content of the Prospectus*

The Company assumes full responsibility for the information contained in this Prospectus and declares that, to the best of their knowledge, the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

In accordance with the provisions of the Cyprus Prospectus Law, this Prospectus was signed by the following executive directors of the Company (each an "**Executive Director**") as well as by the Chairperson of the Company:

- Kolinda Grabar-Kitarović, Chairperson of the Board of Directors, Non-Executive Director
- Christianos Hadjiminias, Vice-Chairperson of the Board of Directors, Executive Director;

- Stelios Anastasiou, Executive Director; and
- Philippe Mennicken, Executive Director.

The Directors of the Company signing this Prospectus, are also responsible jointly and severally for the information contained in this Prospectus and declare that, to the best of their knowledge, the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

2.1.2 *Investment firm responsible for drawing up of the Prospectus*

Global Capital with CySEC License Number 015/03, whose registered address is at 50 Arch. Makarios III Avenue, Alpha House, 1st Floor, 1065, Nicosia, Cyprus, in its capacity as investment firm responsible for the drawing up of this Prospectus by virtue of section 23 of the Cyprus Prospectus Law, responsibly declares that, to the best of its knowledge, the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

Moreover, Global Capital declares that all information contained in the Prospectus was provided by the Company and its Directors and representatives or advisors.

2.1.3 *Underwriters*

None of the Underwriters, the Listing Agent, the Euroclear Nederland Agent or their respective affiliates or representatives or respective directors, personally liable partners, officers or employees or any other person makes any representation or warranty, express or implied, as to, or assumes any responsibility for, the accuracy or completeness, fairness or verification of the information or opinions contained in this Prospectus, and nothing in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Underwriters, the Listing Agent, the Euroclear Nederland Agent or any of their respective affiliates or representatives or respective directors, personally liable partners, officers or employees or any other person, whether as to the past or the future.

None of the Underwriters, the Listing Agent, the Euroclear Nederland Agent or their respective affiliates or representatives or respective directors, personally liable partners, officers or employees or any other person in any of their respective capacities in connection with the Admission and/or the Private Placement and/or the Shares accepts any responsibility whatsoever for the contents of this Prospectus or for any other statements made or purported to be made by either itself or on its behalf in connection with the Company, the Group, the Selling Shareholder, the Admission, the Private Placement or the Shares. Accordingly, each of the Underwriters, the Listing Agent, the Euroclear Nederland Agent and their respective affiliates or representatives or respective directors, personally liable partners, officers or employees or any other person disclaims, to the fullest extent permitted by applicable laws and regulations, any and all liability, whether arising in tort, contract or otherwise, which they might otherwise be found to have in respect of this Prospectus and/or any such statement.

2.2 **Purpose of this Prospectus**

This Prospectus relates to the proposed admission to trading on Euronext Amsterdam of all Shares. Prior to the Admission, certain Shares will be offered as part of the Private Placement (as defined below in Section 3.3). For further information, see also Section 3.1 *Admission to Euronext Amsterdam and Commencement of Trading* below.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any shares offered by any person in any jurisdiction.

2.3 **Presentation of financial information**

Unless otherwise indicated, financial information contained in this Prospectus has been prepared on the basis of International Financial Reporting Standards, as adopted by the European Union ("**IFRS**"). This Prospectus includes the following financial information:

- the unaudited condensed consolidated financial statements of the Company as of and for the three-month and the nine-month periods ended September 30, 2023 ("**Unaudited Condensed Consolidated Financial Statements**") prepared in accordance with IAS 34 as adopted by the

European Union, including the Company's restated statements of financial position as of December 31, 2022 and as of January 1, 2022 in note 26 thereto;

- the audited consolidated financial statements of the Company as of and for the year ended December 31, 2022 ("**Audited 2022 Consolidated Financial Statements**") prepared in accordance with IFRS;
- the audited consolidated financial statements of the Company as of and for the year ended December 31, 2021 ("**Audited 2021 Consolidated Financial Statements**" and together with the Audited 2022 Consolidated Financial Statements, the "**Audited Consolidated Financial Statements**") prepared in accordance with IFRS;
- the combined consolidated pro forma financial statements of the Company as of and for the years ended December 31, 2018, 2019 and 2020 ("**2020 Consolidated Combined Financial Statements**", together with the Audited Consolidated Financial Statements, the "**Annual Financial Statements**" and the Annual Financial Statements together with the Unaudited Condensed Consolidated Financial Statements, the "**Consolidated Financial Statements**") prepared in accordance with IFRS.

The aforementioned financial statements are included in the following section of this Prospectus "*18 Financial Information*" beginning on page F-1. Furthermore, please also see Section "7.5 Presentation of Financial Information and Factors Affecting Comparability", and note 26 of the Unaudited Condensed Consolidated Financial Statements on page F-158.

No segment reporting is disclosed in the Consolidated Financial Statements. Where financial information in the tables in this Prospectus is labeled as of or for the fiscal years ended December 31, 2022, 2021 or 2020, this means that the financial information has been taken or derived from the Audited Consolidated Financial Statements, whereas where financial information is labeled as of or for the nine months ended September 30, 2023 or September 30, 2022 or refers to Group's restated statements of financial position as of December 31, 2022 and as of January 1, 2022, this means that the financial information is taken or derived from the Unaudited Condensed Consolidated Financial Statements. Unless otherwise indicated other financial information in the tables in the prospectus is derived from the accounting records or the internal reporting systems of the Company or has been calculated based on figures from the aforementioned sources for the respective indicated period.

For the avoidance of doubt, audited financial information in this Prospectus as of and for the financial year ended December 31, 2020 are taken or derived from the Audited 2021 Consolidated Financial Statements and no financial information in the tables in this Prospectus is taken or derived from the 2020 Consolidated Combined Financial Statements. The 2020 Consolidated Combined Financial Statements are only presented in section "*18 Financial Information*" beginning on page F-97 of this Prospectus and no financial information therefrom is presented elsewhere in this Prospectus.

2.4 **Alternative performance measures**

This Prospectus contains certain alternative performance measures (collectively, "**APMs**") and key performance indicators (collectively, "**KPIs**") including Operating Profit, Operating Profit Margin, Adjusted EBITDA, Operating Free Cash Flow, Net Operating Free Cash Flow, Order Intake, Order Backlog, Book-to-Bill Ratio and Coverage Ratio.

These APMs are not required by, or presented in accordance with, IFRS or any other generally accepted accounting principles. Certain of these measures are derived from the IFRS accounts of the Company and others are derived from management reporting or the accounting or controlling systems of the Group. These are APMs as defined in the guidelines issued by the European Securities and Markets Authority ("**ESMA**") on October 5, 2015 on alternative performance measures. Theon uses these APMs to measure performance, identify trends, and make strategic decisions.

In addition, Theon also uses certain KPIs to measure performance, identify trends and make strategic decisions. Besides turnover or revenue (see "*7.3.1 Revenue*"), which forms part of the Group's IFRS reporting, KPIs include Order Intake and Order Backlog as key operating metrics.

Operating Profit, Operating Profit Margin, Adjusted EBITDA, Operating Free Cash Flow, Net Operating Free Cash Flow, Book-to-Bill Ratio and Coverage Ratio are all APMs within the meaning of the Commission Delegated Regulation (EU) 2016/301 and the ESMA Guidelines introduced in July 2016. The Group presents these APMs as supplemental information for the specific reasons outlined below with respect to each APM. These APMs are used by the Group's management to measure operating performance or as an auxiliary parameter, including in presentations to the members of the Group's Senior Management, and as a basis for strategic planning and forecasting, and they represent measures that the Group believes are widely used by certain investors, securities analysts, and other parties as supplemental measures of operating and financial performance. These APMs may enhance management's and investors' understanding of the Group's financial performance by excluding items that are not classified as part of the Group's ongoing operations, such as interest payments and income, as well as non-cash expenses.

However, these APMs are not defined by IFRS or any other internationally accepted accounting standards, and such items should not be considered as an alternative to the historical financial results or other indicators of the Group's performance, liabilities, or net assets based on IFRS measures. The APMs, as defined by the Group, may not be comparable to similarly titled measures as presented by other companies due to differences in the way the APMs are calculated. Even though the APMs are used by management to assess ongoing operating performance, and though these types of measures are commonly used by investors, they have important limitations as analytical tools, and should not be considered in isolation or as substitutes for the analysis of the Group's results of operations, financial position, and cash flows as reported under IFRS.

We define each of the following APMs as follows:

- **"Operating Profit"** as revenue less cost of sales, plus other income, and less administrative expenses, selling and distribution expenses, research and development expenses and less other expenses.
- **"Operating Profit Margin"** as the ratio of Operating Profit divided by Revenue.
- **"Adjusted EBITDA"** is profit for the period after tax plus income tax, deferred tax, net finance costs and depreciation and amortization.
- **"Operating Free Cash Flow"** is derived by subtracting cash used in the acquisition of tangible and intangible assets from Adjusted EBITDA for the period.
- **"Net Operating Free Cash Flow"** as the difference between Operating Free Cash Flow and the year on year change in net working capital (calculated as the sum of changes in inventory, prepayments, trade receivables, trade payables and contract liabilities).
- **"Order Intake"** as the EUR amount of recorded incoming orders for a given period, with such amounts recorded at the date on which a corresponding customer contract becomes effective and enforceable in accordance with the terms and conditions of such contract.
- **"Order Backlog"** as the value of our order book at a respective reporting date, based on record of customer orders starting from the opening stock and taking into account revenue and adjustments for the respective reporting period, and ending with the final stock.
- **"Book-to-Bill Ratio"** as Order Intake divided by revenue for the period.
- **"Coverage Ratio"** as Order Backlog divided by revenue for the period.

The presentation of Order Intake is based on certain evaluations made by Theon (as detailed below) that are inherently uncertain. While management considers such evaluations to be reasonable, they are subject to significant business, economic, and competitive uncertainties and contingencies, all of which are difficult to predict and may partly be beyond the Group's control. As a result, there can be no assurance that Theon will be able to convert Order Backlog into revenue.

For further details on how each APM is derived and for a full reconciliation of financial APMs to relevant IFRS line items, see also section "7. Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations– 7.4 Key Performance Indicators"

2.5 Currency presentation and presentation of figures

In this Prospectus, "**Euro**", "**EUR**" and "**€**" refer to the single European currency of the Economic and Monetary Union of the EU, and "**U.S. dollar**", "**\$**" and "**USD**" refer to the official currency of the U.S.

All of the financial data presented in this Prospectus are shown in thousands of euros (in Euro /EUR thousand), except as otherwise stated. Certain financial data (including percentages) in this Prospectus have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, subtotals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in tables in this Prospectus may not correspond in all cases to the corresponding rounded amounts contained in tables in this Prospectus. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. Financial information presented in parentheses denotes the negative of such number presented. With respect to financial data set out in this Prospectus, a dash ("—") signifies that the relevant figure is not applicable, while a zero ("0") signifies that the relevant figure is available but is or has been rounded to zero.

2.6 Forward-Looking Statements

This Prospectus contains forward-looking statements. A forward-looking statement is any statement that does not relate to present or historical facts and events. Statements in this Prospectus containing information relating to, among other things, (i) the Group's future earnings, cash flows, capex and profitability, (ii) the Group's plans and expectations regarding its business, (iii) the Group's strategy, and (iv) projected industry growth in the markets in which the Group operates are all examples of forward-looking statements. Statements made using the words "assumes", "anticipates", "contemplates", "continues", "could", "is likely", "will", "expects", "predicts", "targets", "intends" or "in its estimation" or the negative of these words indicate forward-looking statements.

The forward-looking statements in this Prospectus are subject to uncertainties, as they relate to future events, and are based on estimates and assessments made to the best of the Company's present knowledge. These forward-looking statements are based on assumptions, uncertainties and other factors, the occurrence or non-occurrence of which could cause the Company's actual results, including the financial condition and profitability of the Group, to differ materially from or fail to meet the expectations expressed or implied in the forward-looking statements. Accordingly, investors are strongly advised to consider this Prospectus as a whole and particularly ensure that they have read the following sections of this Prospectus: "7. *Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations*", "8. *Overview of Industry and Competition*", "9. *Business Description*", and "17. *Recent Developments and Outlook*". These sections include more detailed descriptions of factors that might have an impact on the Group's business and the business environment in which the Group operates.

In light of these factors, future events mentioned in this Prospectus might not occur and future projections may prove to be inaccurate. In addition, the forward-looking estimates and forecasts reproduced in this Prospectus from third-party reports could prove to be inaccurate (see "2.7 - *Sources of Market Data*" for more information on third-party sources used in this Prospectus).

Forward-looking statements included in this Prospectus speak only as of the date of this Prospectus.

2.7 Sources of Market Data

Unless otherwise specified, the information contained in this Prospectus on the market environment, market developments, growth rates, market trends and competition in the markets in which the Group operates is based on the Company's assessments. These assessments, in turn, are based in part on internal market observations and on various market studies.

The following sources were used in the preparation of this Prospectus:

- Renaissance Strategic Advisors ("**RSA**");
- Ministère des Armées;
- Stockholm International Peace Research Institute;
- Department of the Defense of the Unites States of America;

- Defense & Aerospace Competitive Intelligence Service;
- National Rifle Association;
- European Federation for Hunting and Conservation; and
- Grant Thornton.

It should be noted, in particular, that reference has been made in this Prospectus to information concerning markets and market trends. Such information was obtained from the aforementioned sources.

Third-party sources generally state that the information they contain originates from sources assumed to be reliable, but that the accuracy and completeness of such information is not guaranteed and that the calculations contained therein are based on assumptions.

Irrespective of the assumption of responsibility for the content of this Prospectus by the Company, the investment company for drawing up of this Prospectus and the Underwriters (see Section 2.1 "*Responsibility Statement*"), the Company, the investment company responsible for drawing up of this Prospectus and the Underwriters have not independently verified the market data and other information contained in the third party sources or on which third parties have based their studies or the external sources on which the Company's own estimates are based or make any representation or give any warranty as to the accuracy or completeness of such information. The information from third-party sources that is cited here has been reproduced accurately. As far as the Company is aware and is able to ascertain from information published by the respective third party, no facts have been omitted that would render the reproduced information, included in this Prospectus, inaccurate or misleading.

Prospective investors are, nevertheless, advised to consider these data with caution. For example, market studies are often based on information or assumptions that may not be accurate or appropriate, and their methodology is inherently predictive and speculative. The fact that information from the aforementioned third party sources has been included in this Prospectus should not be considered as a recommendation by the relevant third parties to invest in, purchase, or take any other action with respect to, shares in the Company.

2.8 Documents Available for Inspection

The following documents are published electronically and made available, free of charge, on the Company's website (<https://www.theon.com/>) under the "Investor Relations" section, for a duration of at least twelve months from the date of publication of this Prospectus:

- the Articles of Association;
- the Board Charter (as defined below in Section 14.2);
- Audited Consolidated Financial Statements; and
- Unaudited Condensed Consolidated Financial Statements.

Future consolidated and unconsolidated financial statements and interim reports of the Company will be available on the Company's website (<https://www.theon.com/>).

Pursuant to Article 10 of Delegated Regulation (EU) 979/2019, the information published on websites referred to in this Prospectus does not form part of the Prospectus and has not been scrutinized or approved by the competent authority (i.e. CySEC). Prospective investors should only rely on the information that is provided in this Prospectus.

No documents or information, including the contents of the Company's website or of websites accessible from hyperlinks on that website, form part of, or are incorporated by reference into, this Prospectus.

3. SHARES NOTE

3.1 Admission to Euronext Amsterdam and Commencement of Trading

Application will be made to admit all of the Shares to listing and trading on Euronext Amsterdam under the symbol "THEON". Trading on an "as-if-and-when-issued/delivered" basis (i.e. trading securities not issued and/or settled on a conditional basis for securities that are authorized but not yet issued or delivered) in the Shares on Euronext Amsterdam is expected to commence at 9:00 CET on the First Trading Date. The Shares are expected to trade in Euro on Euronext Amsterdam. The Non-Voting Shares (as defined below) will not be admitted to listing and trading on Euronext Amsterdam.

3.1.1 Information on the Shares

3.1.1.1 Share capital; form of the Shares

As of the date of this Prospectus the Company's share capital are divided into two classes of shares consisting of: (i) 60,000,000 Shares; and (ii) 10 non-voting shares with a nominal value of €0.01 each ("**Non-Voting Shares**") created under and in accordance with Cyprus companies law. The Shares and the Non-Voting Shares in the share capital of the Company each constitute separate classes of shares but rank between them *pari passu* in respect of dividends and other distributions. All Shares are in dematerialized, registered form. The ISIN Code of the Shares is CY0200751713. All outstanding Shares and Non-Voting Shares are fully paid-up.

3.1.1.2 Certification of the Shares

The Shares are registered shares, which will be entered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Dutch Giro Securities Transfer Act (*Wet giraal effectenverkeer*). The Shares will be delivered in book-entry form through the facilities of book-entry systems of the Netherlands Central Institute for Giro Securities Transactions (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*) trading as Euroclear Nederland ("**Euroclear Nederland**"). Application has been made for the Shares to be accepted for clearance through the book-entry facilities of Euroclear Nederland. Euroclear Nederland has its offices at Herengracht 459-469, 1017 BS Amsterdam, the Netherlands.

3.1.1.3 Voting rights

Each Share carries one vote at the General Meeting. Subject to the provisions described in section 3.1.1.6 "*Share registration and clearing system*" below, every shareholder who is registered as a shareholder on the record date set by the Board of Directors has a right to attend in person or by proxy and vote at any general meeting. There are no restrictions on voting rights. Only the Shares have voting rights.

3.1.1.4 Dividend, liquidation rights and redemption

All Shares carry equal dividend rights and grant each holder of the Shares the right to participate in the Company's profits. In accordance with the Articles of Association, the Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Board of Directors. Subject to the provisions of the Law on Limitation of Inviolable Rights of 2012, Law 66 (I) / 2012, the right to dividend payments is not subject to any limitation period.

New Shares carry full dividend rights as of the date they are issued. The Shares are subordinated to all other securities and claims in case of an insolvency of the Company and are freely transferable in accordance with the applicable legal requirements. Shares expected to be traded on Euronext Amsterdam will be transferred through book-entry systems of Euroclear Nederland on the accounts of investors with intermediaries that are participants in Euroclear Nederland or intermediaries that hold, directly or indirectly, accounts with participants in Euroclear Nederland. See also Section 3.1.1.6 "*Share registration and clearing system*" below.

For further information on the Company's dividend policy and dividend history see also Section 5 "*Dividend Policy*".

In accordance with the Articles of Association, in the event of a winding up of the Company, the liquidator may, subject to approval of a special resolution and any other approval required by the Cyprus companies law divide among the members all or part of the assets of the Company. No conversion provisions apply.

The Shares can only be redeemed by special resolution for reduction of share capital, any capital redemption reserve funds or any share premium account. There are no dividend restrictions on non-resident Shareholders. The Company will be paying dividends on a gross basis into the Euroclear Nederland system, which in turn will distribute the full amount of dividends, without withholdings, to the Shareholders.

3.1.1.5 *Delivery and Settlement*

Delivery of the Placement Shares (as defined below), through the book-entry systems of Euroclear Nederland, will take place on the Settlement Date through the book-entry facilities of Euroclear Nederland in accordance with their respective normal settlement procedures applicable to equity securities and against payment for the Placement Shares in immediately available funds.

3.1.1.6 *Share registration and clearing system*

Upon issuance in the case of the New Shares, and upon transfer in the case of the Existing Shares, the Shares will be entered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Dutch Giro Securities Transfer Act by transfer or issuance to an intermediary and Euroclear Nederland respectively. The intermediaries, as defined in the Dutch Giro Securities Transfer Act, are responsible for the management of the collection deposit, and Euroclear Nederland, being the central institute for the purposes of the Dutch Giro Securities Transfer Act, will be responsible for the management of the giro deposit.

If a Share is transferred for inclusion in a collective deposit, the transfer will be accepted by the intermediary concerned. If a Share is transferred for inclusion in a giro deposit, the transfer will be accepted by the central institute, being Euroclear Nederland. If new Shares are subsequently issued to Euroclear Nederland or an intermediary, the transfer will be accepted by Euroclear Nederland or the intermediary, respectively. The issue and/or transfer and acceptance in order to include a Share in the giro deposit or the collection deposit will be effected without the cooperation of the other holders of ownership interests in the collection deposit or the giro deposit, respectively.

Shares included in the collection deposit or giro deposit can only be withdrawn from a collection deposit or giro deposit in limited circumstances, with due observance of the related provisions of the Dutch Giro Securities Transfer Act.

Investors in the Shares will become the holders of an ownership interest in a collection deposit in respect of the Shares. These ownership interests ("**Book-Entry Interests**") will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear Nederland and the intermediaries. The transfer of Book-Entry Interests shall be effected in accordance with the provisions of the Dutch Giro Securities Transfer Act. The same applies to the establishment of a right of pledge and the establishment or transfer of a usufruct on these Book-Entry Interests.

According to Cyprus company law, the Company maintains a register of members in which the names and addresses of all shareholders are recorded, showing the date on which they acquired the shares and the date on which they ceased to be shareholders of the Company. Holders of Book-Entry Interests are not recorded in the register of members of the Company. The Shares included in the collection deposit and giro deposit will be recorded in the register of members of the Company in the name of the intermediary or Euroclear Nederland, respectively.

Where in this Prospectus reference is made to Shares and to (the rights and discretions of) the Shareholders, such reference is also meant to include Book-Entry Interests in respect of the Shares, and to holders of Book-Entry Interests in respect of Shares.

Under Cyprus company law, the Shares may generally be in certificated and uncertificated form. However, for the purposes of listing on Euronext Amsterdam, the Shares will be registered with Euroclear Nederland, and no physical share certificates will be issued to shareholders. The Shares, while registered with Euroclear Nederland, will take the uncertificated form and shareholding will be evidenced by reference to securities accounts held for the shareholder by members of Euroclear Nederland (e.g., brokers or custodians). Transfer Book-Entry Interests in the Shares will take place through the book-entry facilities of Euroclear Nederland.

Share deposit certificates evidencing the Shares may be issued at the request of the account holder. A share deposit certificate confirms the title to exercise all rights arising from the securities which are not or cannot be exercised purely on the basis of entries in a securities account.

Euroclear Nederland has advised us that it will take any action permitted to be taken by a holder of Shares only at the direction of one or more holders of Book-Entry Interest in respect of the Shares whose accounts such Book-Entry Interests are credited and only in respect of such portion of the securities as to which such holder or holders of Book-Entry Interests has or have given such direction. Euroclear Nederland will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the securities. Voting rights and other shareholder rights can be exercised only on the basis of instructions provided by the holders of Book-Entry Interests in respect of such Shares. Such holders must comply with applicable Euroclear Nederland rules and procedures.

3.1.1.7 *Euroclear Nederland Agent*

The Euroclear Nederland agent, who acts as the issuing, transfer and paying agent for the Shares, is Coöperatieve Rabobank U.A.

3.1.1.8 *Currency of the Securities issue*

The Shares are denominated in Euro.

3.1.1.9 *Reasons for Admission*

The Company believes that the Admission will raise the Company's profile with the international investment community and its customers and original equipment manufacturers, enhance brand recognition and credibility and promote trust towards the Group with the aim to support its growth strategy. In addition, the Admission will provide further financial flexibility and diversity to the Company through access to a wider range of capital-raising options. At the same time, the Admission will create a market in the Shares for the future shareholders of the Company and will enhance employee and manager retention through an enhanced governance structure and future equity-based incentive plans.

3.1.1.10 *Cost of the Admission*

The costs of the Company and the Selling Shareholder related to the Admission are expected to total approximately €2 million. Of the total costs, the Company will bear approximately €1.3 million and the Selling Shareholder will bear the remaining approximately €0.7 million.

3.2 **Interests of parties participating in the Admission**

Some members of the Board of Directors are shareholders of the Company and have an interest in the Admission as the admission to trading of the Shares in the Company is expected to have a positive impact on the liquidity of the Shares on the stock exchange. Besides interests mentioned above, there are no other interests or potential conflicts of interest that are material to the Admission.

Certain of the Underwriters and/or their respective affiliates may have from time to time been engaged, and may in the future engage, in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company, the Selling Shareholder or any parties related to or competing with any of them, in respect of which they have received or may in the future receive customary compensation, fees and/or commission. In addition, certain of the Underwriters or their affiliates may participate in financing arrangements, including a potential margin loan, with the Company and/or the Selling Shareholder, in relation to which such Underwriters or their affiliates may receive fees or other compensation. Additionally, the Underwriters and/or their affiliates, including their respective parent companies, may, in the ordinary course of their business, hold the Company's securities for investment purposes, or otherwise actively trade such securities, for their own account and for the accounts of their customers. As a result, these parties may have interests that may not be aligned or could possibly conflict with the interests of investors or of the Company, the Selling Shareholder or the Group.

3.3 **Private Placement of Shares**

On January 29, 2024, in anticipation of the expected Admission, the Company, together with the Underwriters, expects to initiate a private placement of up to 14,000,000 Shares ("**Private Placement**"), consisting of: (i) up to 10,000,000 New Shares from a capital increase against contributions in cash expected to be resolved by the Board of Directors on or about February 6, 2024 ("**Placement Capital Increase**") using authorized capital approved by a shareholders' meeting of the Company on November 16, 2023; and

(ii) up to 4,000,000 Existing Shares held by the Selling Shareholder (together with the New Shares, the "**Base Placement Shares**").

In connection with the Private Placement, the Selling Shareholder has granted the Sole Global Coordinator in its capacity as stabilization manager ("**Stabilization Manager**") (on behalf of the Underwriters), an option ("**Over-Allotment Option**") pursuant to which the Stabilization Manager (on behalf of the Underwriters) may require the Selling Shareholder to sell at the Placement Price in the Private Placement up to 1,400,000 additional Shares ("**Over-Allotment Shares**", and together with the Base Placement Shares (unless the context requires otherwise), the "**Placement Shares**"), comprising up to 10% of the total number of Base Placement Shares, to cover short positions resulting from over-allotments (if any) or facilitate stabilization transactions, (if any) made in connection with the Private Placement. The Over-Allotment Option is exercisable in whole or in part by the Stabilization Manager (on behalf of the Underwriters) within 30 calendar days after the First Trading Date.

The Placement Price and the final number of Placement Shares placed in the Private Placement will be determined on the basis of an order book prepared during a bookbuilding process, which is expected to take place in the period from January 29, 2024 to February 6, 2024 ("**Private Placement Period**"). The Private Placement Period may be accelerated/shortened or extended. The Company targets gross proceeds of approximately €100 million from the Private Placement resulting from the sale of the New Shares. The price range for the Private Placement of €10.00 to €12.00 per Placement Share ("**Price Range**") has been set to ensure that at the low-end of the Price Range, the Company would still achieve its target proceeds. At the low end of the Price Range, assuming gross proceeds for the Company of approximately €100 million from the Private Placement, approximately 10,000,000 New Shares would be issued. If the Placement Shares are placed at a Placement Price that is higher than the low-end of the Price Range, the number of New Shares will be reduced accordingly.

The Price Range is an indicative price range. During the Private Placement Period, the Company and the Selling Shareholder, in agreement with the Sole Global Coordinator (on behalf of the Underwriters), may decide to change the Price Range (which could result in more or less New Shares being issued in order to reach the targeted gross proceeds) and may also decide to increase or decrease the total number of Existing Shares to be sold by the Selling Shareholder, and consequently also increase or decrease the number of Over-Allotment Shares, at any time prior to the end of the Private Placement Period. Any such change will be announced in a press release that will also be posted on the Company's website.

3.3.1 *Private Placement Structure*

The Private Placement will consist of private placements of the Placement Shares to certain eligible investors that qualify under available offering exemptions in various jurisdictions.

The Placement Shares will only be offered and sold to qualified investors in the European Economic Area and in the United Kingdom. In the United States, the Placement Shares are and will only be offered and sold to qualified institutional buyers as defined in, and in reliance on, Rule 144A ("**Rule 144A**") under the United States Securities Act of 1933, as amended ("**Securities Act**"), or pursuant to other available exemptions from, or in transactions not subject to, the registration requirements of the Securities Act and foreign institutional investors outside of the United States pursuant to Regulation S of the Securities Act ("**Regulation S**"). Outside of the European Economic Area, the United Kingdom and the United States, the Placement Shares will only be offered and sold to certain eligible investors that qualify under available offering exemptions with the exclusion of other countries where the Private Placement is not permitted without specific authorization of the relevant authorities, in accordance with applicable laws or by way of exception to such provisions. The Placement Shares will not be offered or sold to retail investors in any jurisdiction.

Allocation of the Placement Shares is expected to take place after the end of the Private Placement Period on or about February 7, 2024, subject to acceleration or extension of the timetable for the Private Placement.

The allotment of Placement Shares to investors will be decided by the Company and the Selling Shareholder in agreement with the Sole Global Coordinator (on behalf of the Underwriters). Allotments will be made on the basis of the quality of individual investors (e.g., the expected investment horizon and trading behavior) as well as individual orders and other important allotment criteria to be determined by the Company after consultation with the Sole Global Coordinator (on behalf of the Underwriters).

Book-entry delivery of the Placement Shares sold in the Private Placement against payment of the Placement Price is expected to occur on the Settlement Date, which (subject to acceleration or extension of the timetable for the Private Placement) is expected to be February 9, 2024.

3.3.2 Placement Capital Increase

The Placement Capital Increase to issue the New Shares is expected to be resolved by the Board of Directors meeting on or about February 6, 2024 and is expected to be registered with the registrar of companies in Nicosia in February 2024. The Placement Capital Increase would result in an increase of the Company's share capital to an amount of up to €700,000.10, assuming the up to 10,000,000 New Shares are sold at the low end of the Price Range and assuming gross proceeds for the Company of approximately €100 million from the Private Placement.

3.3.3 Reasons for the Private Placement and Use of Proceeds

The Company intends to use the net proceeds resulting from the sale of the New Shares for organic and inorganic growth, such as for potential bolt-on acquisitions. The Company will not receive any proceeds from the sale of the Existing Shares and/or the sale of any Over-Allotment Shares by the Selling Shareholder, the proceeds of which will be received by the Selling Shareholder.

3.3.4 Cost of the Private Placement

The costs of the Company and the Selling Shareholder related to the Private Placement are expected to total approximately €8.0 million at the mid-point of the Price Range. Of the total costs, the Company will bear approximately €5.0 million and the Selling Shareholder will bear the remaining approximately €3.0 million.

Investors will not be charged expenses by the Company, the Shareholders or the Underwriters. Investors will have to bear customary transaction and handling fees charged by their brokers or other financial institutions through which they hold their securities.

3.3.5 Transferability of the Shares, lock-up

The Shares are freely transferable. Except for the restrictions set forth in "3.3.9 Lock-up agreements", there are no prohibitions on disposals or restrictions with respect to the transferability of the Shares.

3.3.6 Information on the Selling Shareholder

The Selling Shareholder is Venetus Limited, a company incorporated under the laws of the Republic of Cyprus, having its registered office in 67 Lemessou Avenue, Vision Tower, 4th Floor, 2121 Nicosia, Cyprus, corporate registry number HE439825.

As a result of the Private Placement, assuming 4,000,000 Existing Shares from the holdings of the Selling Shareholder and 9,090,909 New Shares are placed at the midpoint of the Price Range to achieve the Company's target gross proceeds of EUR 100 million, and assuming the full exercise of the Over-Allotment Option, the Selling Shareholder will retain a 69.12% stake of the Company's share capital (corresponding to 69.12% of the voting rights).

3.3.7 Stabilization measures, Over-Allotments and Over-Allotment Option

In connection with the Private Placement, the Sole Global Coordinator will act as the Stabilization Manager and may (but will be under no obligation to), as Stabilization Manager acting in accordance with legal requirements (Article 5 paragraph 4 and 5 of the Market Abuse Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse ("**MAR**") in conjunction with Articles 5 through 8 of the Commission Delegated Regulation (EU) 2016/1052), over-allot Shares or effect other transactions with the view to supporting the market price of the Shares at a level higher than that which might otherwise prevail in the open market.

The Stabilization Manager is under no obligation to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange (including Euronext Amsterdam) or otherwise. Therefore, no assurance can be provided that any stabilization transactions will be undertaken. Where stabilization measures are taken, these may be terminated at any time without notice. Such measures may be taken from the First Trading Date and must be terminated no later than the thirtieth

calendar day after such date ("**Stabilization Period**"). Stabilizing transactions, if commenced, may be discontinued at any time without prior notice and must be discontinued at the end of the Stabilization Period. Save as required by law or regulation, neither the Stabilization Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilization transactions.

The Stabilization Manager may, for purposes of stabilizing transactions, over-allot Shares up to a maximum of 10% of the aggregate number of Base Placement Shares. In connection with the Over-Allotment Option, up to 10% of the aggregate number of Base Placement Shares will be made available by the Selling Shareholder to the Stabilization Manager for the account of the Underwriters, through a stock lending agreement.

Once the Stabilization Period has ended, an announcement will be made within one week in various media outlets distributed across the entire European Economic Area as to whether stabilization transactions were undertaken, the date when price stabilization started and finished, and the price range within which the stabilization transactions were undertaken, for each occasion on which price stabilization transactions were undertaken and the trading venue(s) on which the stabilization measures were carried, where applicable.

None of the Company, the Selling Shareholder or the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Shares or any other securities of the Company. In addition, none of the Company, the Selling Shareholder or the Underwriters makes any representation that the Stabilization Manager will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

3.3.8 *Target Market Assessment*

Solely for the purpose of the product governance requirements contained within (i) Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments, as amended ("**MiFID II**"), (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 of April 7, 2016 supplementing MiFID II and (iii) local implementing measures (together, the "**MiFID II Requirements**"), and disclaiming any and all liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Requirements) may otherwise have with respect thereto, the Placement Shares have been subject to a product approval process. As a result, it has been determined that the Placement Shares are (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II, and (ii) eligible for distribution through all distribution channels permitted by MiFID II ("**Target Market Assessment**").

Notwithstanding the Target Market Assessment, the price of the Placement Shares may decline, and investors could lose all or part of their investment. The Placement Shares offer no guaranteed income and no capital protection, and an investment in the Placement Shares is suitable only for investors who:

- do not need a guaranteed income or capital protection;
- either alone or together with an appropriate financial or other adviser, are capable of evaluating the merits and risks of such an investment; and
- who have sufficient resources to be able to bear any losses that may result from such investment, including up to the total amount invested.

The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions with respect to the Private Placement. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the Target Market Assessment does not constitute (i) an assessment of suitability or appropriateness for the purposes of MiFID II or (ii) a recommendation to any investor or group of investors to invest in, purchase, or take any other action whatsoever with respect to, the Placement Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Placement Shares and determining appropriate distribution channels.

3.3.9 *Lock-up agreements*

3.3.9.1 *Lock-up agreement with the Company*

On January 24, 2024, the Underwriters, the Company and the Selling Shareholder entered into an underwriting agreement relating to the Private Placement and Admission ("**Underwriting Agreement**"). In the Underwriting Agreement, the Company has agreed with the Underwriters that the Company will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Underwriters) for a period ending 180 calendar days following the Settlement Date:

- (i) directly or indirectly, issue, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of, directly or indirectly, any Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or other shares of the Company or file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing;
- (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company or otherwise has the same economic effect as (i), whether any such transaction in the case of (i) and (ii) is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (iii) publicly announce such an intention to effect any such transaction; or
- (iv) submit to its shareholders or any other body of the Company a proposal to effect any of the foregoing.

The Company may, however, issue and sell the New Shares.

3.3.9.2 *Lock-up agreement with the Selling Shareholder*

In the Underwriting Agreement, the Selling Shareholder has undertaken, not to, without the prior written consent of the Sole Global Coordinator (on behalf of the Underwriters), for a period of 365 days following the Settlement Date:

- (i) directly or indirectly, offer, pledge, sell, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of, directly or indirectly, any Shares or other shares of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or other shares of the Company or request or demand that the Company file any registration statement under the Securities Act or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing;
- (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other shares of the Company or otherwise has the same economic effect as (i), whether any such transaction in the case of (i) and (ii) is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (iii) publicly announce such an intention to effect any such transaction;
- (iv) submit to its or the Company's shareholders or any other body of the Company a proposal to effect any of the foregoing.

The foregoing shall not apply to (i) the sale of the Placement Shares in the Private Placement, (ii) the granting of the Over-Allotment Option, (iii) the lending of Shares to the Sole Global Coordinator (acting on behalf of the Underwriters) pursuant to a stock lending agreement, and (iv) an acceptance of a general offer for the ordinary share capital of the Company made in accordance with the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) ("**DFSA**") or the provision of an irrevocable undertaking to accept such an offer, provided that the Sole Global Coordinator shall be notified in advance in writing two business days prior to such acceptance or undertaking, (v) the granting of any pledge, usufruct, attachment or any other charge, any other right or interest of any third party and any other encumbrance of

any kind ("**Encumbrance**") over Shares to any to or for the benefit of any finance provider(s), including any margin loan lender(s) (and if applicable, its or their permitted assignees and transferees) or any security agent or trustee on its or their behalf (a "**Margin Loan Lender**") in connection with any margin loan facility made available to the Selling Shareholder pursuant to a margin loan facility agreement between, amongst others, the Selling Shareholder (as borrower) and any credit institution within the meaning of Regulation (EU) No. 575/2013 (as lender) (a "**Margin Loan**"), or transferring any Shares pursuant to the enforcement of such Encumbrance over the Shares, to or for the benefit of a Margin Loan Lender in connection with a Margin Loan, provided that any proposed transferee of those Shares pursuant to an enforcement of such Encumbrance shall have agreed to be bound by the restrictions set out in the Underwriting Agreement as if it were the transferor by execution and delivery to the Sole Global Coordinator of a lock-up undertaking on substantially the same terms as set out therein, or (vi) any transfer of Shares by the Selling Shareholder to Christianos Hadjiminias, being the ultimate controlling shareholder of the Selling Shareholder, or any legal entity directly and wholly-owned by him, provided that prior to any such transfer the transferee shall have agreed to be bound by the foregoing restrictions for the remainder of the lock-up period.

3.3.9.3 *Lock-up agreement with the Executive Directors and the Senior Management*

In the management lock-up agreement, Executive Directors and the Senior Management have undertaken, not to, without the prior written consent of the Sole Global Coordinator (on behalf of the Underwriters), for a period of 365 days following the Settlement Date:

- (i) directly or indirectly (and in the case of Christianos Hadjiminias, for the avoidance of doubt, also through CHRE Investments Ltd. or any other intermediate holding company), offer, pledge, sell, transfer, contract to sell, sell or grant any option, right, warrant or contract to purchase, exercise of any option to sell, purchase any option or contract to sell, or lend or otherwise transfer or dispose of, directly or indirectly, any Shares or other securities of the Company or any securities convertible into or exercisable or exchangeable for, or substantially similar to, Shares or other securities of the Company or request or demand that the Company files any registration statement under the Securities Act, or any similar document with any other securities regulator, stock exchange or listing authority with respect to any of the foregoing;
- (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any Shares or other securities of the Company or otherwise has the same economic effect as (i) whether any such transaction in the case of (i) and (ii) is to be settled by delivery of Shares or such other securities, in cash or otherwise;
- (iii) publicly announce an intention to effect any such transaction; or
- (iv) submit to the Shareholders or any other body of the Company a proposal to effect any of the foregoing (each a "**Disposal**").

This restrictions apply to: (i) any Shares subscribed to by any Executive Director or any member of the Senior Management in the Offering, (ii) any Shares acquired by any Executive Director or any member of the Senior Management on Euronext Amsterdam and (iii) any Shares which are issued upon conversion of any convertible debt securities or loans or upon exercise of any warrants, options or similar rights (including, without limitation, those granted under any employee stock option plan or similar stock incentive scheme put in place by the Company or its subsidiaries that may result in an Executive Director or any member of the Senior Management holding Shares if exercised or once vested).

The restrictions do not apply to any of the following:

- (i) an acceptance of a general offer for the ordinary share capital of the Company made in accordance with the DFSA, or the provision of an irrevocable undertaking to accept such an offer, or vote in favor of, or provide an irrevocable undertaking to vote in favor of, a takeover offer for the share capital of the Company provided that the Sole Global Coordinator shall be notified in advance in writing two business days prior to such acceptance or undertaking, subject to applicable law and regulation; and
- (ii) any Disposal by way of gift to (a) a family member; or (b) any person or persons acting in the capacity of trustee or trustees of a trust created by the Executive Director or any member of the Senior Management or, upon any change of trustees of a trust so created, provided that the trust is

established for charitable purposes only or there are no persons beneficially interested under the trust other than the Executive Director or any member of the Senior Management and their family members;

provided that, prior to the making of any such Disposal, the relevant Executive Director or the relevant member of the Senior Management has provided written notice to the Sole Global Coordinator of such a transfer and the transfer has been validly executed.

4. **EXPECTED TIMETABLE OF PRINCIPAL EVENTS FOR ADMISSION TO TRADING**

Approval and publication of this Prospectus	<i>Wednesday, January 24, 2024</i>
Expected commencement of trading of the Shares on Euronext Amsterdam on an "as-if-and-when-issued/delivered" basis:	<i>Wednesday, February 7, 2024 (9.00 a.m. CET)</i>
Expected Settlement Date:	<i>Friday, February 9, 2024</i>

The Company and the Selling Shareholder may adjust the dates related to the expected Admission and Settlement as well as the Private Placement Period and other Private Placement terms as described in Section 3.3. If so decided, the Company will make this public through a press release, which will also be posted on the Company's website. Any other alterations will also be published through a press release that will be posted on the Company's website and (if considered material) in a supplement to the Prospectus that will be subject to the approval of CySEC.

5. DIVIDEND POLICY

5.1 General provision relating to profit allocation and dividend payments

Dividends and interim dividends may be paid out in accordance with the general provisions of Cyprus companies law and the Articles of Association, and in particular in accordance with the provisions of sections 169A and 169C of the Cyprus companies law. Distribution of dividends by the Company may take place only after the adoption and approval of the Annual Accounts by the General Meeting which show that the distribution is allowed. Additionally, the Company may make dividends and other distributions to its Shareholders only insofar as the Company's equity exceeds the sum of the paid-in and called-up share capital increased by the reserves as required to be maintained by Cyprus companies law or by the Articles of Association.

All Shares carry equal dividend rights. The General Meeting may declare dividends or interim dividends (in such case via an extraordinary general meeting) by way of an ordinary resolution following the relevant recommendation by the Board of Directors; provided that no dividend or interim dividend shall exceed the amount recommended by the Board of Directors and no dividend or interim dividend shall be paid otherwise than out of divisible profits.

The Board of Directors may from time to time pay to the shareholders such interim dividends as appear to the Board of Directors to be justified by the divisible profits of the Company for the relevant period. Pursuant to Cyprus companies law Cap. 113, section 169C, as amended from time to time, the distribution of interim dividends requires the preparation of interim accounts showing that the funds for distribution do not exceed the amount of profits made since the end of the last financial year.

The Board of Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Board of Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares) as the Board of Directors may from time to time think fit. The Board of Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to distribute.

All declared dividends as to the Shares, shall be declared and paid according to the amounts paid up on such shares, apportioned and paid proportionately to the amounts paid up on the relevant shares. Any dividends adopted by the general meeting are paid in accordance with the timing set forth in the adopting resolution.

No dividend shall bear interest against the Company. All dividends or interim dividends unclaimed for a period of five years after having become due for payment shall (if the Board of Directors so resolves) be forfeited and shall revert to the Company.

For more details on provision with respect to dividends under the Cyprus companies law and the Articles of Association, see below.

5.2 Dividend Policy and Dividends per Share

As of the date of this Prospectus, the Company does not intend to pay any dividends in 2024. The Group targets a dividend payout ratio between 30% and 40% of its net income for the prior financial year, starting from 2025 onwards, subject to market conditions, the Company's results of operations for the period, financial condition, contractual restrictions and capital requirements.

Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company's results of operations, financial condition, contractual restrictions and capital requirements. The Company's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities.

Because the Company is a holding company, the principal assets of the Company are the equity interests it directly or indirectly holds in its operating subsidiaries. As a result, the Company's ability to pay dividends and other distributions will depend directly on distributions and other payments from such subsidiaries to the Company (see "1 Risk Factors - 1.5.1 The payment of future dividends and other distributions will

depend on the Company's business, net assets, financial condition, cash flows and results of operations, as well as the Company's operating subsidiaries' distributions to the Company").

5.3 History of Dividend Policy

For the fiscal years ended December 31, 2022 and December 31, 2021 the Company has not distributed any dividends and the net profit has been transferred to reserves.

On August 16, 2023, the Annual General Meeting resolved to issue an interim dividend to shareholders for the 2023 financial year in the amount of €10 million, which had been fully paid to the existing shareholders of the Company as of the date of this Prospectus.

5.4 Taxation of Dividends

See Section 16 (*Taxation*) for a discussion of certain aspects of taxation of dividends paid on the Shares.

6. CAPITALIZATION, INDEBTEDNESS AND WORKING CAPITAL

The tables below set out the Group's capitalization and indebtedness as at November 30, 2023. The information in the tables below has been derived from the Group's accounting records or the internal reporting systems or has been calculated based on figures from the aforementioned sources and should be read in conjunction with, and is qualified by reference to Section "7 Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations" and Section "18 Financial Information".

6.1 Capitalization

The table below sets out the capitalization of the Company as at November 30, 2023.

<i>(in € thousands)</i>	As at November 30, 2023	Assuming the completion of the Private Placement⁽⁴⁾	Totals assuming the completion of the Private Placement⁽⁵⁾
Total current debt	48,519.5	—	48,519.5
Guaranteed ⁽¹⁾	25,453.7	—	25,453.7
Secured ⁽²⁾	323.7	—	323.7
Unguaranteed/unsecured.....	22,742.1	—	22,742.1
Total non-current debt	2,560.0	—	2,560.0
Guaranteed ⁽¹⁾	500.0	—	500.0
Secured ⁽²⁾	1,560.0	—	1,560.0
Unguaranteed/unsecured.....	500.0	—	500.0
Shareholder's equity	71,358.0	93,947.0	165,305.0
Share capital.....	600.0	90.9	690.9
Legal reserve.....	3,603.9	-	3,603.9
Other reserves ⁽³⁾	67,154.1	93,856.1	161,010.1
Total	122,437.5	93,947.0	216,384.5

⁽¹⁾ Personal guarantee from the Company's majority shareholder.

⁽²⁾ Amounts secured by a first mortgage pre-notation on the plot situated at 62 Ioannou Metaxa St., Koropi, Attica and the industrial building thereon for €2,000,000 to secure bank loan.

⁽³⁾ Reflects the sum of retained earnings, treasury share reserve, foreign exchange reserve, other reserves, merger reserve, each as recorded in the Company's management accounts as of November 30, 2023.

⁽⁴⁾ This column reflects and assumes the effects of the placement of 9,090,909 New Shares at the mid-point of the price range, resulting in gross proceeds for the Company of €100 million.

⁽⁵⁾ Total reflects the sum of the effects of the completion of the Private Placement in item (4) on the line items as of November 30, 2023.

In addition to the figures shown above, in December 2023, the Group entered into three loan agreements described under section "17.1.3 Capitalization and New loan facilities". As of the date of this Prospectus, the Group drew down approximately €24 million from these credit lines, €4 million of which is intended for general corporate purposes, increasing the Group's current debt, and €20 million was used to refinance existing short-term loans. Other than this, as of the date of this Prospectus, there has been no material change in the Company's capitalization compared to the amounts shown above as of November 30, 2023.

6.2 Indebtedness

The table below sets out the total financial indebtedness of the Company as at November 30, 2023.

<i>(in € thousands)</i>	As at November 30, 2023	Assuming the completion of the Private Placement⁽³⁾	Totals assuming the completion of the Private Placement⁽⁴⁾
A Cash.....	30,610.3	93,947.0	124,557.3
B Cash equivalents	—	—	—
C Other current financial assets	726.8	—	726.8
D Liquidity (A + B + C).....	31,337.1	93,947.0	125,284.1
E Current financial debt (including debt instruments, but excluding current portion of non-current financial debt) ⁽¹⁾	52,293.2	—	52,293.2
F Current portion of non-current financial debt.....	1,225.4	—	1,225.4
G Current financial indebtedness (E + F).....	53,518.5	—	53,518.5
H Net current financial indebtedness (G - D).....	22,181.4	(93,947.0)	(71,765.6)
I Non- current financial debt (excluding current portion and debt instruments) ⁽²⁾	14,025.9	—	14,025.9
J Debt instruments	—	—	—
K Non-current trade and other payables	365.9	—	365.9
L Non-current financial indebtedness (I + J +K)	14,391.8	—	14,391.8
M Total financial indebtedness (H + L)	36,573.3	(93,947.0)	(57,373.7)

⁽¹⁾ Includes short-term amounts owed for share buy-back as of November 30, 2023 (€ 4,660.4).

⁽²⁾ Includes long-term amounts owed for share buy-back as of November 30, 2023 (€ 10,996.4).

⁽³⁾ This column reflects and assumes the effects of the placement of 9,090,909 New Shares at the mid-point of the price range, resulting in gross proceeds for the Company of €100 million.

⁽⁴⁾ Total reflects the sum of the effects of the completion of the Private Placement in item (4) on the line items as of November 30, 2023.

In addition to the figures shown above, in December 2023, the Group entered into three loan agreements described under section "17.1.3 Capitalization and New loan facilities". As of the date of this Prospectus, the Group drew down approximately €24 million from these credit lines, €4 million of which is intended for general corporate purposes, increasing the Group's current financial indebtedness, and €20 million was used to refinance existing short-term loans. Aside from this, as of the date of this Prospectus, there has been no material change in the Group's total financial indebtedness since November 30, 2023.

6.3 Indirect and Contingent Indebtedness

As part of government defense tenders, the Group occasionally undertakes to invest certain amounts into investment and/or development projects selected by the customer (so called "offsets"). As of November 30, 2023, the Group's contingent liabilities under such offsets amounted to approximately €34 million. Additionally, during the ordinary course of business the Group issues guarantee letters and sureties. As of November 30, 2023, the outstanding amount of contingent liabilities from such guarantees and sureties amounted to €33.8 million. See also section "7.8.5 Contingent Liabilities and Commitments." Aside from this, the Group has no other significant outstanding liabilities to third parties as of the date of this Prospectus. In addition, as of the date of this Prospectus, there is no indirect indebtedness.

6.4 Statement on Working Capital

The Group declares that in its opinion the working capital of the Group is sufficient for meeting its current obligations for the next 12 months following the date of this Prospectus.

6.5 Statement regarding significant changes

As of the date of this Prospectus, other than the positive developments to awarded contracts and Order Book described in section "17.1 Recent Developments", there has been no significant change in the financial position of the Group and no significant change in the financial performance of the Group since September 30, 2023 and there has been no material adverse change in the prospects of the Company since September 30, 2023.

7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF NET ASSETS, FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information contained in the following section has been taken or derived from the Group's Audited Consolidated Financial Statements, the Group's Unaudited Condensed Consolidated Financial Statements, or the Company's accounting records or internal reporting systems. The Audited Consolidated Financial Statements were prepared in accordance with IFRS as adopted by the European Union.

The Unaudited Condensed Consolidated Financial Statements were prepared in accordance with IAS 34 as adopted by the European Union. The Unaudited Condensed Consolidated Financial Statements include the Group's restated statements of financial position as of December 31, 2022 and as of January 1, 2022 in note 26 thereto. See Section "7.5 Presentation of Financial Information and Factors Affecting Comparability", and note 26 of the Unaudited Condensed Consolidated Financial Statements on page F-158 for further information.

Where financial information in the tables in this Prospectus is labelled as of or for the fiscal years ended December 31, 2022, 2021 or 2020, this means that the financial information has been taken or derived from the Audited Consolidated Financial Statements, whereas where financial information is labelled as of or for the nine months ended September 30, 2023 or September 30, 2022 or refers to Group's restated statements of financial position as of December 31, 2022 and as of January 1, 2022, this means that the financial information is taken or derived from the Unaudited Condensed Consolidated Financial Statements. Unless otherwise indicated other financial information in the tables in the prospectus is derived from the accounting records or the internal reporting systems of the Company or has been calculated based on figures from the aforementioned sources for the respective indicated period. For the avoidance of doubt, the selected information presented below as of and for the financial year ended December 31, 2020 is extracted from the Audited 2021 Consolidated Financial Statements.

Unless otherwise indicated, all financial data presented in the text and tables in this section of the Prospectus is shown in thousand Euro (€ in thousands), commercially rounded to one decimal place. Because of this rounding, the figures shown in the tables do not in all cases add up exactly to the respective totals given.

The discussion and analysis below provide information that the Group believes is relevant to an assessment and understanding of the Group's historical financial position and results of operations. You should read this discussion and analysis in conjunction with the sections entitled "2 General Information – 2.3 Presentation of Financial Information".

The following discussion of the Group's results of operations also refers to certain non-IFRS financial measures. Prospective investors should bear in mind that these non-IFRS financial measures are not financial measures defined in accordance with IFRS, may not be comparable to other similarly titled measures of other companies, have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of the Group's operating results as reported under IFRS. See "General Information – Alternative Performance Measures".

7.1 Overview

Theon is a leading developer and manufacturer of customizable night vision and thermal imaging systems for military and security applications in Europe with a global footprint. The Group traces its origins to 1997 and has since become one of the most relevant players in the segment with offices in Athens (Greece), Cyprus, Kempfen (Germany), Arlington (U.S.), Abu Dhabi (the United Arab Emirates ("UAE")), Dubai (UAE), Zug (Switzerland), Copenhagen (Denmark) and Singapore and further established presence in Riyadh (the Kingdom of Saudi Arabia ("KSA")), coupled with manufacturing facilities in Athens (Greece), Wetzlar (Germany) and Plymouth (U.S.). Theon's commercial presence extends to 68 countries, of which 24 belong to NATO, with more than 150,000 systems manufactured and sold as of the date of this Prospectus. For more information relating to the Company and, the formation of the Group and its development see also "12 General Information on the Group".

The Group is building on its DNA with fast-growing, leading positioning in key international defense markets. For example, Theon is one of the largest providers of night vision goggles to European customers, with market-leading positions in Germany and Belgium. Furthermore, the Group holds leading market positions in key Gulf Cooperation Council ("GCC") nations and has a fast-growing presence in the U.S.,

building on supply contracts with the Department of Defense and the U.S. Marine Corps as well as through strategic partnerships to expand sales of product lines for the U.S. law enforcement and commercial markets.

Theon designs and manufactures cutting-edge optoelectronic devices across both man-portable and platform-based systems that allow the visualization of images in low light or obscure conditions using different state-of-the-art technologies. The main application of the Group's products is for military and security operations, with all systems designed and tested in accordance with military specifications and standards while some products may also be used for civil applications, such as hunting or firefighting. The Group's devices use either image intensification (i.e. night vision) or thermal imaging technology. Among its night vision devices, the Group manufactures binoculars and monoculars, as well as weapon sights in either standalone or clip-on configuration, night driver viewers, vehicle mounted digital day and night cameras as well as night driver upgrade kits for armored vehicles. Among its thermal imaging devices, the Group manufactures weapon sights (standalone and clip-on), small size thermal clip-on systems (mounted on night vision goggles), thermal driver viewers, customized thermal targeting equipment, as well as multi-sensor observation systems that integrate day and thermal vision combined with laser range finding devices. In addition, the Group is developing systems that integrate image intensifying and thermal technology, which results in one fused image for both man-portable and platform-based applications. The Group offers maintenance and product support services for all of its products.

All products are designed in house by an experienced team of engineers who are highly skilled experts in their fields, including optical, mechanical and electronic engineering, as well as systems design. As a result, the Group is able to adjust, develop and customize its products to specific customer requirements, which it considers a comparative advantage in the market. The Group operates two state-of-the-art production facilities in Greece as well as one facility in Germany (in-cooperation with Hensoldt Optronics) and another in the U.S. (in cooperation with EO TECH).

As part of its strategy, the Group maintains entrenched, long-standing relationships with a diversified, blue-chip customer base from 68 countries worldwide, of which 24 belong to NATO. The Company has capitalized on strong growth momentum as witnessed by an approximately 48% revenue compound annual growth rate ("**CAGR**") for the four-year period between 2018 and 2022, alongside attractive profitability and cash conversion profiles. The Group's total revenue in 2022 amounted to €147.4 million (or €142.9 million according to the 2022 restated figures), compared to €80.6 million in 2021 and €54.2 million in 2020, while profit before tax amounted to €38.6 million in 2022, compared to €24.3 million in 2021 and €10.2 million in 2020. The Group's Operating Profit in 2022 amounted to €41.0 million in 2022 (€40.2 million according to the 2022 restated figures), compared to €25.4 million in 2021 and €11.1 million in 2020, while it achieved an 27.8% Operating Profit Margin in 2022, compared to 31.5% in 2021 and 20.5% in 2020. As of and for the nine months ended September 30, 2023, the Group's revenue was €115.8 million, with an Operating Profit of €23.5 million and 20.3% Operating Profit Margin.

The Group had manufactured and sold more than 150,000 systems as of the date of the Prospectus, as well as a contracted and secured order backlog of approximately €220 million as of September 30, 2023.

The Group is highly geographically diversified with more than 96% of its revenue coming from sales outside of Greece, while the Group's cash reserves exceed its total borrowing as of the date of this Prospectus. In the past three years, the Group has increased sales not only for its most commonly sold products, but also for the most specialized products, such as the series of night vision and thermal imaging goggles for vehicle systems and digital platforms, and thermal instruments for anti-tank equipment. At the same time, the Group is also developing a new series of electro-optical systems, which combines night vision and thermal imaging technologies. For further information on the Group's revenue broken down per product and geography see also the period to period revenue discussion under Section "*7.6 Results of Operations*".

7.2 Key Factors Affecting the Group's Results of Operations

The Group believes that the factors discussed below have significantly affected its results of operations in the past reporting periods for which financial information is presented in this Prospectus, and that these factors will continue to have a material influence on its results of operations in the future.

7.2.1 *Characteristics of the defense industry*

Since 2020, the vast majority of Theon's business originated directly or indirectly from governments' defense and security-related programs, whether through direct sales to governments and their armed and security forces, or indirectly through components supplied by the Group for other products and platforms ultimately purchased by governments. Thus, the development of defense budgets, and spending decisions and allocations made by governments, has affected, and will continue to affect, Theon's results of operations, financial position, and cash flows. Theon's revenue for 2022, 2021 and 2020 financial years amounted to €147.4 million, €80.6 million and €54.2 million respectively, in each case, amounting to a year-on-year increase of 82.9% and 48.7% respectively, as compared to the prior financial year; an increase partly driven by the evolution of defense budgets and government spending decisions.

Most recently, with the onset of the conflict in Ukraine and due to increasing U.S. - China tensions, the Group has observed a significant increase in demand for its products by NATO and non-NATO countries, in line with or exceeding the global budget increases. The global defense budget spend is estimated to increase by a CAGR of approx. 5.2% for the medium-term when compared with USD 1,722 billion as of 2022 levels, whereas the global defense spend for optronics and electronics is estimated to increase at a CAGR of approx. 10.2% over the same period. Growing defense budgets directly affect the Group's addressable market however, this can potentially be offset by governments favoring national providers for the supply of defense equipment and the overall competitive environment, which could negatively impact the Group. Furthermore, Theon's revenue growth in particular was also driven by an increase in the Group's addressable market for mounted and platform-based optronics solutions, which increased from USD 371 million in 2018 up to USD 674 million as of 2022 in the case of dismounted solutions and from USD 1.3 billion in 2018 to USD 1.9 billion in 2022 for the platform solutions. (Source: Renaissance Strategic Advisors)

The defense industry is characterized by specific market dynamics driven by unique demand-side customer and supply-side industrial considerations. There is only a limited commercial market for defense equipment, as demand for defense equipment is focused on governments, their armed forces, and supra-national organizations such as NATO. Due to the unpredictability of the geopolitical environment and international relations, government customers often choose not to rely solely on international or non-national providers of defense equipment, in order to preserve and advance their national defense capabilities. They may also provide concrete support to their national defense industry players, for example through funding all or substantially all research and development efforts for the development of new, state-of-the-art defense equipment.

Further, based on the characteristics of the Group's industry, most of the Group's business is generated from medium- and long-term project contracts with performance over a period of multiple years and often up to decades, which provides planning visibility. Depending on their complexity, the technology and systems Theon develops can take multiple years to yield a product that qualifies for operational service, and as such Theon has particular capabilities to focus its efforts and resources to maximum effect. In line with the platforms in which many of Theon's products are integrated, its products' lifecycles (meaning the time from operational readiness to decommissioning) are typically a decade or longer.

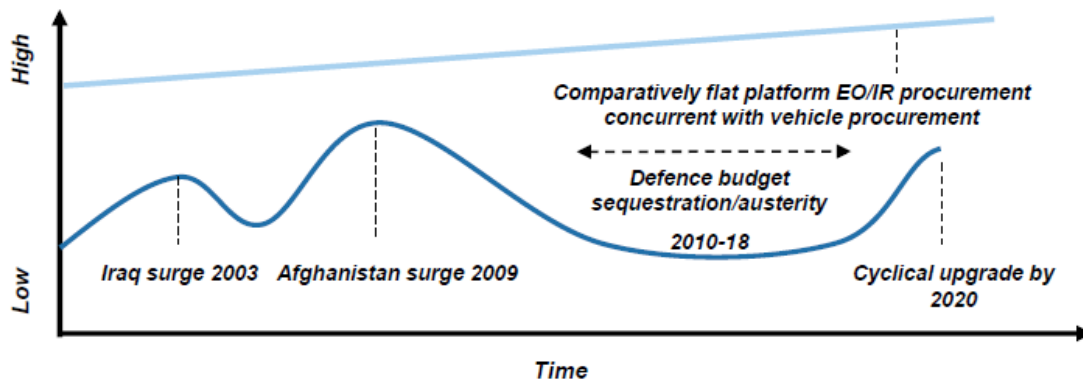
On the one hand, due to the characteristics of the Group's typically long-term project business, the Group has a high visibility of its revenue and income streams. On the other hand, the Group's dependence on governments' spending decisions and allocations subjects it to certain movements year-on-year with respect to the Group's order backlog, revenue, as well as income generation. For example, certain delays with respect to the approval of large procurement projects such as the Group's OCCAR have impacted the Group's business performance in 2023.

7.2.2 *Change in defense procurement lifecycle as a result of Ukraine*

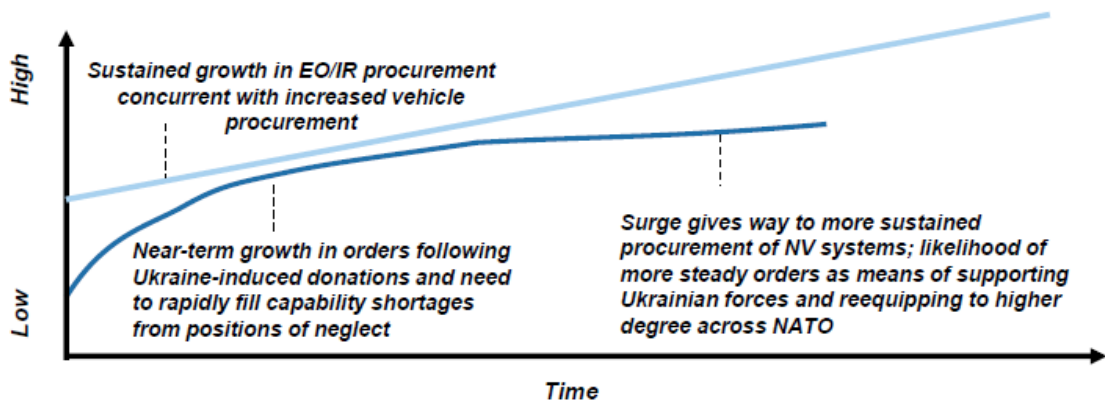
In addition to the general defense industry spending characteristics described in 8.1.1 below, since the start of the conflict in Ukraine, the defense industry as a whole, and the optronics industry in particular, has observed a shift away from the cyclical spending trends observed prior to 2020 towards a more sustained procurement trend. (Source: Renaissance Strategic Advisors)

The below chart highlights the historical observed trend in defense procurement budgets and spend for electro optical or infrared systems (EO/IR) optronics, such as those produced by the Group where certain boom and bust cycles would directly impact the results of companies supplying defense equipment. Order

volumes are prone to dips once acute operational needs are covered due to the ad hoc nature of dedicated replacement programs. (Source: Renaissance Strategic Advisors)



Since 2021, the developments in Ukraine have changed the way in which dismantled EO/IR are expected to be acquired. Militaries are re-framing 'readiness' as something to be achieved at the company level upwards, rather than its past focus on brigade level readiness of individual specialized units. In addition, a greater emphasis is expected to be placed on equipping major combat units with a 1:1 ratio of night vision goggles to soldiers and providing them with night vision training. The chart below shows the expected post-Ukraine procurement patterns for EO/IR and NV systems starting in 2022 and for the medium-term. (Source: Renaissance Strategic Advisors)



This shift in procurement trends, and in particular the renewed focus of governments on their ability to generate defense force readiness and re-equip infantry units with, among others, EO/IR and NV systems resulted in increased demand for the Group's night vision and thermal imaging products in 2022 and in the first nine months of 2023, contributing to the Group's revenue increase in these respective periods as well as to its results of operations. According to market estimates, this trend is expected to continue through the medium-term, according to the RSA, thereby likely continuing to contribute to the Group's future growth (see also section "17.2 Outlook").

7.2.3 Supply Chain and Raw Materials

The Group uses an international supply chain for the production of all components and the Group relies on the timely delivery of high-quality components by its suppliers. In particular, for its night vision devices, the Group is dependent on the supply of specific intermediate products, such as IITs, which account for roughly 60% of a night vision device's material cost, alongside other more accessible materials such as lenses, metal bodies and plastic parts. Furthermore, IITs can be produced according to a wide range of specifications and the Group has to match the IIT specifications with the technical requirements of end-customers. As a result, it is difficult for the Group to stockpile IITs (whereas this is possible for all other components and raw materials). As the Group usually records revenue on delivery of the final product to the customer, availability and timing of supply parts and, in particular, of the IITs has a direct impact on the Group's results of operations. In addition, revenues from night vision devices accounted for the

substantial majority of the Group's results of operations in 2021, 2022 and the nine-month period ended September 30, 2023. This trend is expected to continue in the future. Parts for the Group's thermal vision products are more readily accessible, and the key technical components are assembled in-house.

Until the onset of the conflict in Ukraine, the Group was able to effectively manage its supply chain for IITs, as well as for the other raw materials and components required for its products. This was due in part to the comparatively decreased demand in night vision specialty devices, used mostly by special forces and for other targeted applications. As a result, the Group was able to match orders for its night vision devices with available capacity from the IIT manufacturers.

Beginning in 2021 and continuing through the date of this Prospectus, there has been a material shortage of IITs, which has directly affected the Group's ability to finish and deliver night vision devices in line with the substantially increased order book and demand for such products. This is mainly because of increased demand around the world, but also partly because the manufacturing of IITs is highly specialized and regulated and cannot always be easily or quickly ramped up to meet demand. While the group maintains good relations with all western IIT suppliers and is a key customer for the top two European producers, such IIT manufacturers have had limited abilities to increase production capacity in the short term. According to information from IIT manufacturers, the Group estimates that IIT production capacity will increase in the medium-term as manufacturers have deployed significant capex and new production lines should begin production in 2024.

As a result, in 2022 and for the nine-month period ended September 30, 2023, in spite of a significant contracted order book, the Group was only able to produce night devices and record revenue in line with its ability to purchase and receive IITs, slowing period on period growth and increasing cost of sales. Until now, the Group has not experienced any order cancellations as a result of the IIT shortage; instead, customers are accepting delayed deliveries, increasing the Group's order backlog and shifting the expected revenue into future financial periods.

7.2.4 *Size and shape of order backlog and ability to match orders with production*

The Group tracks the value of contractually agreed, but not yet delivered, orders in its order backlog (see also: "17.1.1 Contract developments" and "17.1.2 Order Backlog"). Due to the nature of defense procurement and customary order and delivery schedules found in government tenders, the Group receives orders for products which are to be delivered later in the same year, or across two to five years. Based on its expertise, Theon attempts to match production capacity and supply chain availability to serve each customer appropriately.

Visibility on the outstanding order backlog as well as an ability to manage incoming orders determines the extent to which the Group is able to successfully transform the order backlog into revenues and increase its results of operations. The size of the order backlog in any given period allows the Group to better estimate expected revenues and operating results as well as schedule production capacity effectively, manage supply chains and allows the Group to manage costs more accurately.

Furthermore, the defense industry is characterized by an increased visibility on expected results in the short term due to the order backlog, but is subject to increased medium to long term uncertainties due to the competitive government procurement processes. Unless Theon is able to successfully tender and win customer orders, its order backlog will decrease and, in the event that this backlog no longer covers production capacity, this will affect the Group's results of operations.

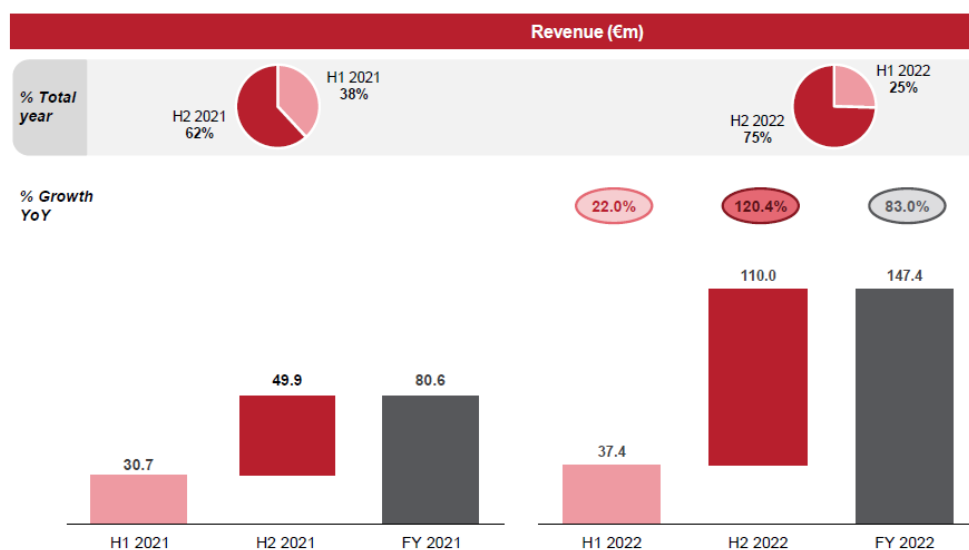
As of September 30, 2023, the Group's order backlog amounted to €220 million, with estimated delivery schedules for the underlying orders varying from the end of 2023 at the earliest until the later part of 2024 and early 2025 at the later end.

7.2.5 *Seasonality and comparability of interim periods*

Theon's results of operations are subject to a significant degree of seasonality in any given financial year, due to the particularities of defense procurement sector and supply chains. Typically, government budgets and therefore defense spending and new tenders happen in the later part of any given year. Similarly, since the start of the IIT supply shortage, the Group has observed that manufacturers are generally able to deliver comparatively larger numbers of IITs closer to the end of a given year. As a result, the second half of the 2021 and 2022 financial years has been the largest contributor to Theon's revenues, profitability and results

of operations for that year. Additionally, the fourth quarter of any given financial year has historically been a significant contributor to the overall results and profitability for the year.

The chart below shows the revenue development in 2021 and 2022 and the contribution of the H1 and H2 periods in each given year.



In addition, because a larger portion of Theon's orders are delivered at the end of a given year and because the Group recognizes revenue in line with the transfer of goods or services to customers, it is possible that in certain years, revenue in the last quarter may be weaker than anticipated; for example, if Theon is not able to deliver products until after December 31 of such year, having to instead record this revenue in the first quarter of the following year.

7.2.6 *Delivery mix and size of framework contracts*

Historically, Theon has experienced above industry average profitability measured in Operating Profit Margin (FY2020: 20.5%, FY2021: 31.5%, FY2022: 27.8%, 9M2023: 20.3%). In any given period, profitability might be affected by supply chains as well as product mix effects and timing of revenue recognition.

For example, selected tranches of large framework contracts, such as deliveries under the OCCAR contract, can result in lower profitability for the Group compared to other orders consisting of smaller numbers of higher margin products. Furthermore, period to period variance in profitability may appear as a result of product mix, in case Theon delivers more products under large framework agreements in certain interim periods than in others, which may impact both revenue and profitability.

7.3 **Description of selected line items in the Group's Income Statement**

7.3.1 *Revenue*

Revenue is recognized, in accordance with IFRS 15, at the amount that the entity expects to be entitled to as consideration for the transfer of goods when the customer obtains control of the goods, specifying the timing of the transfer of control - either at a point in time or over time. Revenue is defined as the amount that an entity expects to be entitled to in exchange for the services or goods transferred to a customer, excluding amounts received on behalf of third parties (value added tax, other sales taxes).

The Group recognizes revenue, excluding interest and dividend income and other related income from financial instruments recognized under IFRS 9, upon the transfer of promised services to customers in amounts that reflect the consideration to which the Group expects to be entitled in exchange for those goods based on the following five-step approach:

- Step 1: Identify the contract for the sale of the goods.
- Step 2: Identify the separate performance obligations arising from the contract with the customer.

- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the obligations under the contract.
- Step 5: Recognition of revenue as the entity satisfies its obligations under the contract with the customer.

The Group therefore recognizes revenue when (or as) it satisfies its performance obligation to fulfil a contract by transferring the goods or services promised to the customer. The time of transfer of control is usually when the goods have been shipped to the customer's location, unless otherwise specified in the terms of the contract. The terms governing contracts with customers are consistent with international commercial terms (Incoterms).

The Group has determined that there is a single performance obligation, which is the sale to the customer of the related goods and occurs when the final customer has received the product. The Group has concluded that revenue from the sale of products meets the criteria to be recognized at that particular point in time.

The Group does not enter into contracts where the period between the sale of goods promised to the customer and payment by the customer exceeds one year. Therefore, the Group does not adjust the transaction price for the time value of money. The Group does not provide volume discounts to customers.

See also "7.5 *Presentation of Financial Information and Factors Affecting Comparability*", and note 26 of the Unaudited Condensed Consolidated Financial Statements on page F-158, for further information on certain revenue recognition errors identified in the company's Audited Financial Statements.

7.3.2 *Cost of sales*

Cost of sales (manufacturing costs of goods or services from which revenue is earned) covers the total purchase and production costs of products, merchandise, and services sold during the year. These costs are reported in relation to the actual sales and can thus also include production costs capitalized in the preceding year to the extent the respective inventories were sold in the current reporting period. Cost of sales also includes expenses for R&D carried out under contracts with third parties and amortization of capitalized development costs as well as cost of raw materials, direct labor costs, other direct costs and general industrial overheads associated with production.

Cost of sales includes the costs of inefficient production such as the costs of idle capacity, production and price variances, and impairment charges in respect of inventory and of property, plant, and equipment used in the production of goods or delivery of services. Our gross margin therefore also reflects costs of production that cannot be recovered from sales (IAS 2.38).

The Group's cost of sales are made up of (i) purchases consumption; (ii) staff salaries and expenses; (iii) third party fees and expenses; (iv) subcontracting fees; (v) miscellaneous expenses; and (vi) depreciation.

7.3.3 *Selling expenses*

Selling expenses include all direct selling and distribution expenses and related overhead costs incurred in the current year. Sales and distribution expenses includes the following cost centers: sales/ distribution, marketing, advertising, sales staff training, order processing, administration of sales distribution, and regional distribution depots.

7.3.4 *Administrative expenses*

Administrative expenses include all amounts charged to the administrative cost centers. These specifically involve the cost of executive management, legal and compliance, strategy, auditing and tax sectors, accounting, and controlling.

7.3.5 *Research and development expenses*

The expenses for research and development (self-financed) include the expenses for our own basic research and development of future products (unless capitalized in accordance with IAS 38). Expenses for contracted research and development projects are not self-financed and are consequently accounted under cost of sales.

7.3.6 *Income tax*

The Group is taxed at the level of the Greek entity, Theon Sensors SA, where a 22% income tax rate applies to the Group.

7.4 **Key Performance Indicators**

Theon uses certain KPIs to measure performance, identify trends, and make strategic decisions. Besides turnover or revenue (see "7.3.1 Revenue"), which forms part of the Group's IFRS reporting, KPIs include Order Intake and Order Backlog as key operating metrics. In addition, the Group uses other non-IFRS financial measures, including Operating Profit, Operating Profit Margin, Adjusted EBITDA, Operating Free Cash Flow, Net Operating Free Cash Flow, Book-to-Bill ratio and Coverage Ratio, to measure its performance.

Operating Profit, Operating Profit Margin, Adjusted EBITDA, Operating Free Cash Flow, Net Operating Free Cash Flow, Book-to-Bill Ratio and Coverage Ratio are all APMs within the meaning of the Commission Delegated Regulation (EU) 2016/301 and the ESMA Guidelines introduced in July 2016. The Group presents these APMs as supplemental information for the specific reasons outlined below with respect to each APM. These APMs are used by the Group's management to measure operating performance or as an auxiliary parameter, including in presentations to the members of the Group's Board of Directors, and as a basis for strategic planning and forecasting, and they represent measures that the Group believes are widely used by certain investors, securities analysts, and other parties as supplemental measures of operating and financial performance. These APMs may enhance management's and investors' understanding of the Group's financial performance by excluding items that are not classified as part of the Group's ongoing operations, such as interest payments and income, as well as non-cash expenses.

However, these APMs are not defined by IFRS or any other internationally accepted accounting standards, and such items should not be considered as an alternative to the historical financial results or other indicators of the Group's performance, liabilities, or net assets based on IFRS measures. The APMs, as defined by the Group, may not be comparable to similarly titled measures as presented by other companies due to differences in the way the APMs are calculated. Even though the APMs are used by management to assess ongoing operating performance, and though these types of measures are commonly used by investors, they have important limitations as analytical tools, and should not be considered in isolation or as substitutes for the analysis of the Group's results of operations, financial position, and cash flows as reported under IFRS.

We define each of the following APMs as follows:

- **"Operating Profit"** as revenue less cost of sales, plus other income, and less administrative expenses, selling and distribution expenses, research and development expenses and less other expenses.
- **"Operating Profit Margin"** as the ratio of Operating Profit divided by Revenue.
- **"Adjusted EBITDA"** is profit for the period after tax plus income tax, deferred tax, net finance costs and depreciation and amortization.
- **"Operating Free Cash Flow"** is derived by subtracting cash used in the acquisition of tangible and intangible assets from Adjusted EBITDA for the period.
- **"Net Operating Free Cash Flow"** as the difference between Operating Free Cash Flow and the year on year change in net working capital (calculated as the sum of changes in inventory, prepayments, trade and other receivables, trade and other payables and contract liabilities).
- **"Order Intake"** as the EUR amount of recorded incoming orders for a given period, with such amounts recorded at the date on which a corresponding customer contract becomes effective and enforceable in accordance with the terms and conditions of such contract.
- **"Order Backlog"** as the value of our order book at a respective reporting date, based on record of customer orders starting from the opening stock and taking into account revenue and adjustments for the respective reporting period, and ending with the final stock.
- **"Book-to-Bill Ratio"** as Order Intake divided by revenue for the period.

- "Coverage Ratio" as Order Backlog divided by revenue for the period.

The presentation of Order Intake is based on certain evaluations made by Theon (as detailed below) that are inherently uncertain. While management considers such evaluations to be reasonable, they are subject to significant business, economic, and competitive uncertainties and contingencies, all of which are difficult to predict and may partly be beyond the Group's control. As a result, there can be no assurance that Theon will be able to convert Order Backlog into revenue.

The following table presents certain KPIs used for 2022, 2021, and 2020 and for the nine-months periods ended September 30, 2023 and 2022, with Order Backlog and Coverage Ratio described in "7.4.1 Order Backlog and Coverage Ratio" below. For the figures as of and for the financial year ended December 31, 2022, the underlying numbers and calculations are based on restated figures as presented in the Unaudited Condensed Consolidated Financial Statements.

<i>(in € thousands, unless otherwise indicated)</i>	For the nine-month period ended September 30,		For the year ended December 31,			
	2023⁽ⁱ⁾	2022⁽ⁱ⁾	2022			
			(restated)	2022⁽ⁱⁱ⁾	2021⁽ⁱⁱ⁾	2020⁽ⁱⁱ⁾
Revenue.....	115,758.8	70,376.7	142,894.8	147,386.2	80,557.8	54,219.6
Operating Profit ⁽¹⁾	23,507.1	18,589.4	40,232.5	40,996.7	25,407.5	11,136.1
Operating Profit margin.....	20.3%	26.4%	28.2%	27.8%	31.5%	20.5%
Adjusted EBITDA ⁽²⁾	25,201.4	19,631.0	41,708.4	42,472.5	26,696.8	12,322.9
Order Intake <i>(in € million)</i> ⁽³⁾	83.0	382.3	333.6	333.6	85.7	99.3
Book-to-Bill Ratio.....	0.7x	5.4x	2.3x	2.3x	1x	1.8x
Operating Free Cash Flow ⁽⁴⁾	19,261.0	18,034.0	37,768.1	38,532.3	22,092.8	11,299.0
Net Operating Free Cash Flow ⁽⁵⁾ ...	(1,884.0)	(15,232.8)	(7,022.4)	(7,022.1)	17,090.4	9,011.8

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

⁽¹⁾ The below table shows a reconciliation of Theon's Operating Profit to revenue:

<i>(€ thousand)</i>	For the Nine-Month Period Ended September 30,		For the year ended December 31,			
	2023⁽ⁱ⁾	2022⁽ⁱ⁾	2022			
			(restated)	2022⁽ⁱⁱ⁾	2021⁽ⁱⁱ⁾	2020⁽ⁱⁱ⁾
Revenue.....	115,758.8	70,376.7	142,894.8	147,386.2	80,557.8	54,219.6
- Cost of Sales.....	(82,314.0)	(44,323.6)	(92,689.1)	(96,416.3)	(46,913.1)	(36,791.0)
+ Other Income.....	320.2	322.7	998.9	998.9	162.0	48.3
- Administrative Expenses.....	(6,704.4)	(4,803.4)	(7,114.8)	(7,114.8)	(5,286.3)	(3,864.3)
- Selling and Distribution Expenses.....	(1,585.1)	(1,521.0)	(2,008.4)	(2,008.4)	(1,530.9)	(1,255.8)
- Research and Development Expenses.....	(1,875.4)	(1,346.1)	(1,985.1)	(1,985.1)	(1,482.4)	(1,095.2)
- Other Expenses.....	(93.0)	(115.9)	(351.3)	(351.3)	(463.5)	(966.7)
+ Other Income and gains.....	—	—	487.5	487.5	364.0	841.4
= Operating Profit.....	23,507.1	18,589.4	40,232.5	40,996.7	25,407.5	11,136.1

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

⁽²⁾⁽⁴⁾ The below table shows a reconciliation of Theon's Adjusted EBITDA and Operating Free Cash Flow to profit for the period after tax:

<i>(€ thousand)</i>	For the Nine-Month Period Ended September 30,		For the year ended December 31,			
	2023⁽ⁱ⁾	2022⁽ⁱ⁾	2022			
			(restated)	2022⁽ⁱⁱ⁾	2021⁽ⁱⁱ⁾	2020⁽ⁱⁱ⁾
Profit for the period after tax.....	13,904.5	11,916.1	30,000.6	30,596.7	19,063.4	7,429.6
+ Income tax.....	6,766.5	4,079.5	8,213.8	8,213.8	5,202.8	2,742.0
+ Deferred tax.....	17.4	(219.2)	(417.7)	(249.6)	48.8	—
+ Net finance costs.....	3,217.5	2,813.0	2,435.8	2,435.8	1,092.5	964.4
+ Depreciation and amortization expenses.....	1,295.5	1,041.6	1,475.9	1,475.9	1,289.2	1,186.8
= Adjusted EBITDA.....	25,201.4	19,631.0	41,708.4	42,472.5	26,696.8	12,322.9
- Acquisition of tangible and intangible assets (capex).....	(5,940.4)	(1,597.0)	(3,940.2)	(3,940.2)	(4,604.0)	(1,023.8)
Capex as % of revenue.....	5.1%	2.3%	2.8%	2.7%	5.7%	1.9%

<i>(€ thousand)</i>	For the Nine-Month Period Ended September 30,		For the year ended December 31,			
	2023⁽ⁱ⁾	2022⁽ⁱ⁾	2022 (restated)	2022⁽ⁱⁱ⁾	2021⁽ⁱⁱ⁾	2020⁽ⁱⁱ⁾
	= Operating Free Cash Flow	19,261.0	18,034.0	37,768.1	38,532.3	22,092.8

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

- ⁽³⁾ Order Intake is recorded at the date on which a corresponding customer contract becomes effective and enforceable in accordance with the terms and conditions of such contract. Depending on the terms and conditions of the contract, this may either be (i) upon signature of the contract or (ii) at a specific future date following fulfilment of certain specific conditions. In the latter case, such conditions may relate, for example, to the receipt of an advance payment, the receipt of a letter of credit, the receipt of evidence about parent company and/or bank guarantees and/or bonds, any export and import licenses and permits being in place, and/or any governmental or regulatory authorizations being obtained.

All requirements for the "existence of a contract" under the revenue recognition standard IFRS 15 must be fulfilled for an Order Intake to be recorded. Order Intake is generally measured at the amount of the consideration to which we expect to be entitled in exchange for transferring promised goods or services to a customer, being the transaction price according to IFRS 15. IFRS 15 regulations for specific contractual aspects (for example, frame contracts, modifications, or variable considerations) are followed.

- ⁽⁵⁾ Net Operating Free Cash Flow is derived from Operating Free Cash Flow for the period by subtracting change in net working capital (calculated as the sum of changes in inventory, prepayments, trade receivables, trade payables and contract liabilities):

<i>(€million)</i>	For the Nine-Month Period Ended September 30,		For the year ended December 31,			
	2023⁽ⁱ⁾	2022⁽ⁱ⁾	2022 (restated)⁽ⁱ⁾	2022⁽ⁱⁱ⁾	2021⁽ⁱⁱ⁾	2020⁽ⁱⁱ⁾
	Operating Free Cash Flow	19,261.0	18,034.0	37,768.1	38,532.3	22,092.8
Changes in:						
Inventories	(29,254.2)	(24,070.4)	(15,228.2)	(17,713.5)	(2,217.9)	(2,174.7)
Prepayments.....	(1,774.3)	(2,997.8)	(6,212.8)	—	—	—
Trade and other receivables	4,667.9	(17,888.6)	(55,649.2)	(55,649.2)	(8,797.4)	4,422.0
Trade and other payables	6,688.4	10,117.7	48,427.3	27,808.2	6,012.8	(4,534.5)
Contract liabilities.....	(1,472.9)	1,572.3	(16,127.6)	—	—	—
+/- Change in net working capital.....	(21,145.0)	(33,266.8)	(44,790.5)	(45,554.4)	(5,002.4)	(2,287.2)
= Net Operating Free Cash Flow	(1,884.0)	(15,232.8)	(7,022.4)	(7,022.1)	17,090.4	9,011.8

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

7.4.1 **Order Backlog and Coverage Ratio**

The following table presents Order Backlog as of the relevant statement of financial position date for which financial information is presented in the Prospectus:

<i>(in € millions)</i>	As of September 30	As of December 31,			
	2023	2022 (restated)	2022	2021	2020
	Order Backlog ⁽¹⁾	220	253	253	120
Coverage Ratio.....	1.5x*	1.8x	1.8x	1.5x	1.3x

* September 30 Coverage Ratio calculated using revenue for the 2022 financial year.

- ⁽¹⁾ Order Backlog is defined as the value of our order book at a respective reporting date, based on record of customer orders starting from the opening stock and taking into account revenue and adjustments for the respective reporting period, and ending with the final stock. In detail, Order Backlog is composed of:

	Order Backlog at the beginning of the respective reporting period
+	Order Intake for the respective reporting period
-	Reported turnover (revenue) for the respective reporting period
+/-	Foreign exchange adjustments
=	closing Order Backlog at the respective reporting date

Backlog adjustments are recorded in the event a customer (fully or partly) terminates a customer contract or if the transaction price (being the consideration under a customer contract) is reduced for other reasons (for example, due to a modification of the order or a reassessment of variable components of the consideration). If such a customer contract was recorded within the respective reporting period, the corresponding amount of reduction is booked as a negative Order Intake. If such a customer contract was already booked within a preceding reporting period and, thus, formed part of the beginning Order Backlog of the respective reporting period, the corresponding amount of reduction is booked as a backlog adjustment, as the case may be, with no impact on Order Intake for the respective reporting period.

7.5 Presentation of Financial Information and Factors Affecting Comparability

During preparation of the Unaudited Condensed Consolidated Financial Statements, the Group discovered that revenues had been erroneously recognized in its consolidated financial statements since 2021. The errors related to premature revenue recognition of specific sale invoices which should have been recognized in later periods according to IFRS 15 (Revenues from contracts with customers). These errors impact the following statement of financial position line items: contract liabilities, inventories, and deferred tax assets, which the Group addresses by presenting restated statements of financial position as of December 31, 2022 and as of January 1, 2022 in note 26 to the Unaudited Condensed Consolidated Financial Statements found on page F-157. In these restated statements, the Group further addressed other previously erroneously classified amounts, such as between merger reserves and foreign exchange reserves, between accrued and other current liabilities and contract liabilities, as well as between inventories and contract amounts.

Due to the type of identified errors as well as the low quantum of changes required for the corrections, the Company has elected not to make any changes to the historic Audited Consolidated Financial Statements. As a result, the period-to-period comparative discussion of the statement of financial position as of the nine months ended September 30, 2023 compared to as of December 31, 2022, is based on the restated amounts shown in the Unaudited Condensed Consolidated Financial Statements. However, the period-to-period comparative discussion in sections 7.6.2 and 7.7.2 as of and for the financial years ended December 31, 2022, 2021 and 2020 is based on the Audited Consolidated Financial Statements.

In order to further assist comparability, Theon has prepared a recalculation of the income statements for 2022 and 2021, showing the changes that would result from applying the corrected IFRS 15 revenue recognition rules retrospectively for these two financial years.

7.5.1.1 Recalculated Income Statement

The following table sets forth Theon's income statement for the years ended December 31, 2022 and December 31, 2021 and shows the effects of applying the corrections in the Adjustment columns:

(€) thousands	For the year ended December 31,					
	2022 ⁽ⁱⁱ⁾	Adjustment	Adj. 2022	2021 ⁽ⁱⁱ⁾	Adjustment	Adj. 2021
Revenue.....	147,386.2	(4,491.4)	142,894.8	80,557.8	(1,288.8)	79,269.0
Cost of sales	(96,416.3)	3,727.2	(92,689.1)	(46,913.1)	561.3	(46,351.7)
Gross profit.....	50,969.8		50,205.7	33,644.7		32,917.3
Other income	998.9		998.9	162.0		162.0
Administrative expenses ...	(7,114.8)		(7,114.8)	(5,286.3)		(5,286.3)
Selling and distribution expenses	(2,008.4)		(2,008.4)	(1,530.9)		(1,530.9)
Research & Development expenses	(1,985.1)		(1,985.1)	(1,482.4)		(1,482.4)
Other expenses	(351.3)		(351.3)	(463.5)		(463.5)
Operating Profit	40,509.1		39,744.9	25,043.6		24,316.1
Finance income	16.8		16.8	0.2		0.2
Finance expenses.....	(2,452.5)		(2,452.5)	(1,092.7)		(1,092.7)
Other Financial income / (expenses).....			—			—
Other Income and Gains ...	487.5		487.5	364.0		364.0
Profit before income tax	38,560.9		37,796.7	24,315.0		23,587.5
Income tax	(8,213.8)		(8,213.8)	(5,202.8)		(5,202.8)
Deferred tax.....	249.6	168.1	417.7	(48.8)	160.0	111.3
Profit after tax	30,596.7		30,000.6	19,063.4		18,496.0
Other Comprehensive Income	12.4		12.4	1.0		1.0
Total comprehensive income after tax	30,609.1		30,013.0	19,064.4		18,497.0

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

7.5.1.2 2022 recalculation:

For the 2022 financial year, the application of the corrections would have resulted in a decrease in revenue of €4,491.4 thousand, as revenue recognized at the end of the 2022 period would have been recorded in 2023 instead, offsetting any gains from 2021 revenue now recognized at the beginning of 2022. In connection therewith, the 2022 cost of sales would have also decreased by €3,727.2 thousand in 2022. Finally, Theon's deferred taxes would have increased by €168.1 thousand. As a result of the above adjustments, Theon's profit for the year would have decreased by €596.1 thousand.

7.5.1.3 2021 recalculations:

For the 2021 financial year, the application of the corrections would have resulted in a decrease in revenue of €1,288.8 thousand, as revenue recognized at the end of 2021 in the audited income statement for that year would have been recorded in 2022 instead. In connection therewith, the 2021 cost of sales would have decreased by €561.3 thousand due to reclassifications to inventory for the period. Finally, Theon's deferred tax payments for 2021 would have increased by €160.0 thousand. As a result of the above adjustments, Theon's profit for the year in 2021 would have decreased by €567.4 thousand.

7.6 Results of Operations

7.6.1 Nine-Month Period ended September 30, 2023 compared to the Nine-Month Period ended September 30, 2022

The following table summarizes Theon's results of operations for nine-months periods ended September 30, 2023 and 2022:

<i>(€) thousands</i>	For the Nine-Month Period Ended September 30	
	2023 ⁽ⁱ⁾	2022 ⁽ⁱ⁾
Revenue	115,758.8	70,376.7
Cost of sales	(82,314.0)	(44,323.6)
Gross profit	33,444.8	26,053.1
Other income	320.2	322.7
Administrative expenses	(6,704.4)	(4,803.4)
Selling and distribution expenses	(1,585.1)	(1,521.0)
Research and development expenses	(1,875.4)	(1,346.1)
Other expenses	(93.0)	(115.9)
Operating profit	23,507.1	18,589.4
Finance income	714.3	342.6
Finance expenses	(3,931.8)	(3,155.6)
Net Finance Costs	(3,217.5)	(2,813.0)
Share of profit of equity accounted investments	398.8	—
Profit for the period before tax	20,688.4	15,776.4
Income tax	(6,766.5)	(4,079.5)
Deferred tax	(17.4)	219.2
Profit for the period after tax	13,904.5	11,916.1
Other comprehensive income for the period after tax	855.4	1,530.9
Total comprehensive income for the period after tax	14,759.9	13,447.0

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

7.6.1.1 Revenue

Theon's revenue for the nine months ended September 30, 2023 amounted to €115,758.8 thousand, an increase of €45,382.1 thousand, or 64.5%, compared to €70,376.7 thousand in the nine months ended September 30, 2022. This was primarily a result of significant deliveries under the OCCAR contract as well as an increase in deliveries from other contracts and successful government procurement tenders.

For the nine months ended September 30, 2023, substantially all of the Group's revenue was generated from the sale of night vision products (Q3 2023: 92.6%) with the remainder comprising thermal imaging products (Q3 2023: 5.5%) and support services (Q3 2023: 1.9%). Geographically, the Group's revenue for the nine months ended September 30, 2023 can be broken down into the following geographical segments: Europe (85.3%), Americas (8.9%), Asia (5.8%) and Rest of the World (<1%).

7.6.1.2 *Cost of sales*

Theon's cost of sales amounted to €82,314.0 thousand for the nine months ended September 30, 2023, a €37,990.4 thousand, or 85.7% increase, as compared to €44,323.6 thousand in the nine months ended September 30, 2022. The cost of sales increased primarily due to the increase in products delivered, and increased faster than revenue mainly as a result of product mix effects, as well as smaller impacts from increased prices, supply chain shortages and the effects of inflation.

7.6.1.3 *Gross profit margin*

Theon's gross profit margin for the nine months ended September 30, 2023 was 28.9%, a decrease compared to 37.0% for the nine months ended September 30, 2022. This was principally as a result of product mix effects resulting from the significant amount of deliveries under the OCCAR contract as well as the other factors described above.

7.6.1.4 *Other income*

Theon's other income for the nine months ended September 30, 2023 amounted to €320.2 thousand, a decrease of €2.5 thousand, or 0.8%, compared to €322.7 thousand in the nine months ended September 30, 2022.

7.6.1.5 *Administrative expenses*

Theon's administrative expenses for the nine months ended September 30, 2023 were €6,704.4 thousand, a €1,901.0 thousand, or 39.6% increase, as compared to €4,803.4 thousand in the nine months ended September 30, 2022. The increase was primarily due to an increase in employee headcount, salaries and other compensation as a result of the Group's rapid growth.

7.6.1.6 *Selling and distribution expenses*

Theon's selling and distribution expenses for the nine months ended September 30, 2023 were €1,585.1 thousand, a €64.1 thousand, or 4.2% increase, as compared to €1,521.0 thousand in the nine months ended September 30, 2022. The increase was primarily due to inflation effects.

7.6.1.7 *Research and development expenses*

Theon research and development expenses were €1,875.4 thousand for the nine months ended September 30, 2023, a €529.3 thousand, or 39.3% increase, as compared to €1,346.1 thousand in the nine months ended September 30, 2022. The increase was primarily due to costs related to the development of new products and platform-based systems, as well as an increase in the number employees responsible for research and development.

7.6.1.8 *Operating profit*

Theon's operating profit for the nine months ended September 30, 2023 totaled €23,507.1 thousand, an increase of €4,917.7 thousand, or 26.5%, compared to €18,589.4 thousand in the nine months ended September 30, 2022. This was principally as a result of improved business performance in the first nine months of 2023, increased deliveries and increased market share in Europe compared to the prior year period offsetting negative effects from continued supply chain shortages, and increased material costs.

7.6.1.9 *Net Finance costs*

Theon net finance costs for the nine months ended September 30, 2023 amounted to €3,217.5 thousand, a €404.50 thousand, or 14.4% increase, as compared to €2,813.0 thousand in the nine months ended September 30, 2022. The increase was primarily due to interest payments, guarantees, remittances and fluctuations in foreign exchange offsetting.

7.6.1.10 Profit for the period before tax

Theon's profit before tax for the nine months ended September 30, 2023 totaled €20,688.4 thousand, an increase of €4,912.0 thousand, or 31.1%, compared to €15,776.4 thousand in the nine months ended September 30, 2022. This was principally as a result of improved business performance and the factors described above.

7.6.1.11 Income tax

Theon's income tax amounted to €6,766.5 thousand for the nine months ended September 30, 2023, a €2,687.0 thousand, or 65.9% increase, as compared to €4,079.5 thousand in the nine months ended September 30, 2022. The increased income tax was primarily a result of increased revenues, as well as one off effects resulting from withholding tax treatment on intra-group upstream dividends paid by Theon AG to the Company. As a result, the Group's effective tax rate for the nine month period ended September 30, 2023 amounted to 32.7%, an increase compared to 25.9% in the nine months ended September 30, 2022.

7.6.1.12 Profit for the period after tax

Theon's profit for the nine months ended September 30, 2023 totaled €13,904.5 thousand, an increase of €1,988.4 thousand, or 16.7%, compared to €11,916.1 thousand in the nine months ended September 30, 2022. This was principally as a result of the factors described above.

7.6.1.13 Other comprehensive income for the period after tax

Theon's other comprehensive income for the period after tax for the nine months ended September 30, 2023 amounted to €855.4 thousand, a decrease of €675.5 thousand or 44.1% compared to €1,530.9 thousand in the nine months ended September 30, 2022. This decrease was primarily attributable to lower foreign currency translation reserves compared to the prior period.

7.6.1.14 Total comprehensive income for the period after tax

Theon's total comprehensive income after tax for the nine months ended September 30, 2023 was €14,759.9 thousand, an increase of €1,312.9 thousand or 9.8% compared to €13,447.0 thousand for the nine months ended September 30, 2022, as a result of the factors described above.

7.6.2 2022, 2021 and 2020 financial years

The following table summarizes Theon's results of operations for year ended December 31, 2022, December 31, 2021 and December 31, 2020:

<i>(€) thousands</i>	For the year ended December 31,		
	2022⁽ⁱⁱ⁾	2021⁽ⁱⁱ⁾	2020⁽ⁱⁱ⁾
Turnover.....	147,386.2	80,557.8	54,219.6
Cost of sales.....	(96,416.3)	(46,913.1)	(36,791.0)
Gross profit.....	50,969.8	33,644.7	17,428.5
Other income.....	998.9	162.0	48.3
Administrative expenses.....	(7,114.8)	(5,286.3)	(3,864.3)
Selling expenses.....	(2,008.4)	(1,530.9)	(1,255.8)
Research & Development expenses.....	(1,985.1)	(1,482.4)	(1,095.2)
Other expenses, losses and impairments.....	(351.3)	(463.5)	(966.7)
Other income and gains.....	487.5	364	841.4
Profit earnings before interest and tax.....	40,996.7	25,407.5	11,136.1
Interest income and related income.....	16.8	0.2	192.3
Interest charges and related expenses.....	(2,452.5)	(1,092.7)	(1,156.7)
Profit before tax.....	38,560.9	24,315.0	10,171.7
Income tax.....	(7,964.2)	(5,251.6)	(2,742.0)
Profit for the year net of tax.....	30,596.7	19,063.4	7,429.6
Unrealized exchange profits.....	—	—	69.7
Unrealized exchange losses.....	—	—	(78.0)
Re-measurement of defined benefit plans.....	16.0	1.3	(1.4)
Corresponding income tax.....	(3.5)	(0.3)	0.3
Other comprehensive income (losses) after tax.....	12.5	1	(9.4)
Total comprehensive income after tax.....	30,609.2	19,064.5	7,420.2

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

7.6.2.1 Turnover

7.6.2.1.1 Financial year 2022 compared to Financial year 2021

Theon's turnover for the year ended December 31, 2022 was €147,386.2 thousand, an increase of €66,828.4 thousand, or 83.0%, compared to €80,557.8 thousand in the year ended December 31, 2021. This was primarily a result of an increase in deliveries driven by successful government procurement tenders as well as new contracts with customers and an increase in market share primarily in Europe but also in North America. In particular, the increase in turnover in 2022 primarily comprised the increased deliveries under the OCCAR contract, which accounted for approximately €33 million of deliveries that year. In addition, the Group registered an increased demand for its products as a result of the conflict in Ukraine.

The Group's turnover in 2022 consisted primarily of receivables and revenue from the sale of products (approximately 96%) with the remaining part being generated from services rendered in the same period. The Group's turnover in 2022 was substantially generated from the sale of night vision products (89.8%) with the remainder comprising thermal imaging products (8.8%) and services (1.4%). Geographically, the Group's turnover in 2022 was generated in Europe (66.9%), Americas (17.6%), Asia (13.1%) and Rest of the World (2.4%).

7.6.2.1.2 Financial Year 2021 compared to Financial year 2020

Theon's turnover for the year ended December 31, 2021 was €80,557.8 thousand, an increase of €26,338.2 thousand, or 48.6%, compared to €54,219.6 thousand in the year ended December 31, 2020. This increase in revenue was primarily a result of an increase in deliveries driven by successful government procurement tenders as well as new contracts with customers and an increase in market share primarily in Europe but also in North America.

Turnover consisted almost entirely of product deliveries (c.99%) with only a small portion attributable to services rendered. The Group's turnover in 2021 was substantially generated from the sale of night vision products (82.4%) with the remainder comprising thermal imaging products (15.9%) and other services 1.8(%). Geographically, the Group's turnover in 2021 was generated in Europe (67.3%), Americas (19.6%), Asia (12.6%) and Rest of the World (0.5%).

7.6.2.2 Cost of sales

7.6.2.2.1 Financial year 2022 compared to Financial year 2021

Theon's cost of sales amounted to €96,416.3 thousand for the year ended December 31, 2022, an increase of €49,503.2 thousand, or 105.5%, as compared to €46,913.1 thousand in the year ended December 31, 2021. The cost of sales increased primarily due to the increase in products delivered, which increased faster than turnover mainly as the impact on purchases consumption of increased prices, supply chain shortages and the effects of inflation outpaced the effect on turnover of increased deliveries.

The below table shows a breakdown of the Group's cost of sales for 2022 as compared against 2021.

(in € thousands)	For the year ended December 31,		
	2022 ⁽ⁱⁱ⁾	2021 ⁽ⁱⁱ⁾	% change
Purchases consumption.....	81,084.5	36,139.1	124.4%
Staff salaries and expenses.....	4,333.7	4,810.0	-9.9%
Third party fees and expenses.....	7,399.5	5,055.8	46.4%
Subcontracting fees.....	377.2	240.1	57.1%
Miscellaneous expenses.....	2,686.5	215.9	>200%
Depreciation.....	534.8	452.3	18.2%
Total.....	96,416.3	46,913.1	105.5%

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

Purchases consumption comprises the costs of parts and raw materials used by the Group in its products. The increase of 124.4% was primarily due to increased production and partly due to increased parts and

raw material prices, supply chain shortages and the effects of inflation. Third party fees and expenses comprises the costs of the commissions of third parties acting as sales representatives for direct sales on behalf of the Group. The increase of 46.4% was primarily due to the increase in products delivered. Miscellaneous expenses comprise the costs of FX differences, transportation expenses and taxes and duties. The increase of more than 200% was primarily due to foreign currency fluctuations, which were unfavorable to the Group.

7.6.2.2.2 Financial year 2021 compared to Financial year 2020

Theon's cost of sales amounted to €46,913.1 thousand for the year ended December 31, 2021, a €10,122.1 thousand, or 27.5% increase, as compared to €36,791 thousand in the year ended December 31, 2020. The increase was primarily due to increased production resulting in increased costs of sales.

The below table shows a breakdown of the Group's cost of sales for 2021 compared against 2020.

<i>(in € thousands)</i>	For the year ended December 31,		
	2021⁽ⁱⁱ⁾	2020⁽ⁱⁱ⁾	% change
Purchases consumption.....	36,139.1	28,951.5	24.8%
Staff salaries and expenses.....	4,810.0	2,071.2	132.2%
Third party fees and expenses.....	5,055.8	4,552.0	11.1%
Subcontracting fees.....	240.1	123.1	95.0%
Miscellaneous expenses.....	215.9	489.9	-55.9%
Depreciation.....	452.3	603.4	-25.0%
Total.....	46,913.1	36,791.0	27.5%

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

The increase in purchases consumption by 24.8% was primarily due to increased production and partly due to increased parts and raw material prices. The increase in staff salaries and expenses in 2021 by 132.2%, as compared to 2020 is primarily attributable to increased production capacity and increases in headcount, as well as the recruitment of qualified technicians in various fields.

7.6.2.3 Gross profit margin

7.6.2.3.1 Financial year 2022 compared to Financial year 2021

Theon's gross profit margin for the year ended December 31, 2022 was 34.6% compared to 41.8% in the year ended December 31, 2021. This decrease was mainly as a result of the above-described increase in cost of sales.

7.6.2.3.2 Financial Year 2021 compared to Financial year 2020

Theon's gross profit margin for the year ended December 31, 2021 was 41.8% compared to 32.1% in the year ended December 31, 2020. This increase was primarily due to the above-described increase in turnover and was partially offset by the increase in cost of sales.

7.6.2.4 Other income

7.6.2.4.1 Financial year 2022 compared to Financial year 2021

Theon's other income for the year ended December 31, 2022 amounted to €998.9 thousand, an increase of €836.9 thousand, or 516.6%, compared to €162.0 thousand in the year ended December 31, 2021. This was primarily as a result of the reversal of provision for a sales commission that did not materialize.

7.6.2.4.2 Financial year 2021 compared to Financial year 2020

Theon's other income for the year ended December 31, 2021 amounted to €162.0 thousand, an increase of €113.7 thousand, or 235.4%, compared to €48.3 thousand in the year ended December 31, 2020. This was primarily as a result of increased rent received by the Group and government grants.

7.6.2.5 *Administrative expenses*

7.6.2.5.1 Financial year 2022 compared to Financial year 2021

Theon's administrative expenses amounted to €7,114.8 thousand for the year ended December 31, 2022, a €1,828.5 thousand, or 34.6% increase, as compared to €5,286.3 thousand in the year ended December 31, 2021. The increase was primarily related to increased wages for employees not directly engaged in production and an increase in miscellaneous expenses as compared to 2021.

7.6.2.5.2 Financial Year 2021 compared to Financial year 2020

Theon's administrative expenses amounted to €5,286.3 thousand for the year ended December 31, 2021, a €1,422.0 thousand, or 36.8% increase, as compared to €3,864.3 thousand in the year ended December 31, 2020, primarily due to an increase in third party fees and expenses.

7.6.2.6 *Selling expenses*

7.6.2.6.1 Financial year 2022 compared to Financial year 2021

Theon's selling expenses amounted to €2,008.4 thousand for the year ended December 31, 2022, a €477.5 thousand, or 31.2% increase, as compared to €1,530.9 thousand in the year ended December 31, 2021. The increase was primarily due to increased commissions and contractual payments to third party sales associates as the Group expanded its international presence.

7.6.2.6.2 Financial Year 2021 compared to Financial year 2020

Theon's selling expenses amounted to €1,530.9 thousand for the year ended December 31, 2021, a €275.1 thousand, or 21.9% increase, as compared to €1,255.8 thousand in the year ended December 31, 2020. The increase was primarily due to commissions and contractual payments to third party sales associates.

7.6.2.7 *Research & Development expenses*

7.6.2.7.1 Financial year 2022 compared to Financial year 2021

Theon recorded €1,985.1 in research & development expenses for the year ended December 31, 2022, a €502.7 thousand, or 33.9% increase, as compared to an expense of €1,482.4 thousand in the year ended December 31, 2021. The increase was primarily due to funds allocated to the research and development of optical systems with emphasis on new innovative products.

7.6.2.7.2 Financial Year 2021 compared to Financial year 2020

Theon recorded €1,482.4 thousand in research & development expenses for the year ended December 31, 2021, a €387.2 thousand, or 35.4% increase, as compared to expenses of €1,095.2 thousand in the year ended December 31, 2020. The increase was primarily due to increased staff salaries and expenses.

7.6.2.8 *Other expenses, losses and impairments*

7.6.2.8.1 Financial year 2022 compared to Financial year 2021

Theon recorded €351.3 thousand in other expenses, losses and impairments for the year ended December 31, 2022, a decrease of €112.2 thousand, or 24.2%, as compared to €463.5 thousand in the year ended December 31, 2021. The decrease was primarily due to lower foreign exchange losses and other expenses which offset an increase in impairments.

7.6.2.8.2 Financial Year 2021 compared to Financial year 2020

Theon recorded €463.5 thousand in other expenses, losses and impairments for the year ended December 31, 2021, a decrease of €503.2 thousand, or 52.1%, as compared to €966.7 thousand in the year ended December 31, 2020. The decrease was primarily due to lower foreign exchange losses when compared to the prior year period.

7.6.2.9 *Other income and gains*

7.6.2.9.1 Financial year 2022 compared to Financial year 2021

Theon's other income and gains for the year ended December 31, 2022 were €487.5 thousand, an increase of €123.5 thousand, or 33.9%, compared to €364.0 thousand in the year ended December 31, 2021. This was principally as a result of government grants offsetting lower foreign exchange results.

7.6.2.9.2 Financial Year 2021 compared to Financial year 2020

Theon's other income and gains for the year ended December 31, 2021 were €364.0 thousand, a decrease of €477.4 thousand, or 56.7%, as compared to €841.4 thousand in the year ended December 31, 2020. This was principally as a result of lower foreign exchange results.

7.6.2.10 *Profit earnings before interest and tax*

7.6.2.10.1 Financial year 2022 compared to Financial year 2021

Theon's profit earnings before interest and tax for the year ended December 31, 2022 amounted to €40,996.7 thousand, an increase of €15,589.2 thousand, or 61.4%, compared to €25,407.5 thousand in the year ended December 31, 2021. This was principally as a result of improved business performance resulting in increased deliveries and increased market share in Europe compared to the prior year period.

7.6.2.10.2 Financial Year 2021 compared to Financial year 2020

Theon's profit earnings before interest and tax for the year ended December 31, 2021 were €25,407.5 thousand, an increase of €14,271.4 thousand, or 128.2%, compared to €11,136.1 thousand in the year ended December 31, 2020. This was principally as a result of improved business performance, increased deliveries and increased market share in Europe compared to the prior year period.

7.6.2.11 *Interest charges and related expenses*

7.6.2.11.1 Financial year 2022 compared to Financial year 2021

Theon's interest charges and related expenses amounted to €2,452.5 thousand for the year ended December 31, 2022, a €1,359.8 thousand, or 124.4% increase, as compared to €1,092.7 thousand in the year ended December 31, 2021. The increase was primarily due to increased interest charges on short term loans in 2022.

7.6.2.11.2 Financial Year 2021 compared to Financial year 2020

Theon recorded €1,092.7 thousand in interest charges and related expenses for the year ended December 31, 2021, a decrease of €64.0 thousand, or 5.5%, as compared to €1,156.7 thousand in the year ended December 31, 2020. The Group's outstanding long and short term bank loans in 2021 remained on a similar level compared to 2020.

7.6.2.12 *Profit before tax*

(i) Financial year 2022 compared to Financial year 2021

Theon's profit before tax for the year ended December 31, 2022 was €38,560.9 thousand, an increase of €14,245.9 thousand, or 58.6%, compared to €24,315.0 thousand in the year ended December 31, 2021. This was primarily as a result of the improved business performance described above.

(ii) Financial Year 2021 compared to Financial year 2020

Theon's profit before tax for the year ended December 31, 2021 was €24,315.0 thousand, an increase of €14,143.3 thousand, or 139%, compared to €10,171.7 thousand in the year ended December 31, 2020. This was primarily as a result of the improved business performance described above.

7.6.2.13 *Income tax*

(i) Financial year 2022 compared to Financial year 2021

Theon's income tax amounted to €7,964.2 thousand for the year ended December 31, 2022, a €2,712.6 thousand, or 51.7% increase, as compared to €5,251.6 thousand in the year ended December 31, 2021. The increase was primarily attributable to the increased profit. Theon's tax rate for the financial year ended December 31, 2022 was 22%, due to Theon Sensors SA, unchanged from the prior-year period.

(ii) Financial Year 2021 compared to Financial year 2020

Theon's income tax amounted to €5,251.6 thousand for the year ended December 31, 2021, a €2,509.6 thousand, or 91.5% increase, as compared to a loss of €2,742.0 thousand in the year ended December 31, 2020. The increase was primarily attributable to the increased profit.

7.6.2.14 *Total comprehensive income after tax*

(i) Financial year 2022 compared to Financial year 2021

Theon's total comprehensive income after tax for the year ended December 31, 2022 was €30,609.2 thousand, an increase of €11,544.7 thousand, or 60.6%, compared to €19,064.5 thousand in the year ended December 31, 2021. This was principally as a result of improved business performance compared to the prior period.

(ii) Financial Year 2021 compared to Financial year 2020

Theon's total comprehensive income after tax for the year ended December 31, 2021 was €19,064.5 thousand, an increase of €11,644.3 thousand, or 156.9%, compared to €7,420.2 thousand in the year ended December 31, 2020. This was principally as a result of improved business performance.

7.7 Statement of financial position

7.7.1 As of September 30, 2023 and December 31, 2022

The following table summarizes Theon's statement of financial position as at September 30, 2023, and as of December 31, 2022 using financial information extracted from the Unaudited Condensed Consolidated Financial Statements:

	As of September 30	As of December 31
<i>(€) thousands</i>	2023 ⁽ⁱ⁾	2022 (restated) ⁽ⁱ⁾
Non-Current Assets		
Tangible assets	17,581.3	12,894.0
Intangible assets	1,126.2	824.3
Financial assets	656.7	7,677.3
Deferred tax assets	614.4	577.1
Total non-current assets	19,978.7	21,972.8
Current Assets		
Total inventories	63,233.8	34,021.6
Financial assets, receivables and prepayments.....	94,223.5	101,361.3
of which: Trade Accounts Receivable.....	63,196.0	67,996.7
Other Receivables.....	10,791.9	5,092.8
Financial Assets Measured at Fair Value.....	735.8	462.4
Prepayments.....	5,548.5	3,774.2
Cash and cash equivalents	13,951.3	24,035.1
Total current assets	157,457.3	135,382.8
Total Assets	177,436.0	157,355.6
Equity		
Share Capital	200.0	200.0
Total Share Capital.....	200.0	200.0
Total Reserves.....	53,130.3	64,092.1
Total Net Assets	53,330.3	64,292.1
Long Term Liabilities		
Long-Term interest-bearing loans and borrowings.....	2,560.0	3,075.0
Long-Term Lease Liabilities	513.5	586.4
Amount owed for share buy-back	10,996.4	—
Government Grants.....	183.7	188.4
Provision for staff retirement indemnities.....	182.3	162.0
Total Long Term Liabilities	14,435.8	4,011.8
Short term Liabilities		
Trade accounts payable.....	28,623.1	23,969.9
Short term Lease liabilities	347.4	295.2
Short term loans	37,028.4	30,217.3
Short term portion of long-term loans	876.3	781.4
Contract liabilities.....	24,764.3	26,237.2
Tax liabilities	5,548.5	6,067.2
Other tax and duties	—	188.4
Social Security providers.....	458.8	288.5
Amounts owned for share buy-back	4,660.4	—
Dividends payable	4,033.3	—
Other liabilities	3,329.5	1,006.7
Total short-term liabilities	109,669.9	89,051.7
Total Liabilities	124,105.7	93,063.5
Total Net Assets and Liabilities	177,436.0	157,355.6

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

7.7.1.1 Non-current Tangible assets

Theon's non-current tangible assets as at September 30, 2023 were €17,581.3 thousand, an increase of €4,687.3 thousand, or 36.4%, compared to €12,894 thousand as at December 31, 2022. This was principally as a result of investments in property plant and equipment for the production facilities in Athens.

7.7.1.2 Non-current Intangible assets

Theon's non-current intangible assets as at September 30, 2023 were €1,126.2 thousand, an increase of €301.9 thousand, or 36.6%, compared to €824.3 thousand as at December 31, 2022. This was principally as a result of capitalized development costs for new products.

7.7.1.3 Non-current Financial assets

Theon's non-current financial assets as at September 30, 2023 were €656.7 thousand, a decrease of €7,020.6 thousand, or 91.4%, compared to €7,677.3 thousand as at December 31, 2022. This was principally as a result of repayment of shareholder loans previously granted to existing shareholders (see also "15.2 Past Transactions with Related Parties").

7.7.1.4 Total inventories

Theon's total inventories as at September 30, 2023 were €63,233.8 thousand, an increase of €29,212.2 thousand, or 85.9%, compared to €34,021.6 thousand as at December 31, 2022. This was principally as a result of an increase in finished goods and work in progress and an increase in raw materials and other various materials used in production resulting from a higher number of customer contracts compared to the prior-year period, and seasonality effects (whereby many deliveries occur in the fourth quarter). The following table shows a breakdown a Theon's inventories as at September 30, 2023 compared against December 31, 2022:

	<u>As of September 30</u>	<u>As of December 31</u>
<i>(€) thousands</i>	<u>2023⁽ⁱ⁾</u>	<u>2022 (restated)⁽ⁱ⁾</u>
Inventories		
Finished goods and work in progress	20,112.7	12,284.9
Raw materials and various materials	39,034.4	18,900.7
Other inventories	4,086.7	2,836.0
Total.....	<u>63,233.8</u>	<u>34,021.6</u>

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

7.7.1.5 Financial assets, receivables and prepayments

Theon's financial assets, receivables and prepayments as at September 30, 2023 were €94,223.5 thousand, a decrease of €7,137.8 thousand, or 7.0 %, compared to €101,361.3 thousand as at December 31, 2022. This was principally as a result of a decrease in cash and cash equivalents which offset an increase in prepayments and increase in other receivables.

(i) Trade Accounts Receivable

Theon's trade accounts receivable as at September 30, 2023 were €63,196.0 thousand, a decrease of €4,800.7 thousand, or 7.1%, compared to €67,996.7 thousand as at December 31, 2022. This was principally as a result of increased deliveries (resulting in increased pending customer payments) as of September 30, 2023 compared to the end of 2022.

(ii) Other Receivables

Theon's other receivables as at September 30, 2023 were €10,791.9 thousand, an increase of €5,699.1 thousand, or 111.9%, compared to €5,092.8 thousand as at December 31, 2022. This was principally as a result of VAT refunds on expenses related to historical construction expenses for the Athens facilities.

(iii) Prepayments

Theon's prepayments as at September 30, 2023 were €5,548.5 thousand, an increase of €1,774.3 thousand, or 47.0%, compared to €3,774.2 thousand as at December 31, 2022. This was principally as a result of an increase in advance payments for raw materials and various other materials.

(iv) Cash and cash equivalents

Theon's cash and cash equivalents as at September 30, 2023 were €13,951.3 thousand, a decrease of €10,083.8 thousand, or 42.0%, compared to €24,035.1 thousand as at December 31, 2022. This was principally as a result of payment of a special dividend to Theon shareholders resolved by the general shareholders meeting in August 2023.

7.7.1.6 *Total Reserves*

Theon's total reserves as at September 30, 2023 were €53,130.3 thousand, a decrease of €10,961.8 thousand, or 17.1%, compared to €64,092.1 thousand as at December 31, 2022. This was principally as a result of payments owed under a share buyback program conducted by Theon in 2023 and dividend payments, which offset contribution from results for the nine months ended September 30, 2023.

7.7.1.7 *Long term interest - bearing loans and borrowings*

Theon's long term interest - bearing loans and borrowings as at September 30, 2023 were €2,560.0 thousand, a decrease of €515.0 thousand, or 16.7%, compared to €3,075.0 thousand as at December 31, 2022. This was principally as a result of loan repayments.

7.7.1.8 *Long term amounts owed for a share buy-back*

As at September 30, 2023 the Group recorded €10,996.4 thousand as a long term liability related to amounts owed to former shareholders under a share buyback in the amount of €15.7 million executed in 2023, of which €10.9 million is attributable to long term liabilities, with the remainder being recorded in short term liabilities.

7.7.1.9 *Trade accounts payable*

Theon's trade accounts payable as at September 30, 2023 were €28,623.1 thousand, an increase of €4,653.2 thousand, or 19.4%, compared to €23,969.9 thousand as at December 31, 2022. This was principally as a result of seasonality effects and of increased sales.

7.7.1.10 *Short term Lease liabilities*

Theon's short term lease liabilities as at September 30, 2023 were €347.4 thousand, an increase of €52.2 thousand, or 17.7%, compared to €295.2 thousand as at December 31, 2022. This was principally as a result of increases resulting from the reclassification of long term leases to short term leases which more than offset short term loan repayments.

7.7.1.11 *Short term loans*

Theon's short term loans as at September 30, 2023 were €37,028.4 thousand, an increase of €6,811.1 thousand, or 22.5%, compared to €30,217.3 thousand as at December 31, 2022. This was principally as a result of working capital financing and seasonality effects.

7.7.1.12 *Short term portion of long-term loans*

Theon's short term portion of long-term loans as at September 30, 2023 was €876.3 thousand, an increase of €94.9 thousand, or 12.1%, compared to €781.4 thousand as at December 31, 2022. This was principally as a result of ordinary course of business.

7.7.1.13 *Contract liabilities*

Theon's contract liabilities as at September 30, 2023 were €24,764.3 thousand, a decrease of €1,472.9 thousand, or 5.6%, compared to €26,237.2 thousand as at December 31, 2022. This was principally as a result of advance payments received from customers under respective purchase orders.

7.7.1.14 Tax liabilities

Theon's tax liabilities as at September 30, 2023 were €5,548.5 thousand, a decrease of €518.7 thousand, or 8.5%, compared to €6,067.2 thousand as at December 31, 2022. This was principally as a result of business performance and effects of reclassifications.

7.7.1.15 Short term amounts owed for share buyback

As of September 30, 2023, the short term portion of long-term loans recorded as a short term liability on Theon's balance sheet amounted to €4,660.4 thousand, related to amounts owed to former shareholders under a share buyback in the amount for approximately €15.7 million executed in 2023.

7.7.1.16 Dividends payable

As of September 30, 2023, Theon recorded €4,033.3 thousand in short term liabilities attributable to outstanding amounts owed to former shareholders under a extraordinary dividend declared in August 2023 dividend which was not paid as of September 30, 2023.

7.7.1.17 Short term other liabilities

Theon's short term other liabilities as at September 30, 2023 were €3,329.5 thousand, an increase of €2,322.8 thousand or 230.7%, compared to €1,006.7 thousand as at December 31, 2022. This increase was primarily a result of purchases from suppliers being in transit and sales commissions.

7.7.2 As of December 31, 2022, 2021 and 2020:

The following table summarizes Theon's statement of financial position as at December 31, 2022, December 31, 2021 and December 31, 2020.

<i>(€) thousands</i>	For the year ended December 31,		
	2022⁽ⁱⁱ⁾	2021⁽ⁱⁱ⁾	2020⁽ⁱⁱ⁾
Non-Current Assets			
Tangible assets	12,894.0	10,676.7	7,261.7
Intangible assets	824.3	523.5	583.8
Financial assets	7,677.3	103.9	97.3
Deferred tax asset.....	303.6	54.0	221.0
Total non-current assets	21,699.2	11,358.2	8,163.9
Current Assets			
Inventory (Stocks)	33,507.3	15,530.5	13,347.3
Financial assets and receivables	97,587.0	45,045.1	24,634.5
Of which: Trade receivables.....	69,390.5	15,841.7	6,779.2
Cash and cash equivalents.....	24,035.1	26,096.4	14,632.3
Total current assets	131,094.3	60,575.6	37,981.8
Total assets	152,793.5	71,935.6	46,145.7
Equity			
Paid up Capital.....	200.0	200.0	200.0
Reserves	65,255.6	33,645.2	14,418.5
Total Net Capital and Reserves	65,455.6	33,845.2	14,618.5
Provisions for employee benefits.....	162.0	162.0	253.0
Provisions	162.0	162.0	253.0
Liabilities			
Loans.....	3,075.0	7,540.1	1,705.9
Lease liabilities	586.4	815.4	360.0
Loans from shareholders	-	-	6,960.9
Government grants.....	188.4	378.4	5.0
Total Long-term liabilities	3,849.8	8,733.9	9,031.8
Short Term Loans	30,217.3	8,922.9	10,936.3
Short-term portion of long loans	781.4	717.5	106.6
Lease liabilities	295.2	281.4	273.4
Trade payables	23,969.9	6,915.6	6,641.3
Tax liabilities	6,121.8	4,296.2	2,093.6
Other taxes and duties.....	188.4	131.7	122.0

<i>(€) thousands</i>	For the year ended December 31,		
	2022⁽ⁱⁱ⁾	2021⁽ⁱⁱ⁾	2020⁽ⁱⁱ⁾
Social security providers	288.5	209.5	219.8
Other liabilities	21,463.7	7,719.7	1,849.6
Total Short-term liabilities	83,326.1	29,194.5	22,242.5
Total liabilities	87,337.9	37,928.4	31,527.2
Total net assets and liabilities	152,793.5	71,935.6	46,145.7

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

7.7.2.1 *Non-current Financial assets*

7.7.2.1.1 December 31, 2022 compared to December 31, 2021

Theon's non-current financial assets as at December 31, 2022 were €7,677.3 thousand, an increase of €7,573.4 thousand compared to €103.9 thousand in the year ended December 31, 2021. This was principally as a result of loans receivables from related parties in the amount of approximately €7,500 thousand.

7.7.2.1.2 December 31, 2021 compared to December 31, 2020

Theon's non-current financial assets as at December 31, 2021 were €103.9 thousand, an increase of €6.6 thousand, or 6.8%, compared to €97.3 thousand in the year ended December 31, 2020.

7.7.2.2 *Tangible assets*

7.7.2.2.1 December 31, 2022 compared to December 31, 2021

Theon's tangible assets as at December 31, 2022 were €12,894.0 thousand, an increase of €2,217.3 thousand, or 20.8%, compared to €10,676.7 thousand in the year ended December 31, 2021. This was principally as a result of the construction of the additional production plant in Athens.

7.7.2.2.2 December 31, 2021 compared to December 31, 2020

Theon's tangible assets as at December 31, 2021 were €10,676.7 thousand, an increase of €3,415 thousand, or 47.0%, compared to €7,261.7 thousand in the year ended December 31, 2020, principally as a result of the construction of the production plant in Athens.

7.7.2.3 *Inventory (Stocks)*

7.7.2.3.1 December 31, 2022 compared to December 31, 2021

Theon's inventory (stocks) as at December 31, 2022 were €33,507.3 thousand, an increase of €17,976.8 thousand, or 115.8%, compared to €15,530.5 thousand in the year ended December 31, 2021. This was principally a result of the increase in sales and the Group's strategic decision to increase raw materials and parts inventories to protect against, e.g., supply chain delays.

7.7.2.3.2 December 31, 2021 compared to December 31, 2020

Theon's inventory (stocks) as at December 31, 2021 were €15,530.5 thousand, an increase of €2,183.2 thousand, or 16.4%, compared to €13,347.3 thousand in the year ended December 31, 2020. This was principally a result of the increase in sales and the Group's strategic decision to increase raw materials and parts inventories to protect against, e.g., supply chain delays.

7.7.2.4 *Trade receivables*

7.7.2.4.1 December 31, 2022 compared to December 31, 2021

Theon's trade receivables as at December 31, 2022 were €69,390.5 thousand, an increase of €53,548.8 thousand, or 338%, compared to €15,841.7 thousand in the year ended December 31, 2021. This was principally as a result of the growing business and high amount of deliveries that were invoiced at the last quarter of the year.

7.7.2.4.2 December 31, 2021 compared to December 31, 2020

Theon's trade receivables as at December 31, 2021 were €15,841.7 thousand, an increase of €9,062.5 thousand, or 133.7%, compared to €6,779.2 thousand in the year ended December 31, 2020. This was principally as a result of the growing business and high amount of deliveries that were invoiced at the last quarter of the year.

7.7.2.5 Reserves

7.7.2.5.1 December 31, 2022 compared to December 31, 2021

Theon's reserves as at December 31, 2022 were €65,255.6 thousand, an increase of €31,610.4 thousand, or 94.0%, compared to €33,645.2 thousand in the year ended December 31, 2021. This was principally as a result of the profit after tax for the year, amounting to €30.6 million.

7.7.2.5.2 December 31, 2021 compared to December 31, 2020

Theon's reserves as at December 31, 2021 were €33,645.2 thousand, an increase of €19,226.7 thousand, or 133.3%, compared to €14,418.5 thousand in the year ended December 31, 2020. This was principally as a result of the profit after tax for the year, amounting to €19.1 million.

7.7.2.6 Long Term Loans

7.7.2.6.1 December 31, 2022 compared to December 31, 2021

Theon's loans as at December 31, 2022 were €3,075.0 thousand, a decrease of €4,465.1 thousand, or 59.2%, compared to €7,540.1 thousand in the year ended December 31, 2021. This was principally as a result of an early repayment of long-term loans amounting to €3.8 million.

7.7.2.6.2 December 31, 2021 compared to December 31, 2020

Theon's loans as at December 31, 2021 were €7,540.1 thousand, an increase of €5,834.2 thousand, or 342%, compared to €1,705.9 thousand in the year ended December 31, 2020. This was principally as a result of new loans to finance the acquisition and renovation of the new production plant and COVID-19 relief loans.

7.7.2.7 Short term Loans

7.7.2.7.1 December 31, 2022 compared to December 31, 2021

Theon's loans as at December 31, 2022 were €30,217.3 thousand, an increase of €21,294.4 thousand, or 238.6%, compared to €8,922.9 thousand in the year ended December 31, 2021. This was principally as a result of the additional project working capital financing, increased in connection with the increased volume of business.

7.7.2.7.2 December 31, 2021 compared to December 31, 2020

Theon's loans as at December 31, 2021 were €8,922.9 thousand, a decrease of €2,013.4 thousand, or 18.4%, compared to €10,936.3 thousand in the year ended December 31, 2020. This was principally as a result of the additional liquidity at year end.

7.7.2.8 Trade payables

7.7.2.8.1 December 31, 2022 compared to December 31, 2021

Theon's trade payables as at December 31, 2022 were €23,969.9 thousand, an increase of €17,054.3 thousand, or 246.6%, compared to €6,915.6 thousand in the year ended December 31, 2021. This was principally as a result of the normal course of business increase of orders and consequent increase of inventory.

7.7.2.8.2 December 31, 2021 compared to December 31, 2020

Theon's trade payables as at December 31, 2021 were €6,915.6 thousand, an increase of €274.3 thousand, or 4.1%, compared to €6,641.3 thousand in the year ended December 31, 2020. This was principally as a result of the normal course of business increase of orders.

7.7.2.9 Tax liabilities

7.7.2.9.1 December 31, 2022 compared to December 31, 2021

Theon's tax liabilities as at December 31, 2022 were €6,121.8 thousand, an increase of €1,825.6 thousand, or 42.5%, compared to €4,296.2 thousand in the year ended December 31, 2021. This was principally as a result of the Group's higher income and profit.

7.7.2.9.2 December 31, 2021 compared to December 31, 2020

Theon's tax liabilities as at December 31, 2021 were €4,296.2 thousand, an increase of €2,202.6 thousand, or 105.2%, compared to €2,093.6 thousand in the year ended December 31, 2020. This was principally as a result of the Group's higher income and profit.

7.7.2.10 Other liabilities

7.7.2.10.1 December 31, 2022 compared to December 31, 2021

Theon's other liabilities as at December 31, 2022 were €21,463.7 thousand, an increase of €13,744.0 thousand, or 178.0%, compared to €7,719.7 thousand in the year ended December 31, 2021. This was principally as a result of customer prepayments of approximately €20.5 million.

7.7.2.10.2 December 31, 2021 compared to December 31, 2020

Theon's other liabilities as at December 31, 2021 were €7,719.7 thousand, an increase of €5,870.1 thousand, or 317.4%, compared to €1,849.6 thousand in the year ended December 31, 2020. This was principally as a result of customer prepayments.

7.8 Liquidity and Capital Resources

7.8.1 Overview

In the first nine months of 2023 as well as the twelve months ended December 31, 2022, 2021, and 2020, our principal sources of funds were cash flow from operating activities and borrowings. Our principal uses of cash were to fund investments (including R&D and capex), working capital, and debt service obligations (including payment of interest and repayment of principal).

7.8.2 Cash flows

The following table summarizes Theon's consolidated statement of cash flows for the years ended December 31, 2022, 2021 and 2020 and for the nine-month periods ended September 30, 2023 and 2022.

	For the Nine-Month Period ended September 30		For the year ended December 31,		
	2023 ⁽ⁱ⁾	2022 ⁽ⁱ⁾	2022 ⁽ⁱⁱ⁾	2021 ⁽ⁱⁱ⁾	2020 ⁽ⁱⁱ⁾
<i>(€) thousands</i>					
Profit before tax	20,688.4	15,776.4	38,560.9	24,315.0	10,171.7
Cashflows used in operating activities (a)	(3,085.7)	(17,446.0)	(5,976.0)	18,880.0	8,757.6
Cashflows used in investing activities (b)	(4,190.4)	(8,256.7)	(11,275.9)	(4,181.7)	(830.4)
Cashflows used in financing activities (c)	(2,169.5)	7,112.2	15,199.4	(3,308.3)	(412.7)
Cash and cash equivalents at beginning of the period/year	24,035.1	26,096.4	26,096.4	14,632.3	7,054.5
Foreign exchange differences	(638.3)	(81.8)	12.3	74.1	63.4
Cash and cash equivalents at end of period/year	13,951.3	7,424.1	24,035.1	26,096.4	14,632.3

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

7.8.2.1 Net cash flow from / used in operating activities

In the nine months ended September 30, 2023, the Group recorded net operating cash outflows of €3.1 million, primarily as a result of an increase in inventories of €29.3 million offsetting a decrease in trade accounts receivable and other receivables.

In 2022, the Group recorded operating cash outflow amounting to €6.0 million, primarily caused by the increase in inventory of €17.7 million compared to 2021 as a result of supply chain shortages for certain night vision parts as well as by an increase in receivables of €55.6 million, due to the significant increase in sales and timing of invoicing. A significant part of the invoicing was made at the end of the year and collections were completed in 2023. In 2021, operating cash inflow amounted to €18.9 million and was primarily driven by the sales performance for the year. In 2020, operating cash flow amounted to an inflow of €8.8 million, primarily driven by the sales performance for the year.

7.8.2.2 Net cash flow from / used in investing activities

In the nine months ended September 30, 2023, the Group's net cash flow used in investment activities amounted to €4.2 million, primarily attributable to capitalized expenditure for the acquisition of tangible and intangible assets in the amount of €5.9 million, as well as investments in other financial assets amounting to €5.6 million, more than offsetting amounts received from the repayment of loans extended to shareholders and affiliated entities of approximately €7.4 million.

In 2022, the Group's net cash flow used in investment activities amounted to €11.3 million, primarily attributable to shareholder loans granted in related party transactions with affiliates of the Group controlled by the Group's major shareholder amounting to approximately €8.7 million (see also: "15.2 Past Transactions with Related Parties") as well as investments/acquisitions amounting to €3.9 million attributable to the completion of the new production plant and purchase of new machinery and equipment. In 2021, Theon's net cash flow used in investment activities amounted to €4.2 million, primarily affected by an acquisition of €4.6 million attributable to building and renovation of the new production plant and purchase of new machinery and equipment, and partially offset by receipts from government grants in the amount of 0.4 million. In 2020, the Group's net cash flow used in investment activities amounted to €0.8 million primarily affected by Group acquisitions of machinery and equipment, which were partially offset by receipt of government grants in the amount of 0.2 million.

7.8.2.3 Net cash flow from / used in financing activities

In the nine months ended September 30, 2023, the Group's net cash flow used in financing activities amounted to €2.2 million, primarily as a result of dividend payments as of September 30, 2023 of €6.0 million, offsetting net amounts received from borrowings from financial institutions.

In 2022, the Group's net cash flow from financing activities amounted to €15.2 million, primarily resulting from cash received from an increase in bank loans of €42.9 million, partially offset by repayments of principal and interest. In 2021, the Group's net cash flow used in financing activities amounted to €3.3 million, primarily resulting from cash used in refinancing of outstanding loans and payment of interest. In 2020, cash flow used in financing activities amounted to €0.4 million, primarily used in refinancing of existing loans and payment of interest.

7.8.3 Indebtedness

The below tables show a breakdown the Group's loan and bank liabilities split by maturities for each of 2022, 2021 and 2020:

	Long term loans	Short term loans	Short term portion of long term loans	Total bank loans	Long term lease liabilities	Short term lease liabilities	Total loan obligations
2021⁽ⁱⁱ⁾							
	€			€			
Amounts due on 1/1/2021	1,705,883	10,936,288	106,587	12,748,758	360,014	273,382	13,382,154
New lease liabilities	-	-	-	-	559,486	184,514	744,000
Disbursements	6,600,000	30,871,883	-	37,471,883	-	-	37,471,883
Capital repayments	(91,926)	(32,881,686)	(94,116)	(33,067,728)	-	(280,629)	(33,348,357)
Interest charges	94,848	324,948	61,281	481,077	-	17,455	498,532
Interest repayments	(86,254)	(328,535)	(38,664)	(453,453)	-	(17,455)	(470,908)

2021 ⁽ⁱⁱ⁾	Long term loans	Short term loans	Short term portion of long term loans	Total bank loans	Long term lease liabilities	Short term lease liabilities	Total loan obligations
				€			
Transfers between accounts	(682,448)	-	682,448	-	(104,083)	104,083	-
Amounts due on 31/12/2021	7,540,103	8,922,898	717,536	17,180,537	815,417	281,350	18,277,304

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

2022 ⁽ⁱⁱ⁾	Long term loans	Short term loans	Short term portion of long term loans	Total bank loans	Long term lease liabilities	Short term lease liabilities	Total loan obligations
							€
Amounts due on 1/1/2022	7,540,103	8,922,898	717,536	17,180,537	815,417	281,350	18,277,304
New lease liabilities	-	-	-	-	54,143	19,716	73,859
Disbursements	-	42,919,990	-	42,919,990	-	-	42,919,990
Capital repayments	(1,711,768)	(23,837,158)	(682,448)	(26,231,374)	-	(289,040)	(26,520,414)
Interest charges	84,617	676,728	48,487	809,832	-	32,357	842,189
Interest repayments	(84,617)	(465,188)	(55,511)	(605,316)	-	(32,357)	(637,673)
Transfers between accounts	(2,753,333)	2,000,000	753,333	-	(283,206)	283,206	-
Amounts due on 31/12/2022	3,075,002	30,217,270	781,297	34,073,669	586,354	295,232	34,955,255

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

As of September 30, 2023, the Group's loan and bank liabilities were as follows:

	As of September 30	As of December 31
<i>(€) thousands</i>	2023 ⁽ⁱ⁾	2022 (restated) ⁽ⁱ⁾
Long term interest bearing loans and borrowings	2,560.0	3,075.0
Short term loans	37,028.4	30,217.3
Short-term portion of long-term loans	876.3	781.4
Bank loans	40,464.7	34,073.7
Long term lease liabilities	513.5	586.4
Short term lease liabilities	347.4	295.2
Lease Liabilities	860.9	881.6
Total of interest-bearing liabilities	41,325.6	34,955.3

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

7.8.4 Customer prepayment liabilities

Certain customers prepay for Group products or services and as a result the Group recognizes this item as a liability as per the table below. The increase in 2022 was primarily due to the Austrian Armed Forces paying an approximately €16.7 million down payment at the end of 2022.

	For the year ended December 31,		
<i>(€) thousands</i>	2022 ⁽ⁱⁱ⁾	2021 ⁽ⁱⁱ⁾	2020 ⁽ⁱⁱ⁾
Customer prepayments	20,457.0	4,329.3	1,663.8
Various creditors	1,006.7	3,390.3	185.7
Net book value	21,463.7	7,719.7	1,849.6

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

7.8.5 *Contingent Liabilities and Commitments*

The Group has no significant outstanding liabilities to third parties. However, during the ordinary course of business the Group issues guarantee letters, which are shown in the table below:

<i>(€) thousand</i>	As of September 30,	As of December 31,		
	2023 ⁽ⁱ⁾	2022 ⁽ⁱⁱ⁾	2021 ⁽ⁱⁱ⁾	2020 ⁽ⁱⁱ⁾
Guarantee letters for customs office.....	15,538.0	12,154.0	7,040.5	4,962.0
Performance guarantees	63.1	145.4	348.9	946.8
Guarantee letters for goods standing.....	1,069.8	817.8	1,162.9	11.2
Guarantee letters for customer prepayments.....	16,367.2	16,367.2	1,895.3	3,001.7
Guarantee letters for third parties.....	993.7	191.7	191.7	—
Guarantee letters for participation.....	72.6	509.2	220.8	484.5
Total	34,104.4	30,185.3	10,860.1	9,406.3

⁽ⁱ⁾ Derived from the Unaudited Condensed Consolidated Financial Statements.

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

The increase in the amount of guarantee letters for 2020, 2021 and 2022 for the customs office was primarily driven by the increase in sales. The guarantee in favor of customer repayments was issued by Theon as an advance payment guarantee of equal value in case Theon did not deliver products to the customer.

7.8.6 *Dividend policy*

The Company has not paid any dividends in the past three financial year. The Company intends to begin paying dividends in the medium term and targets a dividend payout ratio between 30% and 40% of its net income, subject to market conditions. Any future determination to pay dividends will be made in accordance with applicable laws, and will depend upon, among other factors, the Company's results of operations, financial condition, contractual restrictions and capital requirements. The Company's future ability to pay dividends may be limited by the terms of any existing and future debt or preferred securities.

7.9 **Capital expenditure**

For the period between January 1, 2023 and September 30, 2023, Theon's total investments for the acquisition of tangible and intangible assets amounted to €5.9 million, utilized for completion of a new facility, purchase of new machinery and equipment, partial automation of the production and new systems and laboratories for the R&D department with an emphasis on development of platform-based products. The Company estimates that capital expenditure for the year ending December 31, 2023 will amount to approximately €10 million, to be mainly used for completing the expansion of production facilities in Athens and supporting the production capacity at certain significant parts suppliers. As of the date of this Prospectus, compared to amounts invested up to September 30, 2023, further investments amounting to €0.1 million were made.

In 2022, the Group's total investments amounted to €4,133.3 thousand in the twelve month period ended December 31, 2022. Investments were allocated to increase the production capacity and new machinery, equipment and software for R&D.

In 2021, the Group's total investments and capital expenditure amounted to €3,923.5 thousand in the twelve month period ended December 31, 2021, which was used for increasing the Group's production capacity as well as for investments in new systems and laboratories for the R&D department.

In 2020, the Group's total investments and capital expenditure amounted to €1,059.5 thousand in the twelve month period ended December 31, 2021. Investments were allocated to increase the production capacity and purchase new machinery and equipment for R&D.

7.10 **Contractual commitments**

As of the date of this Prospectus, the Group has not undertaken any material investments in progress or for which firm commitments have already been made.

7.11 Quantitative and Qualitative Disclosures about Liquidity Risks

In addition to operating cash flows, the Group holds adequate cash reserves and other liquid assets such as credit facilities with banks in order to ensure it can discharge its financial obligations. The Group does not face liquidity risks since its working capital is sufficient to meet its needs.

7.12 Quantitative and Qualitative Disclosures about Market Risks

7.12.1 Foreign exchange risk

The Group enters into transactions in foreign currencies both when selling and buying goods and so is exposed to such risk.

When purchasing from foreign firms, the main transactional currency is the USD. Although there are fluctuations in the EUR/USD exchange rate, this had no major impact on the results for the period. Moreover, the Group uses FX derivatives (options-forwards) to hedge the risk of changes in exchange rates.

The exchange rates used during the year are as follows:

	Exch. Rate Euro as of	
	31/12/2022 ⁽ⁱⁱ⁾	31/12/2021 ⁽ⁱⁱ⁾
USD	1.0666	1.1326
GBP	0.8945	0.8945
CHF	0.9847	1.0331

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

The table below shows changes to Group earnings before tax and equity in the case of potential changes in USD exchange rates since that is the currency in which the Group primarily does business other than the Euro, keeping all other variables unchanged. Changes include monetary assets and liabilities - specifically "receivables and payables" - relevant to Euro - USD exchange rates.

(Amounts in €)	Fluctuation		Fluctuation	
	+10%	-10%	+10%	-10%
	USD		USD	
	2022 ⁽ⁱⁱ⁾		2021 ⁽ⁱⁱ⁾	
Effect on "Earnings before taxes"	837,889	(837,889)	342,869	(342,869)
Effect on Equity	837,889	(837,889)	342,869	(342,869)

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

7.12.2 Financial assets/liabilities in FX

	2022 ⁽ⁱⁱ⁾	2021 ⁽ⁱⁱ⁾
Financial assets in FX	14,084,207	4,227,383
Financial liabilities in FX	5,782,828	2,437,312

⁽ⁱⁱ⁾ Derived from the Audited Consolidated Financial Statements.

7.12.3 Interest rate risk

Due to the fact that the Group does not have significant interest-bearing assets, its operating income and cash flows are materially independent of changes in interest rates.

The Group has loan obligations. Where there are loans, the loan repayment terms, including the borrowing rates, are negotiated with banks. Consequently, the level of interest and the interest rate applied are not freely adjustable, but are negotiated.

7.12.4 *Credit risk*

The Group provides goods and services solely to recognized, solvent counterparties. It is Group policy that all clients to whom goods and services are provided on credit must undergo credit checks. In addition, trade receivables are constantly monitored to minimize risk from bad debt.

As far as the credit risk from other financial assets of the Group is concerned (cash and cash equivalents), the risk derives from failure to comply with the counterparty's contractual terms, and maximum exposure to risk is equal to the book value of the instruments concerned. Group exposure to credit risk is limited to the financial assets (instruments), comprising mainly of trade receivables but where the Group does not anticipate any material credit risk exposure. For a breakdown of all financial assets where the Group is exposed to the credit worthiness of third parties, see notes 4.6.1 C) of the Audited 2022 Consolidated Financial Statements and note 20 of the Unaudited Condensed Consolidated Financial Statements.

7.13 **Critical Accounting Policies**

Highlighted below are those accounting policies of the Group that involve management estimates or judgement. For a further discussion of all Group accounting policies employed in preparing its financial statements, see also Note 4 in the Audited 2022 Consolidated Financial Statements and note 7 of the Unaudited Condensed Consolidated Financial Statements.

7.13.1 *Stocks (Inventories)*

Inventories are valued at acquisition cost or net realizable value, whichever is lower. Acquisition cost is calculated using the average weighted cost method. The cost of finished products and production under way consists of the cost of raw materials, direct labor costs, other direct costs and general industrial overheads associated with production (in accordance with normal production capacity). Net realizable value is the estimated sale price in the normal course of business, less the estimated selling and transaction costs.

Any loss resulting from measuring stocks/inventories at net realizable value, when it is below acquisition cost, is recognized in impairment losses and affects the cost of sales in the income statement. Where there are particularly high impairment losses for stocks/inventories, the relevant amounts are shown in the 'Asset impairment' account in the income statement to ensure fair presentation.

Appropriate provisions are made for impaired, obsolete and slow-moving inventories. Writedowns of inventories to net realizable value and other losses from inventories are recognized in the income statement in the period they occur.

7.13.2 *Trade receivables*

Trade receivables are the balances owed by customers from the sale of goods or provision of services in the context of the Group's normal operations. Trade receivables are initially recognized at their fair value and later valued at the carrying amount by using the effective interest rate method, less impairment losses. The Group shows any unreserved rights over the consideration from contracts with customers separately as a trade receivable.

7.13.3 *Provisions*

Provisions are liabilities where the time or amount is uncertain. Provisions are recognized when there is a present legal or presumed commitment as a result of past events; it is likely that an outflow of resources will be needed to settle the commitment and the amount required can be reliably estimated. When the Group expects to be compensated for a loss which it has suffered (as in the case of insurance contracts for example) and it is fully certain that the amount will be collected, the specific compensation is recognized as a separate receivable. The cost associated with each provision is presented in the income statement, net of any compensation.

Provisions are not recognized for future operating losses. The Group forms a provision for onerous contracts when the financial gain expected to flow from such contracts is less than the unavoidable cost of complying with contractual obligations.

Restructuring provisions include penalties for early termination of leases and payment of employment termination benefits and are recorded in the period in which the Group acquires the legal or presumed

obligation to make payment. Costs associated with the Group's normal business activity are not entered in provisions before binding events occur. When time affects the value of money in a significant way, provisions are measured at the present value of the expenditure expected to be required to settle the liability, using a pre-tax interest rate which reflects the current market estimates of the value of money over time and risks associated with the liability, as the discounting rate. An increase in the provision due to the passage of time is recognized as a financial expense.

8. OVERVIEW OF INDUSTRY AND COMPETITION

The market and industry data and forecasts and statements regarding the Group's position in the relevant market or market segment in this section are based on various market research and other publicly available information, as well as reports by independent industry sources. For more information on the sources used in the Prospectus, see Section 2.7 "Sources of Market Data".

Certain statements below are based on the Group's own proprietary information, insights, opinions or estimates, and not on any third-party or independent source; these statements contain words such as the Group "believes", "expects", "considers" or "estimates", and as such do not purport to cite or summarize any third-party or independent source and should not be read this way.

8.1 Market Overview

The global defense market covers a wide range of products and services, such as research, design, prototyping, test and evaluation as well as procurement, manufacturing, assembling, and servicing of equipment (collectively the "**Global Defense Market**"). Key product categories include (i) electronic equipment such as optical and optronics equipment, radars, electronic warfare systems, platform avionics and vetronics, and battle management and command and control systems, (ii) small arms, ammunition, and dismounted soldier systems, (iii) military vehicles such as tanks, armored fighting vehicles and uncrewed ground vehicles ("**UGVs**"), (iv) aircraft, helicopters and uncrewed aerial vehicles ("**UAVs**"), and (v) naval surface vessels, uncrewed naval systems and submarines. In addition to the aforementioned activities, the global defense market comprises spending on military operations salaries of military personnel (including healthcare, pensions and hardship payments) as well as funding for the construction of new and maintenance of existing military facilities (source: Renaissance Strategic Advisors).

The Group is a platform-agnostic provider of defense and security sensor systems primarily active in the optronics market. The optronics market is a sub-segment of the Global Defense Market, which includes businesses that design, develop, manufacture, market, sell and service high-tech optical systems and devices, such as, among other things, night vision and thermal imaging devices for military and security applications and/or dual-use goods ("**Optronics Market**"). The Group is primarily focused on items worn or carried by soldiers, including those fitted to their weapon systems ("**dismounted systems**"). The Group's suite of platform optronics systems is nascent and growing; current offerings are concentrated in the land vehicle space.

The following description of the main markets focuses on the key trends and drivers in the Global Defense Market and gives an overview of the Optronics Market.

8.1.1 Key Trends and Drivers in the Global Defense Market

The Group believes that the following factors are driving growth and will shape the Global Defense Market in the near and medium term.

8.1.1.1 Global Threat Profile

Global uncertainty continues to drive increased defense spending as security threats are increasing globally.

In recent decades, the level of global threat was determined by low intensity conflicts and ongoing terrorist activities, including tensions with state-based threats such as Iran. That global threat level had shifted security requirements, with users focused on the operation of leaner but more technically advanced forces. This trend increased the operation of force multipliers such as uncrewed systems. Concurrently, development of building block technology such as artificial intelligence, machine learning, cloud computing and networking enabled a shift toward digitized, distributed forces operating within a networked battlespace (source: Renaissance Strategic Advisors).

More recently, the profile of the global threat level changed in February 2022, because of the conflict in Ukraine that led to a surge in demand for core land-based and amphibious fighting capabilities. For more information of the effects of the conflict in Ukraine on the global threat level and the Global Defense Market, please refer to the paragraph "*8.1.1.2 Conflict in Ukraine and its Impact on the Global Defense Market*" below.

Global security threats are expected to expand and diversify in the near future, driven primarily by the expansionary policies adopted by China and Russia, which are increasing the risk of regional conflicts, particularly in the Middle East and East Asia, and enhancing tension with the United States. Chinese military power projections to exert influence over the politics and economics of other states, both regionally and globally, are driving investments in defensive capabilities in neighboring countries, particularly Japan, Republic of Korea ("**RoK**"), Australia, Malaysia, Indonesia and Singapore. The United States is also concerned about China as a long-term threat and is gearing up its capability development to mitigate the future threat posed by China in addition to its actions to counteract the threat posed by Russia (source: Renaissance Strategic Advisors).

In recent years, adversarial capability that rivals the United States and its allies has increased in the Asia-Pacific ("**APAC**") region. China has concentrated its investment in platform acquisition – including warships and combat air and missile systems. China's capabilities in these areas rival the United States both in terms of scale (number of systems / platforms) and range (source: Renaissance Strategic Advisors).

A potential conflict involving China has renewed focus on naval forces and capabilities among NATO members and NATO allies. For that reason, the United States, European countries, Japan and the RoK are particularly focused on recapitalizing their naval forces to counter Chinese threat. Several countries are acquiring new capabilities and equipment, that include platforms, sensors and effectors, to enhance anti-air warfare, anti-surface warfare and anti-submarine warfare mission sets. The RoK and Japan in particular are re-investing in their amphibious and infantry forces, seeking to equip marine and commando infantry forces with enabling sensors and electronics on an almost 1:1 basis. This focus has also led to increased investment in landing platform docks, fast attack craft and both tracked and wheeled armored fighting vehicles (source: Renaissance Strategic Advisors).

In the Middle East and North Africa ("**MENA**"), particularly in the GCC countries, state actors are seeking to build modern, well-equipped armed forces without being tied to one particular supplier or supplier nation. Having invested in piecemeal capabilities, focused on the air domain, developing MENA users are looking to build their domestic industrial capability through targeted acquisitions based on industrial participation agreements. In the wake of regional conflict, Saudi Arabia and the UAE are seeking to reflect on their battlespace experience and, influenced by the conflict in Ukraine also, are prioritizing dismantled soldier and vehicle platform acquisitions.

8.1.1.2 *Conflict in Ukraine and its Impact on the Global Defense Market*

The conflict in Ukraine has resulted in a renewed cooperation between existing NATO members, driven by the need to secure NATO's borders in the East and mitigate Russian aggression, safeguarding peace in Europe. NATO members consider Russia to be their major short term security concern (source: Renaissance Strategic Advisors). Indeed, Finland and Sweden, which had historically opted for not to align with any military alliance, applied to join NATO as a direct response to Russia's invasion of Ukraine. In March 2023, Norway, Sweden, Denmark and Finland, in a meeting attended by commander of the U.S. Air Forces in Europe and Africa and the commander of NATO's Allied Air Command signed a letter of intent on a plan to jointly operate their fighter jet fleet, totaling more than 250 platforms, solidifying regional ties. The renewal of political and military cooperation of NATO members makes increased collaboration in the field of defense equipment development, procurement and operation more likely, including through co-development, industrial participation and even supply chain integration routes (source: Renaissance Strategic Advisors).

During the course of the conflict in Ukraine, various countries, led by NATO members, have supported Ukraine by providing it with defense equipment. The conflict in Ukraine has resulted in calls for increased defense budgets in Europe and elsewhere both to replenish equipment that was provided in support to Ukraine, or to upgrade legacy equipment with current generations of equipment, improving force effectiveness and enabling interoperability with other NATO allies. Several areas are likely to benefit from increased defense spending, including some of Theon's main end markets, such as platform and dismantled sensor systems (source: Renaissance Strategic Advisors).

Additionally, the conflict in Ukraine has shifted the focus of new procurements of warfare equipment to core land based and amphibious fighting capabilities, which is in turn driving innovation and growth in the optronics and sensors market, fueling advancements in multispectral sensors, miniaturization, and cybersecurity measures. The conflict in Ukraine is directly linked to the surge in the demand for anti-tank and anti-aircraft missiles, missile defense systems, uncrewed systems, ground vehicles, munitions, counter

uncrewed aerial systems and electronic warfare and investment in armored vehicles, fixed wing aircraft, surface and subsurface naval platforms, effectors such as hypersonic and C-Hypersonic and battlespace enablers such as C5I and networking (source: Renaissance Strategic Advisors).

The conflict in Ukraine has drawn renewed attention to core land warfare capabilities, especially tracked vehicles, which have been underinvested through the late 1990s and early 2000s. Core European countries including France, Germany and Poland have started to recapitalize large portions of their armored vehicle fleets. Until recently, the focus has been on platform-based investment, with investment in soldier systems stagnating. A renewed focus on peer-matched ground forces has re-established the importance of dismounted capability, leading land forces to seek long range intelligence, surveillance and reconnaissance ("ISR") assets at tactical level. Optronics, among other capabilities, are core to ISR sensing capabilities as they enable detection and targeting of enemy assets. Thus, improving force readiness at the soldier level and reequipping infantry units is sought by many, prominently European, countries. The efforts to enhance the effectiveness of dismounted soldiers involves investing in soldier systems such as sensors, night vision and resilient communications systems. Although it is too early to assess the impact on the Global Defense Market of the conflict currently taking place in the Gaza Strip, it is possible that increased tensions throughout the Middle East resulting directly or indirectly from this conflict will, over time, also have a pronounced effect on the Global Defense Market.

8.1.2 *Defense Market Analysis*

The Global Defense Market is measured through total defense spending by governments and their agencies, and supranational organizations across all domains (air, land, sea, space, and services) and accounts including procurement, R&D, operations and maintenance, personnel and construction in all regional markets, excluding Russia, China, Iran, the Democratic People's Republic of Korea, Syria, Libya, and Venezuela. In 2022, the Global Defense Market amounted to approximately USD 1,722 billion (source: Renaissance Strategic Advisors).

The Global Defense Market is characterized by specific market dynamics driven by unique demand-side customer and supply-side industrial considerations. There is only a limited commercial market for defense equipment, as the demand for defense equipment is largely limited to governments, nations' armed forces and supranational organizations, such as NATO. Due to the unpredictability of the geopolitical environment and international relations, some government customers consider it risky to rely only on international or non-national providers of defense equipment. Consequently, such governments may maintain an interest in preserving national capabilities in the defense sector, through, for example, funding of a substantial part of or all R&D efforts promoted by national players for the development of new equipment.

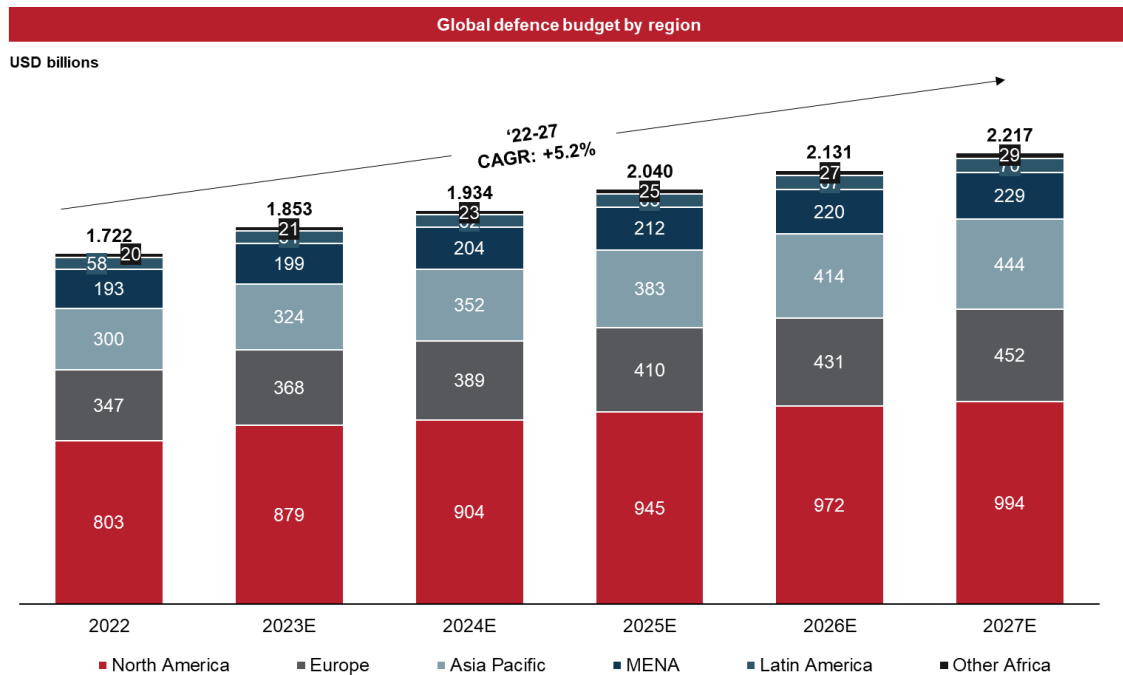
The Global Defense Market is characterized by supply-side and demand-side barriers to entry. On the supply-side, a comprehensive understanding of operational requirements and specific, often times mission-critical, capabilities is essential, generally requiring substantial experience. The development of new products and systems generally requires significant investments in production and R&D facilities, as well as highly qualified personnel. Furthermore, the products in demand by armed forces and government customers are typically highly complex (due to increasing capability requirements). Consequently, their development requires specific technical expertise that a new market entrant may not possess to the same extent as established players. On the demand-side, well-established relationships with the relevant government customers are crucial for winning large projects. The same notion holds true for the relationships with key platform manufacturers and prime contractors, who may be reluctant to engage new market entrants for projects that are often times complex and long lasting, thus demanding mutual trust between the partners. In addition, high qualification and security requirements (often requiring clearances from the end-customer) are common in the industry and constitute further barriers to entry. This is because the certification for relevant security standards involving both the supply chain and operational security can be time-consuming and costly, particularly in developed markets such as Europe or the United States (source: Renaissance Strategic Advisors).

8.1.3 *Global Defense Budget Analysis*

The resurgence of investment in defense and security is expected to proliferate across geographies and domains and to drive spending growth in multiple regions. However, several segments are likely to benefit from investment more so than others, driving faster and higher growth. For example, defense electronics is expected to become a core part of defense investments going forward.

In the period from 2022 to 2027, global defense spending is expected to grow at a CAGR of 5.2% from USD 1,722 billion to USD 2,217 billion (compared to a CAGR of 4.1% in the period from 2018 to 2021), driven mainly by an increase in the procurement spending (which together with R&D are the main areas of investment), which is expected to grow at a CAGR of 6.6% from 2023 to 2027 (source: Renaissance Strategic Advisors).

The following chart provides an overview of the Global Defense Market's expected future growth from 2022 to 2027 (all figures in USD billion) (source: Renaissance Strategic Advisors):



The North American defense budgets, driven by a heightened threat from China and Russia, are expected to contribute to approximately 46% of the international defense budget over a period of 10 years from 2018 to 2027. The North American trend is driven mainly by the United States, which has consistently accounted for the largest portion of global spending in the Global Defense Market and is expected to continue to do so in the period from 2023 to 2027. In the United States, increased defense budgets reflect ongoing direct support in Ukraine in its conflict with Russia and replacement of lost equipment, but it is expected that future budgets will focus more on countering Chinese tensions in the APAC region.

European countries will strive to modernize their armed forces across domains to counter security risks in the Eastern Europe and Baltic area and to address challenges associated with the continued high number of engagements in active conflicts. This trend is mainly driven by the ongoing armed conflict in the region and the initiation of various multi-national programs through institutions of the European Union such as the Permanent Structured Cooperation, the Coordinated Annual Review on Defense, the Organisation for Joint Armament Co-Operation (OCCAR) and the Commission's European Defense Fund (EDF), as well as the growing alignment between member states in types of platforms and systems in service are expected to shape the development going forward. For example, OCCAR is involved in the management of cooperative defense equipment programs which are expected to drive the European market. OCCAR's member states include Belgium, France, Germany, Italy, Spain and the UK. Inclusion of additional member states is likely, given increased collaboration at the operational level by NATO partners. Among other programs, OCCAR is providing a joint funding vehicle for the acquisition of night vision goggles (source: Renaissance Strategic Advisors). Additionally, the ongoing threat from China is driving investment in some European countries including the UK and France. Equipment spending is expected to be the fastest growing portion of overall European defense spending from 2022 to 2024E (source: Renaissance Strategic Advisors).

Some European countries including Germany, France and the UK have announced stimulus packages with certain funds being intended to acquire defense equipment and to ensure the reliability and viability of their national defense supply chains (source: Renaissance Strategic Advisors). Germany is expected to continue to be a major driver of anticipated growth in European defense spending as it seeks to recapitalize existing

combat capability. In Germany, a significant "catch-up" effect in defense spending is expected in order to match constantly evolving and increasing requirements for modern armed forces following decades of under-investment. Additionally, France has recently approved a Euro 413 billion military budget bill (*Loi de programmation militaire*) for 2024-2030, with the annual budget set to increase annually to reach Euro 68.9 billion by 2030 (source: Ministère des Armées).

APAC countries are also expected to continue growing their armed forces and modernizing their equipment for meeting security challenges, for example, in the East and South China Sea.

Japan, RoK, and Australia are actively pursuing strategies to develop and enhance their domestic defense industries, thereby aiming to maintain a consistently high level of military expenditure. As a consequence, over the 5-year period from 2023 to 2027, notable increases are expected in the military budgets, that focus on platform and electronics in the APAC region. These investments may be a response to heightened tensions in the APAC region.

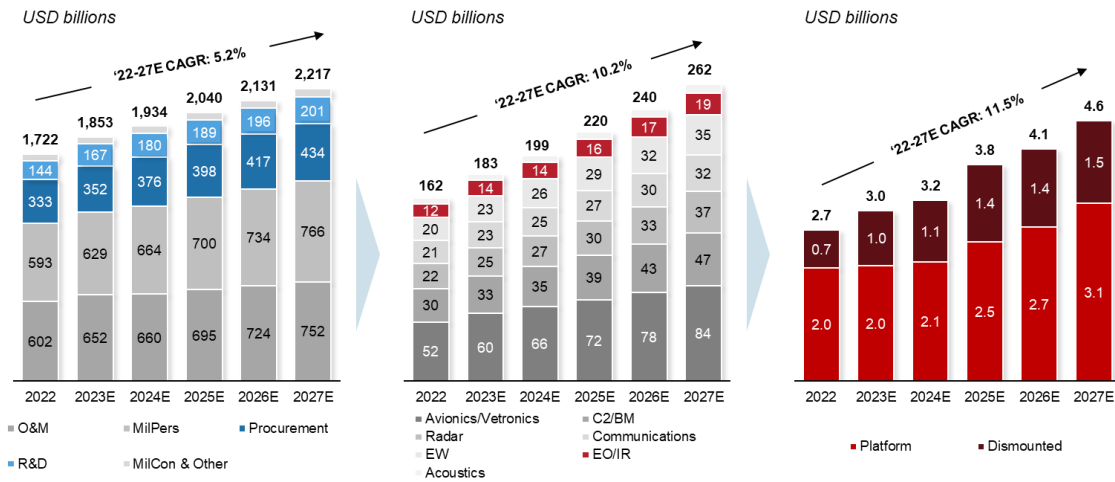
Intra-regional geopolitical rivalries and tensions in the Middle East, and their manifestations in flashpoints such as Yemen, Iraq, or Syria, are driving regional defense spending, which is expected to increase in the near to medium term. These prevailing geopolitical trends make it likely that defense spending will continue through the forecast period (source: Renaissance Strategic Advisors). In the MENA region the spending is driven by the KSA and the UAE, but Tunisia, Algeria and Morocco are also increasing their spending. The awareness of the importance of investing in defense is highlighted in the MENA region through the lessons learned from previous engagements as well as through observing the conflict in Ukraine. In the other African countries outside of the MENA region, defense spending remains constant with a focus on domestic security. Further, Iran has continuously been contributing to an increased threat level in the MENA region and globally (source: Renaissance Strategic Advisors).

In Latin America, the defense budgets driven by counter-narcotics and regional security efforts in Mexico, Columbia and Brazil, remain moderate.

8.1.4 *Focus on Defense Electronics*

Defense electronics are components and systems, including sensors and digital systems, that are designed for usage in defense endeavors. Defense electronics are a subset of overall defense equipment spending, falling within the procurement and R&D accounts. In the period from 2022 to 2027, global defense electronics spending is expected to grow at a higher pace than the overall global defense spending at a CAGR of 10.2% from USD 162 billion to USD 262 billion. The increase of investment in defense electronics is driven by a reduction in the number of platforms coupled with an increase in capabilities, raising the proportion and value of electronic content in platforms, as well as increasing the level of sensor and electronic customization for the current generation of platforms. Further, developments in technology have increased the battlefield utility and effectiveness of electronics, including machine learning and artificial intelligence, software defined systems, RF convergence, advanced manufacturing, and edge computing technologies for data analysis and storage (source: Renaissance Strategic Advisors).

The following chart provides an overview of the global defense spending, global defense electronics spending and the expected future growth of the Group's total addressable market from 2022 to 2027E (all figures in USD billion, unless otherwise indicated) (source: Renaissance Strategic Advisors):



8.2 The Optronics Market

8.2.1 Overview and Characteristics

The market segment in which the Group operates belongs to the broader sub-segment of non-lethal defense equipment within defense electronics. More specifically, however, the focus is on high-tech optical systems, which are used as ancillary equipment in security operations, both military and civil (so called "dual use goods"). The part of this sector in which the Group specializes can be described as the tactical optronics market, a branch of the Optronics Market.

Optronics is categorized based on the following criteria:

- Core technical components: PV cells, optical isolators, optical sensors, light-emitting diodes ("LED"), laser diodes, systems with infrared ("IR") components of which they are made;
- End use: aerospace and defense, automotive, consumer electronics, information technology, health care, domestic and commercial, industrial, etc.; and
- Geography: since different needs arise in different parts of the world such as North America, Europe, APAC, Latin America, MENA region and other Africa. Different geographies seek different systems.

Additionally, in some cases, optronics devices and systems can be categorized according to the range of the systems or the platform on which they are installed.

Optronics systems can generally be defined as systems which either convert light energy into electricity or electricity into light energy. These products constitute a large portion of the global semiconductor market and are at the forefront of market development. Increased demand for high-tech products across a wide range of industrial production also promotes growing demand for optronics systems, particularly laser and machine vision systems, and the use of LED technology is now widespread in several different sectors of economic activity.

8.3 The Market for Tactical Optronics

The market for optronics for defense purposes, or the market for tactical optronics, has various product and application categories. Typical examples are weapon sights and scopes, various types of binoculars including night vision goggles that allow visualization of images in low levels of light improving, *inter alia*, the user's night vision, cameras, and monitors. Examples of specific applications are ISR, target tracking and identification, as well as more general uses for improving situational awareness, especially at night, such as in border or coastal patrols (source: Renaissance Strategic Advisors).

Depending on the type of use, the tactical optics market is segmented into the aviation market, the naval market, the land-based market and the dismounted market.

The increasing use of high technology in armaments and operational plans is driving many countries to upgrade their air fleet, helicopters, fighter aircraft, and new generation UAVs, which is driving the ever-increasing demand for new optoelectronic systems. The Optronics Market is also being defined by increased proliferation of sensors and the uptake of automated analysis systems. Technical capabilities of electro-optical and infrared systems that include visible and/or infrared sensors, providing situational awareness in day and night conditions will be impacted by advancement of technology, especially artificial intelligence and machine learning.

Furthermore, in terms of system characteristics, the long-range (>25 km) optical electronics segment is likely to lead the market, owing to increased demand for thermal cameras, night vision cameras, remote weapon systems, and naval systems. Another sub-segment which is also growing is that of electro-optical targeting systems (EOTS) and systems capable of visually penetrating armors.

8.3.1 *Trends and drivers in Optronics Market*

The Optronics Market, a sub-segment of defense electronics is part of the larger Global Defense Market. The overall addressable Optronics Market is defined as the sum of dismounted night vision / thermal imaging and platform night vision markets.

In modern conflicts, battlefield ISTAR, a practice that links intelligence, surveillance, target acquisition, and reconnaissance together to assist a combat force in employing its sensors and managing the information ("**ISTAR**") has become increasingly important. Further, efficiency of ISTAR assets is closely linked with sensory systems and assets with EO/IR payloads (unmanned aerial and ground vehicles manned platforms), use of augmented or virtual reality, artificial intelligence, networking and data analytics that assist in combining disparate fragments of future networked battlespace (source: Renaissance Strategic Advisors).

One development which is believed to have contributed to the growth trend over the 2020-2022 period is commencement of dismounted operations in urban locations in Ukraine. Operations in such target rich environments have placed additional demands on EO/IR, accuracy and data processing power. Further, increased frequency of night time patrols and operations has renewed the demand for night vision and thermal systems.

The conflict in Ukraine has impacted the procurement methods of dismounted EO/IR to a more sustained cycle. Before the conflict in Ukraine, the procurement process and the market for dismounted night vision equipment was cyclical depending on the status of global threat levels and active conflicts. This meant that order volumes were prone to dips once acute operational needs were satisfied. The implications of the conflict in Ukraine are that some sophisticated users are seeking to provide night vision equipment to soldiers at a 1:1 level in order to maximize effectiveness. The amount of night vision training with the equipment has also increased. Further, high intensity warfare has shortened the product lifecycle curve as increased usage renders equipment breakages and losses more frequent.

The conflict in Ukraine has also influenced the way in which night goggles are procured as users increase cohesion and collaboration across operations and procurement endeavors. In 2021, OCCAR, which manages the procurement of night vision goggles for Germany and Belgium, ordered approximately 10,000 units of night vision goggles. The number of night vision goggles was later increased to 29,550 units to be delivered through 2024, for an aggregate contractual consideration of approximately €200 million. This order may be followed by an additional OCCAR order for night vision goggles given that Germany has announced the need for 150,000 night vision goggles by 2030, which is an increase from the 110,000 night vision goggles that it initially required. As the program matures, requirements of countries such as Baltic states and Eastern European states may also be met through the OCCAR contract framework, reducing the need for states to run often time-intensive and costly individual procurement programs.

Platform EO/IR remains tied to acquisition and overhaul of the relevant vehicles. The conflict in Ukraine has also highlighted the relevance of investing in such vehicles, which is expected to be reflected in the procurement of platform equipment.

The adoption of the use of more uncrewed systems in user concept of operations is one of the most prevalent global trends in recent years. These types of systems operate without the need for direct piloting. This trend

is expected to continue to grow with uptick of UGVs and robotic systems. UGVs have 360-degree optical sensors for obstacle avoidance, guidance, automatic braking, as well as laser detectors and a plethora of other technological aids that allow the vehicle to be operated remotely or even completely autonomously. They are currently primarily used to carry out reconnaissance of the surrounding area and to collect data which they send out by means of electronics, though the UGV mission set is expected to expand and diversify as technology matures (source: Renaissance Strategic Advisors).

Other products requiring advanced optronics systems are observation and firing aids. The latter can be adapted to many different instruments and/or weapons and have improved long and short range targeting capability, increasing weapon lethality and reducing collateral damage. As mentioned above, another important market driver is new-generation airborne equipment, such as systems on aircraft, particularly in Asian countries. Additionally, renewed investments into border protection solutions, in particular, in Northern Africa against the background of the continued conflicts in various countries of the continent, such as Libya, Sudan and Mali, remain one of the key near peer threats of equipment spending (source: Renaissance Strategic Advisors).

Augmentation of key conventional capabilities, such as (i) electro-optical and infrared systems that combine visible light sensors with infrared sensors, which provides operational capabilities during the day, at night and in low-light or low-visibility conditions (which are at core of the addressable market of the Group), (ii) radars that use radio waves to determine the distance, angle, and radial velocity of objects which are used to detect and track movements of vehicles such as aircraft, ships, spacecraft, guided missiles, and motor vehicles, as well as to map weather formations, and terrain, and (iii) electromagnetic or electronic warfare (EW) that uses electromagnetic spectrum or directed energy to control the spectrum, attack an enemy, or impede enemy operations, (iv) sonic and ultrasonic weapons that use sound to injure or incapacitate an opponent as well as (v) battle management and command and control technologies. These capabilities are expected to be key focus areas for equipment modernization and spending.

The segment of EO/IR systems is expected to increase at a CAGR of 8.4% during the period from 2022 to 2027E. Over the same period, the total addressable market of the Group that includes dismounted and vehicle based EO/IR systems, is expected to outperform global defense spending at a CAGR of 11.5% (corresponding to approximately two times the growth rate of global defense spending). This means that the Group's addressable market is expected to grow faster than the wider defense electronics market, which is already outperforming the defense market (source: Renaissance Strategic Advisors).

8.3.2 *Analysis of the Optronics Market by Region*

Europe accounts for the highest increase in the addressable market, expected to grow at USD 786 million to USD 1,821 million at a CAGR of 18.3% over the period from 2022 to 2027E. Such an increase is mainly attributed to the reaction of the conflict in Ukraine that has prompted modernization and upgrade of overall defense capabilities, focusing on land platforms and sensor systems, as well as the replacement of systems donated to Ukraine. For example, Germany is planning procurement of 120,000 new assault rifles to replace ageing G36 models. This program is likely to include requirement for weapon mounted scopes. Poland aims to rapidly increase the size of its armed forces, likely generating demand for more NVG systems and scopes on planned Grot rifle purchases (source: Renaissance Strategic Advisors).

Reequipment of land forces for operation and training in Australia and RoK are expected to drive an increase of the total addressable market of the Group from USD 505 million to USD 766 million at a CAGR of 9.5% in APAC over the period from 2022 to 2027 (source: Renaissance Strategic Advisors).

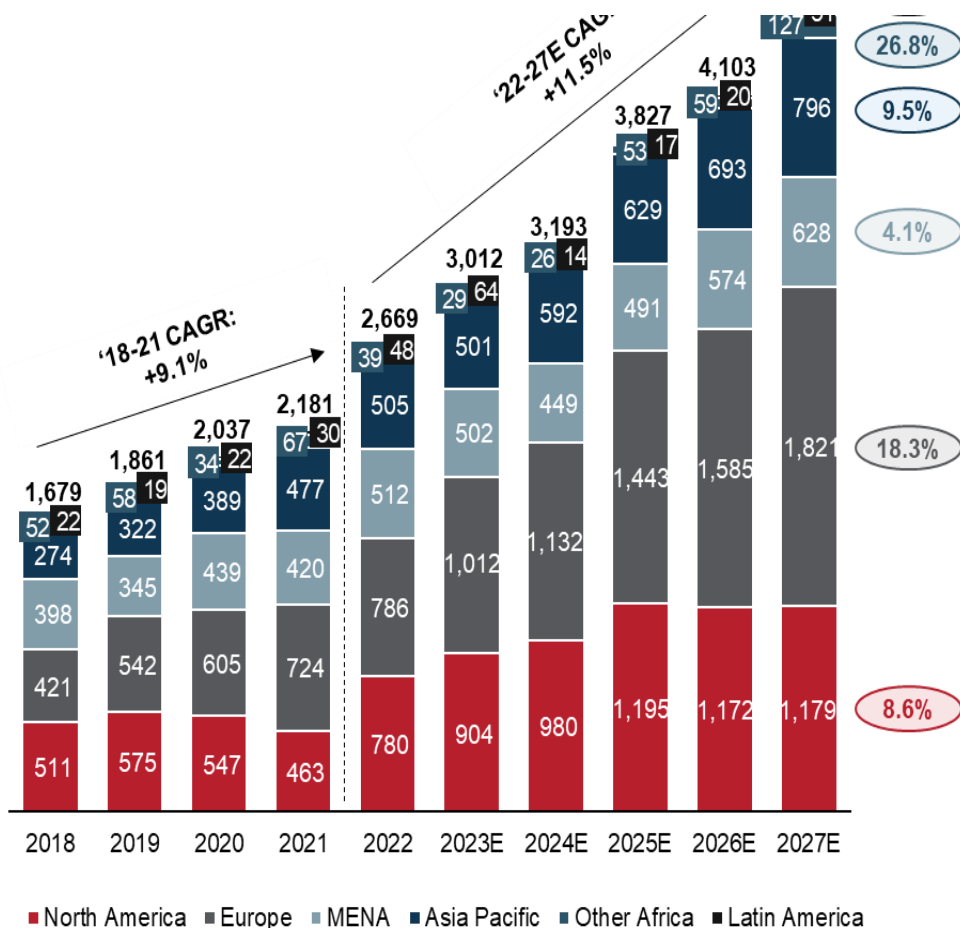
The total addressable market of the Group in the North America is expected to increase from USD 780 million to USD 1,179 million at a CAGR of 8.6% over the period from 2022 to 2027E. The increase is expected to be mainly driven by the binocular night vision goggle ("**BNVG**") spending by the U.S. Marine Corps and enhanced night vision goggle (ENVG) spending by the U.S. Army. Procurement of next generation enhanced night vision goggle-binocular (ENVG-B) is expected to act as a follow on to the ENVG program and replenish stocks of night vision goggles after donations to Ukraine (source: Renaissance Strategic Advisors).

The expected increase of the Group's total addressable market in the MENA region from USD 512 million to USD 628 million at a CAGR of 4.1% is expected to be mainly driven by the KSA's efforts to refit the Saudi Arabian National Guard and enhance the equipment of its land forces following lack of sufficient

investment in previous years. A similar trend is expected in the UAE over the same period (source: Renaissance Strategic Advisors).

The Group's total addressable market is expected to grow at CAGR of 1.4% and 26.8% in Latin America and African countries other than the MENA region over the period from 2022 to 2027E. However, their share is not expected to be material (source: Renaissance Strategic Advisors).

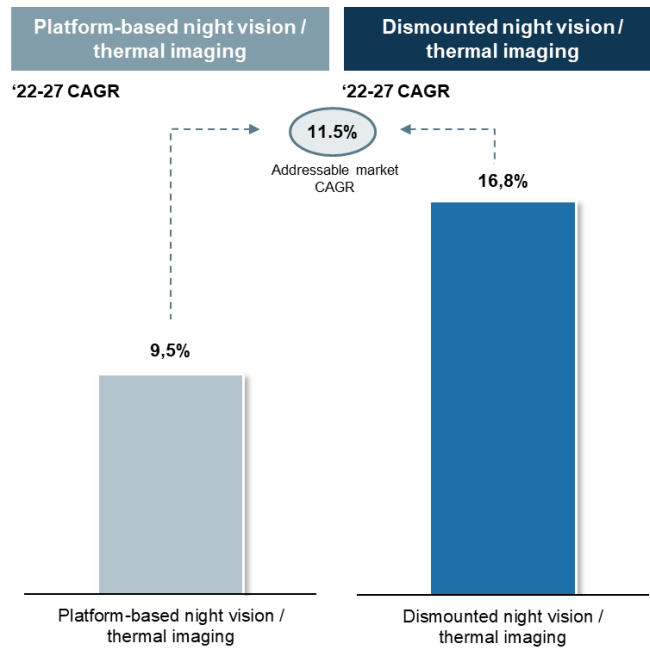
The following chart provides an overview of the Group's total addressable market by region from 2018 to 2021 and the expected future growth of the Group's total addressable market from 2022 to 2027E (all figures in USD million, unless otherwise indicated) (source: Renaissance Strategic Advisors):



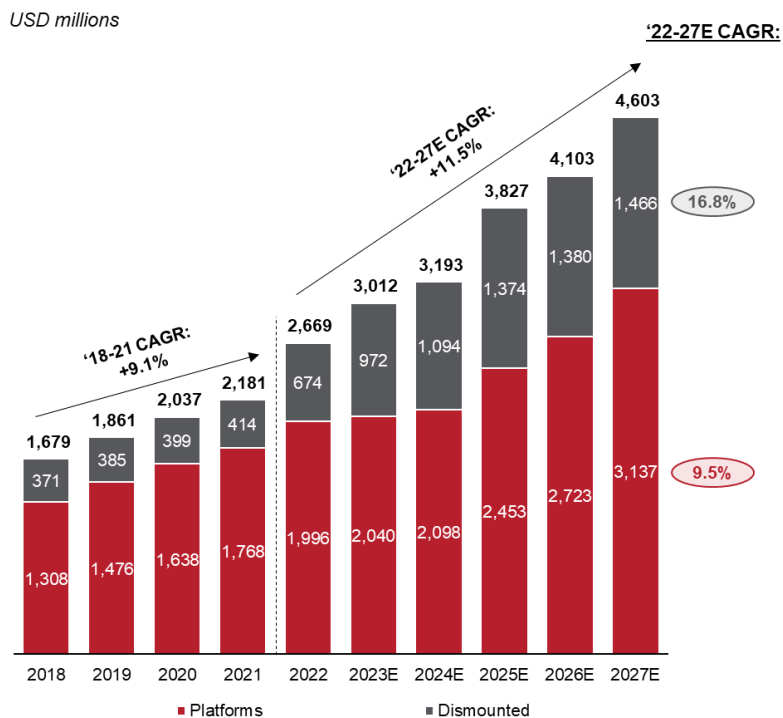
8.3.3 Analysis of the Optronics Market by Segment

The Optronics Market is a dynamic and fast-growing area. The increasing use of advanced technology in armaments and operational plans creates the need for countries worldwide to modernize their systems – this is a fact which is driving the ever-increasing demand for new optronics systems.

In the period from 2022 to 2027 the total addressable market of the Group, which includes, *inter alia*, dismantled and vehicle based EO/IR systems, is expected to grow at an even higher pace than the global defense electronics spending at a CAGR of 11.5% (as shown in the table below) which is a significant increase compared to the CAGR of 4.3% in the period from 2018 to 2021. The total addressable market is expected to increase from USD 2,669 million in 2022 to USD 4,603 million in 2027 (source: Renaissance Strategic Advisors).



The following chart provides an overview of the Group's total addressable market from 2018 to 2021 and the expected future growth of the Group's total addressable market from 2022 to 2027E (all figures in USD million, unless otherwise indicated) (source: Renaissance Strategic Advisors):

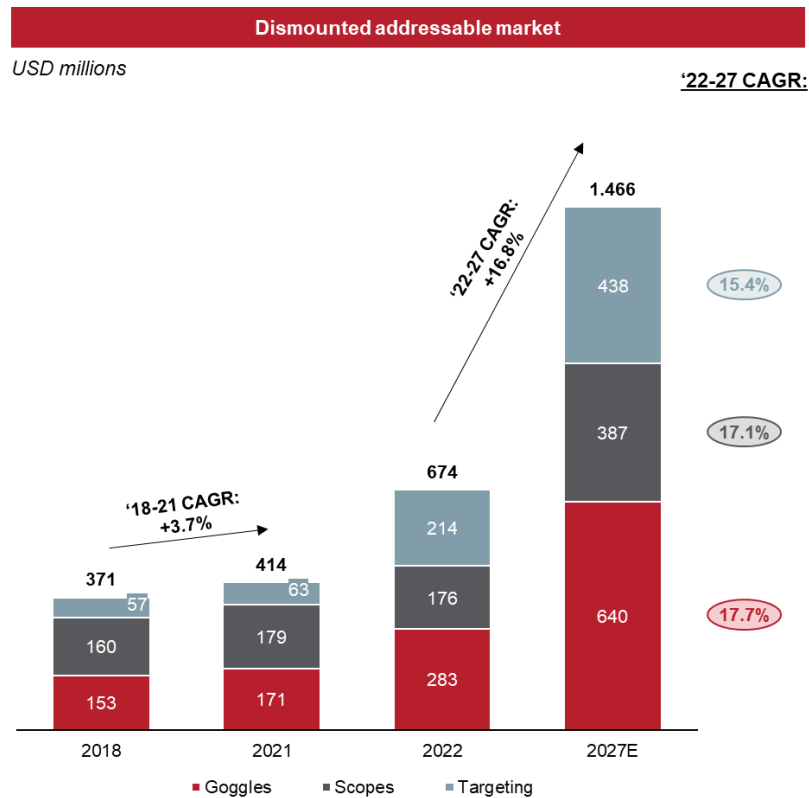


The total addressable market for dismounted equipment is expected to grow at a CAGR of 16.8% in the period from 2022 to 2027 from USD 674 million in 2022 to USD 1,466 million in 2027, driven mainly by the renewed interest in land-based dismounted capabilities as a result of the conflict in Ukraine (source: Renaissance Strategic Advisors).

The market for goggles and scopes is expected to grow at a faster and more sustained pace given the change in approach to night vision procurement caused by the deployment of operations in Ukraine. A notable increase is expected in the goggles market where the market is expected to grow from USD 283 million in 2022 to USD 640 in 2027. It is expected that countries will invest in replacing the equipment which was donated to Ukraine; this will drive the U.S. and European market in the near future. Further, a shift can be seen in the equipping of units with goggles, as the most sophisticated users are seeking to equip front line brigades on a 1:1 ratio of goggles and personnel. The scopes market is expected to increase from USD 176 million in 2022 to USD 387 million in 2027. The increase in the scopes market is linked to growth of the small arms market and rifle programs (source: Renaissance Strategic Advisors).

The targeting market is expected to increase from USD 214 million in 2022 to USD 438 million in 2027. The targeting market is expected to grow due to advancements expected in artificial intelligence, augmented reality and virtual reality. The target rich environment in the conflict in Ukraine is also expected to contribute to increase in the targeting market (source: Renaissance Strategic Advisors).

The following chart provides an overview of the Group's total addressable market for dismantled equipment from 2018 to 2021 and the expected future growth of the Group's total addressable market for dismantled equipment from 2022 to 2027E (all figures in USD million, unless otherwise indicated) (source: Renaissance Strategic Advisors):



The total addressable market for platform equipment is expected to grow at a CAGR of 9.5% in the period from 2022 to 2027, which means that the total addressable market will increase from USD 1,992 million in 2022 to USD 3,137 million in 2027 (source: Renaissance Strategic Advisors).

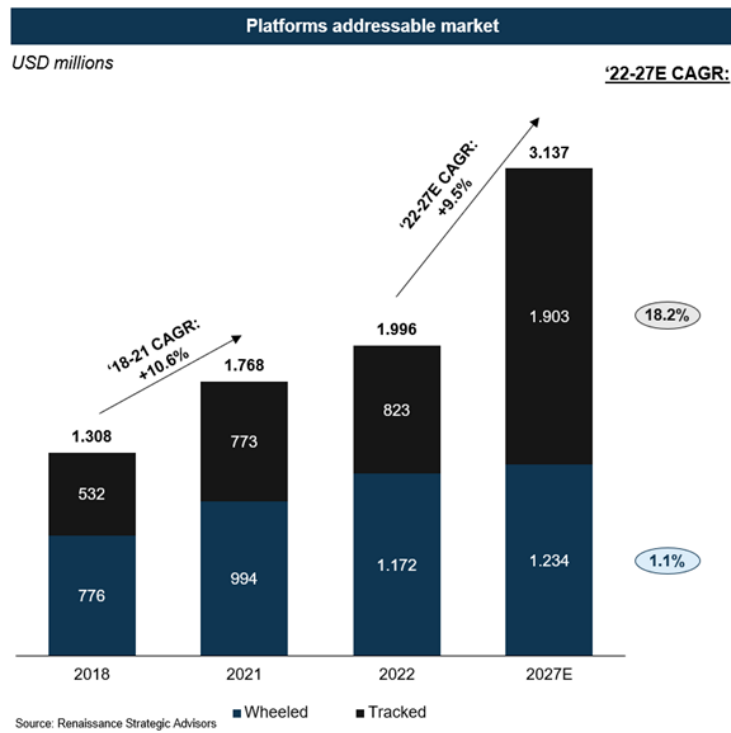
The growth of addressable market for platform equipment is expected to be driven by platform acquisition and overhaul. Electrification of the current and future generations of platforms will likely increase spending on EO/IR. The target rich, land dominant environment in Ukraine has raised the importance of EO/IR requirements for land platforms in particular, which further drives near term demand (source: Renaissance Strategic Advisors).

As to the single sub-segment of the platform addressable market, the tracked market is expected to increase from USD 822 million in 2022 to USD 1,903 million at 18.3% CAGR. This will account for approximately 53% of the total addressable market in the period from 2022 to 2027. The tracked market is mostly driven

by investment in combat vehicles; SPH, MBTs, IFVs primarily as a result of the conflict in Ukraine and resultant impact tracked vehicles have demonstrated (source: Renaissance Strategic Advisors).





Meanwhile, the wheeled market will likely remain stable driven by investments in EO/IR for reconnaissance vehicles, as well as wheeled IFVs. However, it will likely not increase at the same level as the tracked market.

The following chart provides an overview of the Group's total addressable market for platform equipment from 2018 to 2021 and the expected future growth of the Group's total addressable market for platform equipment from 2022 to 2027E (all figures in USD million, unless otherwise indicated) (source: Renaissance Strategic Advisors):



8.4 Competitive Environment

The Group operates in a highly competitive market, the defense industry, with a variety of different types of companies ranging from small businesses to multinational corporations, as shown in the table below.

	Definition	Example customers	Dismounted ¹	Platform ¹
OEM system integration Prime	• Complete, standalone device with all systems, subsystem and components integrated	Governments, armed forces	 Integrated soldier system Multiple providers offering several Tier 1 systems	 Armoured vehicle (e.g. MBT) RHEINMETALL BAE SYSTEMS K+N D+S
Complete integrated systems and subsystems Tier 1	• NV or thermal subsystem, e.g. clip-on weapons sight	Governments, armed forces, primes	 MIKRON ARGUS NYX THEON SENSORS THERMIS Mk2 THERMIS THERMIS Clip-on L3HARRIS SAFRAN HENSOLDT	 TITANS URANIA THERMON TALOS SR TALOS MR TELEDYNE FLIR LEONARDO DRS
Subsystems Tier 2	• Embedded subsystems specific to devices functioning, e.g. i2 tubes	Primes, Tier 1s	PHOTONIS Sensata Technologies THEON SENSORS TELEDYNE e2V Ebit Systems	THEON SENSORS TELEDYNE FLIR THERMO ANALYTICS
Components Tier 3	• Component parts, mostly hardware in nature	Primes, Tier 1s, Tier 2s	TECNOBIT	TECNOBIT

Theon Night Vision products
Theon Thermal products

Note: Illustrative and non-exhaustive sample of providers

The market's concentration is moderate, with a portion of big players occupying a significant part of it and a trend towards a further consolidation between existing players. These large companies often try to strengthen their position by introducing more technological innovations in their products, but they also use inorganic growth strategies such as mergers and acquisitions. While the Group's small and mid-size competitors, such as NightVision Lasers Spain, OIP Sensor Systems, Senop Oy, QinetiQ Group PLC, are typically specialized in certain market niches, the Group also competes with large defense companies, such as Hensoldt, Raytheon, BAE Systems, Rheinmetall, Elbit, Thales, Safran, Teledyne FLIR, L3Harris, and Leonardo DRS. Some of these competitors have more extensive resources, including financial resources, research and development budgets, and more diverse operations, and may therefore be better positioned to develop and market new products and take advantage of economies of scale. Moreover, some of the Group competitors in the defense and security industry, particularly U.S.-based original equipment manufacturers, benefit from national promotion programs and political support. This support can come in various forms, such as favorable policies, defense budgets, export licenses, more burdensome regulatory requirements imposed on foreign players, and advocacy from political leaders and aims to ensure the country's security interests are met and to bolster the domestic defense industry. Domestic companies can gain a competitive edge by leveraging national promotion programs and political support to access funding, streamline operations, expand internationally, secure government contracts, and access advanced technologies. These advantages contribute to their ability to meet both domestic and international demand in the highly competitive defense and security market, without significantly affecting their margins or their revenues.

The Group has been able to meet tactical optics product needs in various parts of the globe such as Australia, USA, Canada, Singapore, Japan, and many others. In contrast to many of its main competitors, the Group believes that it distinguishes itself as a focused player within the defense electronics industry due to its custom-made products, access to customers for dismantled systems, and its growing position in the platform market.

9. BUSINESS DESCRIPTION

Investors should read this Section 9 (Business Description) in conjunction with the more detailed information contained in this Prospectus including the financial and other information appearing in Section 7 (Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations). Where stated, financial information in this section has been extracted from Section 17 (Recent Developments and Outlook).

This Section 9 (Business Description) includes certain technical terms that are commonly used in the Group's industry. See Section 19 (Definitions and Glossary) for a detailed explanation of these terms.

9.1 Overview

Theon is a leading developer and manufacturer of customizable night vision and thermal imaging systems for military and security applications in Europe with a global footprint. The Group traces its origins to 1997 and has since become one of the most relevant players in the segment with offices in Athens (Greece), Cyprus, Kempfen (Germany), Arlington (U.S.), Abu Dhabi (UAE), Dubai (UAE), Zug (Switzerland), Copenhagen (Denmark) and Singapore and further established presence in Riyadh (KSA), coupled with manufacturing facilities in Athens (Greece), Wetzlar (Germany) and Plymouth (U.S.). Theon's commercial presence extends to 68 countries, of which 24 belong to NATO, with more than 150,000 systems manufactured and sold as of the date of this Prospectus. For more information relating to the Company and the formation of the Group and its development see also *Section 2 (General Information)*.

The Group is building on its DNA with fast-growing, leading positioning in key international defense markets. For example, Theon is one of the largest providers of night vision goggles to European customers, with market-leading positions in Germany and Belgium. Furthermore, the Group holds leading market positions in key GCC nations and has a fast-growing presence in the U.S., building on supply contracts with the Department of Defense and the U.S. Marine Corps as well as through strategic partnerships to expand sales of product lines for the U.S. law enforcement and commercial markets.

Theon designs and manufactures cutting-edge optoelectronic devices across both man-portable and platform-based systems that allow the visualization of images in low light or obscure conditions using different state-of-the-art technologies. The main application of the Group's products is for military and security operations, with all systems designed and tested in accordance with military specifications and standards while some products may also be used for civil applications, such as hunting or firefighting. The Group's devices use either image intensification (i.e. night vision) or thermal imaging technology. Among its night vision devices, the Group manufactures binoculars and monoculars, as well as weapon sights in either standalone or clip-on configuration, night driver viewers, vehicle mounted digital day and night cameras as well as night driver upgrade kits for armored vehicles. Among its thermal imaging devices, the Group manufactures weapon sights (standalone and clip-on), small size thermal clip-on systems (mounted on night vision goggles), thermal driver viewers, customized thermal targeting equipment, as well as multi-sensor observation systems that integrate day and thermal vision combined with laser range finding devices. In addition, the Group is developing systems that integrate image intensifying and thermal technology, which results in one fused image for both man-portable and platform-based applications. The Group offers maintenance and product support services for all of its products.

All products are designed in house by an experienced team of engineers who are highly skilled experts in their fields, including optical, mechanical and electronic engineering, as well as systems design. As a result, the Group is able to adjust, develop and customize its products to specific customer requirements, which it considers a comparative advantage in the market. The Group operates two state-of-the-art production facilities in Greece as well as one facility in Germany (in-cooperation with Hensoldt Optronics) and another in the U.S. (in cooperation with EO TECH).

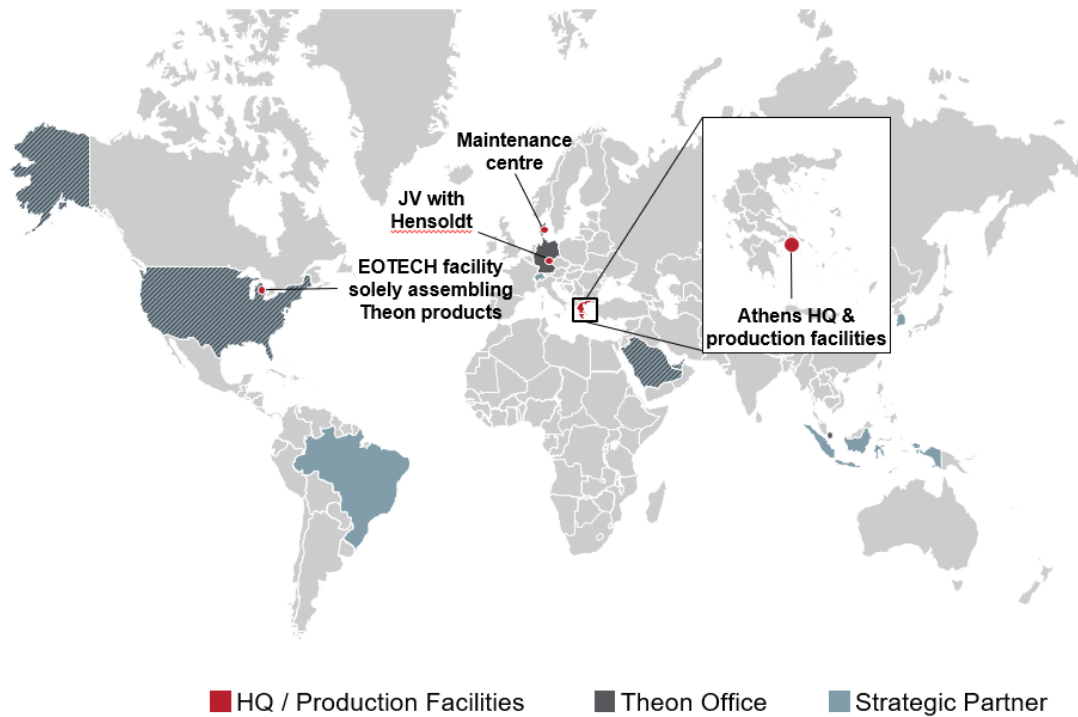
As part of its strategy, the Group maintains entrenched, long-standing relationships with a diversified, blue-chip customer base from 68 countries worldwide, of which 24 belong to NATO. The Company has capitalized on strong growth momentum as witnessed by an approximately 48% CAGR for the four-year period between 2018 and 2022, alongside attractive profitability and cash conversion profiles. The Group's total revenue in 2022 amounted to €147.4 million (or €142.9 million according to the 2022 restated figures), compared to €80.6 million in 2021 and €54.2 million in 2020, while profit before tax amounted to €38.6 million in 2022, compared to €24.3 million in 2021 and €10.2 million in 2020. The Group's Operating Profit in 2022 amounted to €41.0 million in 2022 (€40.2 million according to the 2022 restated figures), compared

to €25.4 million in 2021 and €11.1 million in 2020, while it achieved an 27.8% Operating Profit Margin in 2022, compared to 31.5% in 2021 and 20.5% in 2020. For the nine months ended September 30, 2023, the Group's revenue was €115.8 million, with an Operating Profit of €23.5 million and 20.3% Operating Profit Margin.

The Group had manufactured and sold more than 150,000 systems as of the date of the Prospectus, as well as a contracted and secured order backlog of approximately €220 million as of September 30, 2023.

The Group is highly geographically diversified with more than 96% of its revenue coming from sales outside of Greece, while the Group's cash reserves exceed its total borrowing as of the date of this Prospectus. In the past three years, the Group has increased sales not only for its most commonly sold products, but also for the most specialized products, such as the series of night vision and thermal imaging goggles for vehicle systems and digital platforms, and thermal instruments for anti-tank equipment. At the same time, the Group is also developing a new series of electro-optical systems, which combines night vision and thermal imaging technologies. For further information on the Group's revenue broken down per product and geography see also the period to period revenue discussion under Section "7.6 Results of Operations".

The following table shows the location of Group's offices and partnerships globally:



9.2 Investment Highlights

9.2.1 *Leading independent provider of high-quality night vision and thermal imaging solutions with global customer base*

The Group is a leading independent provider of high-quality night vision and thermal imaging solutions. Since its establishment, the Group has been committed to delivering innovative and reliable technology to its customers. As a result, the Group is the largest provider of night vision goggles to European customers with an estimated share of over 50% of the European market for night vision goggles based on revenue in 2022, according to the industry report by Renaissance Strategic Advisors. The Group is a market leader in Germany and Belgium, while growing its positioning in Latvia, Austria, Sweden, Italy and other European markets. The Group is also a market leader in selected nations of the GCC, with an estimated market share for night vision goggles of over 50% in the United Arab Emirates based on sales revenue as of December 2022. In addition, the Group has been growing its positioning in Saudi Arabia (through its partnership with the National Company for Mechanical Systems "NCMS") and Kuwait for night vision devices and sights, and is a supplier of customized devices to Morocco.

The Group has also established a strong presence in the U.S. market and, since 2019, has supplied the U.S. Marine Corps with more than 17,000 devices under a contract with Elbit expected to continue through 2024. Demonstrating the Group's fast growth, its revenue from the U.S. market increased by 240% from 2021 to 2022. The Group is also strengthening its strategic partnership with EO TECH to expand the sales of its product lines to the U.S. law enforcement and commercial markets.

9.2.2 *Offering mission critical products across a wide array of platforms*

The Group's product portfolio focuses on specialized sensor technology, applicable across a wide range of platforms and as standalone devices in various domains, including air, land, sea, and security. The Group provides a comprehensive array of advanced night vision and thermal imaging solutions, such as night vision goggles (monoculars, binoculars, and modular binoculars), weapon sight devices (both standalone and clip-on sights), night driver's viewers, vehicle-mounted day-night cameras, periscopes, and short to medium-range multi-sensor EO/IR systems. The Group is strongly committed to innovation and quality, to ensure reliable performance in a global context characterized by evolving security challenges. The Group estimates that the life cycle of its products is around 10 to 15 years, after which technological developments generally render them no longer commercially attractive.

Fortunately, the Group's commitment to cutting edge innovation means that it is always able to offer new state-of-art products when its customers are ready to update their inventories. The Group's products also represent a significant part of the value of an infantry soldier's portable equipment. The Company has estimated that, assuming on average a total dismounted system value in a range between Euro 16,000 and Euro 37,000 (source: Renaissance Strategic Advisors, DACIS), the value of night vision monocular / binoculars could account on average for Euro 3,000 to Euro 12,000 and the value of weapon sights could account on average for between Euro 6,000 and 10,000.

The Group's products are all carefully designed and manufactured, and all carry the option to be customized to meet the unique requirements of each of the Group's customers. They also adhere to rigorous military specifications and undergo comprehensive testing. Western armed forces, in particular, rely on the Group's solutions for essential night vision and thermal imaging products, often through multiyear contracts. The Group has been chosen as a supplier for prominent entities like the U.S. Marine Corps (in collaboration with Elbit), the UK Ministry of Defence, Armasuisse (in partnership with Safran), and the Swedish Armed Forces. Notably, in 2022, Theon secured a significant contract under the Organisation for Joint Armament Cooperation (OCCAR) program, jointly with Hensoldt Optronics, for the supply of 29,550 night vision goggles to the German and Belgian Armed Forces, which as of the date of this Prospectus is the largest contract ever signed for night vision goggles in the European market.

9.2.3 *Attractive global industry dynamics with envisaged long-lasting momentum*

The global defense market is currently experiencing significant growth, driven by escalating geopolitical tensions. As these tensions persist and new security challenges emerge, governments worldwide are prioritizing the enhancement of their defense capabilities. This, in turn, is fostering a favorable environment for industry expansion. In particular, the Russian invasion of Ukraine has spurred increased spending in Europe, particularly in sensor systems, air defense, vehicle/infantry systems, and certain naval upgrades. It is also driving former Soviet states to replace their aging Soviet equipment with new NATO-compliant hardware. Similarly, in the United States, the Russian invasion of Ukraine has been taken into account in budget allocations for defense spending. Future U.S. defense budgets are also anticipated to focus on countering tensions with China in the APAC region. In the APAC region, countries such as Japan, Australia, South Korea, Malaysia, Indonesia, and Singapore are boosting their investments to counter Chinese influence and address regional tensions involving North Korea. Moreover, these nations are becoming more involved in defense manufacturing and operational activities, resulting in increasing demands for sophisticated equipment, particularly in the field of air defense (source: Renaissance Strategic Advisors).

Overall global defense spending is projected to grow at a CAGR of 5.2% from U.S.\$1,722 billion to U.S.\$2,217 billion between 2022 and 2027, while global defense electronics spending, which includes the Group's optronics products, is expected to see a CAGR of 10.2% during the same period. This trend of heightened defense spending suggests long-lasting opportunities for industry stakeholders, as the demand for advanced technologies, cutting-edge equipment, and innovative solutions is expected to continue its upward trajectory (source: Renaissance Strategic Advisors).

Specifically, the Group's addressable market, defined as the sum of dismounted and platform night vision and thermal imaging addressable markets, is expected to grow at a rate of 11.5% between 2022 and 2027. The dismounted addressable market is expected to exhibit even more substantial growth, with a CAGR of 16.8% between 2022 and 2027, in contrast to the 3.7% CAGR observed between 2018 and 2021. This growth in the addressable market is primarily supported by major programs in Europe, the United States, and the Middle East as well as by many countries' restocking of equipment that was donated to Ukraine. The platform addressable market also will continue to grow, with a CAGR of 9.5% between 2022 and 2027, although at a rate slightly lower than the 10.6% CAGR observed between 2018 and 2021 (source: Renaissance Strategic Advisors).

With respect to long-term opportunities, the Group believes there is significant growth potential from the development of European next-generation soldier systems and platforms and the longer-term trends in the defense industry. The Group had a contracted and secured order backlog of approximately €220 million as of September 30, 2023. Additionally, there are several opportunities in the market which the Group is monitoring closely, such as the Next Gen ENVG-B program by the U.S. Army, the Night Vision Goggles and Weapon Scopes program in the Kingdom of Saudi Arabia and the United Arab Emirates, the Future Soldier Systems and New Assault Rifle programs in Germany, the Goggles and Sights Procurement program in Poland, and the Procurement Plan in Norway.

9.2.4 *Disruptive business model relying on global reach and proprietary technological capabilities in a fully integrated production setup*

The Group's disruptive business model relies on its extensive global presence in 68 countries, of which 24 belong to NATO, through strategically positioned offices and strategic partnerships, ensuring close proximity to clients while efficiently overseeing operations from a centralized headquarters and production facilities in Athens. The Group's proprietary technological capabilities are seamlessly integrated into a comprehensive production framework. The Group's business model also builds on its highly skilled workforce and state-of-the-art production facilities situated in Greece and Germany, with an additional EO TECH facility exclusively dedicated to assembling the Group's products in the U.S.

This Group's production process is vertically integrated, overseeing every aspect of the production cycle. The Group's production facilities also have the capacity to facilitate the entire production process, from initial research, design, and prototyping, testing and evaluation, product development and enhancement, enhanced automation, as well as aftermarket support and modernization (*see also Section 9.6 "Key Manufacturing Facilities"*). This approach enables the Group to deliver distinctive solutions while maintaining a cost-effective structure.

9.2.5 *Long-standing relationships with a diversified global customer base and other global industry players leading to repeating business over time*

The Group believes that its long-term and enduring relationships with its clients, including a substantial base of returning customers, and strategic partners constitute a pivotal driver of its success in the defense sector. The Group is dedicated to delivering value, reliability, and innovation to clients worldwide. Over the years, the Group has developed partnerships with major players in the defense industry, such as Hensoldt Optronics, Elbit, Safran, NCMS and EO TECH, and established connections with top-tier suppliers, such as Photonis, Harder Digital, and L3Harris, to adapt to evolving market dynamics and provide tailored solutions that cater to the unique needs of each customer.

These robust relationships with clients and suppliers serve as the cornerstone for the Group's growth targets. As the Group expands its presence, broadens its array of offerings in the market and continues providing the required customization features, it believes that these relationships will play a crucial role in securing fresh opportunities and bringing in repeat business from prominent clients, including new contracts as well as exercisable options, as experienced in the past with a number of customers, such as the Swedish and the Austrian Armed Forces.

9.2.6 *Attractive financial profile characterized by high revenue growth, high profitability, and low capital intensity*

The Group has consistently achieved notable revenue growth, with revenue reaching €147 million for the financial year ended December 31, 2022, representing more than a 62% CAGR for the period between 2020 and 2022. Alongside this, the Group's number of successful tender wins over the last three years

demonstrates the Group's ability to capture market share and adapt to emerging trends. Additionally, the Group has maintained a solid level of profitability, reporting an Operating Profit of €41.0 million and an Operating Profit Margin of 27.8%, with a Profit after Tax of €30.6 million for the 2022 financial year. In the same period, the Group reported an Operating Free Cash Flow of €38.5 million, with a cash conversion rate of 90.7% (Operating Free Cash Flow divided by Adjusted EBITDA), further highlighting its robust financial performance.

These growth trends are expected to continue in the medium term. The Group's revenue amounted to €115.8 million for the first nine months of 2023, compared to €70.4 million for the first nine months of 2022. Furthermore, the Group had secured a notable order backlog of €220 million as of September 30, 2023, comprising orders it expects to deliver in the last three months of 2023 and during 2024 and in minor part early 2025, which is equivalent to approximately 1.5x of the revenue for the Group's 2022 financial year.

The Group is able to generate attractive returns while requiring minimal capital investments, with capex accounting for 2.8% of the Group's revenue as of December 31, 2022. The Group's depreciation and amortization (D&A) represented 1.0% of the revenue for the same financial year. Additionally, the Group is exhibiting a prudent financing structure with a low level of debt when compared to Adjusted EBITDA as of December 31, 2022. The Group believes that this blend of steady revenue growth, sound profitability, and prudent capital management represents an attractive financial profile.

The Group believes several attributes contribute to its financial performance and success. The Group's consistent revenue growth reflects its ability to expand its market presence and customer base, while the Group's profitability is driven by various factors, including its competitive engineering cost base in Greece, which supports global operations efficiently. Furthermore, strong customer relationships lead to repeat business and operational efficiencies. The fully integrated business model contributes to cost control. As a significant purchaser of materials, particularly tubes and electronics, the Group benefits from favorable supply pricing conditions. The Group's adaptability is evident through its capacity to reconfigure components and engage with more competitive suppliers if needed. An analytical approach to, and years of experience with, contract tendering contribute to precise and competitive pricing. Finally, the Group's commitment to product customization meets customer demands and adds to profitability while managing marginal costs, thereby contributing to its overall financial stability.

9.2.7 *Platform well positioned to drive further organic and inorganic growth beyond current business plan, thanks to a highly qualified leadership team*

The Group's platform, led by a highly qualified leadership team (see also Section "14.1 Board of Directors" and Section 14.5 "Biographical Details of the Directors"), is strategically positioned to facilitate both organic and inorganic growth opportunities beyond its current business plan. The Group believes that its current capabilities will enable it to explore a diverse range of growth possibilities in the coming years, underpinned by a carefully crafted strategy. The Group's management has a long-term experience in the defense sector: its Chief Executive Officer ("CEO"), Christianos Hadjiminias, has more than 30 years of experience in the defense sector and each of the rest of the team members has years of experience in the field. The Group's experienced and dedicated leadership team is well-prepared to steer the Group through its next phase of expansion, ensuring that the pursuit of new opportunities aligns with the Group's long-term objectives.

Pursuing organic and inorganic growth opportunities, the main areas of focus for the Group are expected to be:

- (i) *Market Tailwinds*: the Group anticipates significant upside potential with recurring contract possibilities driven by increased defense spending in Europe and around the world, as a result of current geopolitical developments;
- (ii) *New Product Innovation*: the Group's future growth is expected to be driven by new technologies and products, including the fused night vision and thermal goggle, IRIS-C, heads-up display, and a new multisensory platform expected to be launched in the near future, all of which aim to support the development of military advancements, such as the "future soldier" or "digital soldier" programs. One of the goals for certain of these programs is to equip soldiers with fused goggles combining night vision and thermal imaging technologies, with the soldiers being able to digitally transmit information back to the base and receive live feedback and instructions from the base;

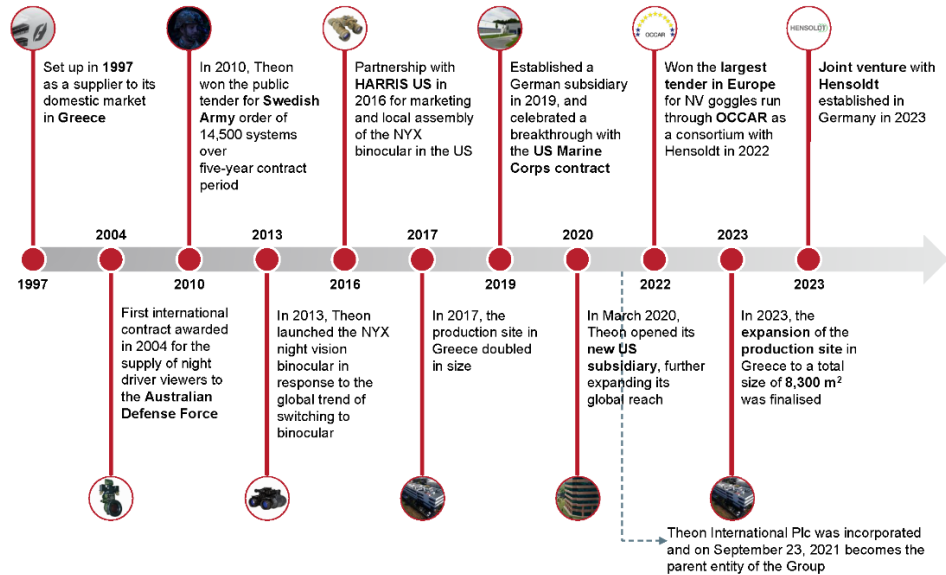
- (iii) *Adjacent Products*: the Group envisions further expanding into other adjacent end markets, such as the civil/commercial market (e.g., law enforcement, firefighting, hunting equipment), as well as engaging in co-development of a thermal sight for sports and hunting with Lightforce and Nightforce, for which a prototype has already been developed (planned for launch in 2024 to target the U.S. and European hunting markets, which consists of approximately 20 million hunters). The partnership with EOTECH is envisaged to enhance the U.S. presence and the generation of recurring revenues;
- (iv) *Geographical Expansion*: the Group targets accelerating its growth in the U.S. market and further developing entry into new markets for the Group, with potential joint ventures in key geographies, including the U.S., South Korea, and the Middle East;
- (v) *Core Night Vision and Thermal Imaging Markets*: the Group envisions enhancing vertical integration with in-house capabilities in the image intensifier tubes sectors and innovating and reengineering existing products, tailored for applications in law enforcement, firefighting, sports and recreational hunting, as well as advancing the development of a maritime platform;
- (vi) *Adjacent Markets*: the Group aims to introduce novel products including telescopic sights, AR goggles, lasers, and displays for various platforms.

One additional potential area of focus involves inorganic growth through acquisition of smaller companies (i.e., with an annual sales turnover of up to Euro 30 million) specializing in adjacent products such as electronics and night vision systems, laser systems, thermal imaging, and fire control systems. Additionally, the Group is exploring M&A as a means of geographical expansion, allowing it to enter new markets in Europe. Additional targets may be identified for the purposes of vertical integration of the supply of certain main components.

9.3 **History of the Group**

The Group traces its origins to 1997, originally operating under the name Theon Esthires Anonimos Emporiki Kai Viomihaniki Eteria in Greece and initially served as a supplier to its domestic market in Greece. The Company was incorporated on August 10, 2021 as a private limited liability company and was converted to a public limited company as of September 13, 2021, with the name Theon International Plc. On August 27, 2021, the Company approved the acquisition from the shareholders of Theon Sensors AG of 204,082 issued and fully paid shares, corresponding to the total share capital of said company, in exchange for 199,000 ordinary shares of the Company with nominal value of €1.00 each. This acquisition became fully effective on September 13, 2021, whereby the Company became the parent entity of the Group (for more information relating to the Company and, the formation of the Group and its development see also "12 General Information on the Group").

The below chart highlights the noteworthy business achievements throughout the history of the Group:



In 2004, the Group was awarded its first international contract for the supply of night driver viewers to the Australian Defense Force and in 2010 the Group won a public tender for the supply to the Swedish Army. In 2013, the Group launched the NYX Night Vision Binocular in response to the global trend of switching to binocular systems from monocular systems and then entered into a partnership with Harris USA in 2016 for the marketing and local assembly of the NYX Night Vision Binocular in the U.S. In order to meet increased demand, the Group doubled the size of its production site in Greece in 2017 and had further increased in size to a total of 8,300 m² as of the date of this Prospectus.

As part of its international expansion, the Group established a subsidiary in Germany in 2019 and delivered the first tranche of its best-selling NYX Night Vision Binoculars to the Austrian Armed and Special Forces following the award of the initial contract in November 2019, which includes an option to order additional units. The Group was also awarded a contract with the U.S. Marine Corps in 2019, which was an important breakthrough for the Group. In 2020, the Group passed the historic mark of 100,000 systems delivered to end users in more than 50 countries worldwide and continued to engage in further strategic partnerships with world leading companies in the relevant fields, including Hensoldt Optronics and Safran Electronics and Defense. The Group also established two subsidiaries in the U.S. in 2020 and 2022.

In 2022, the Group partnered with EO TECH, a U.S.-based manufacturer of holographic weapon sights and rifle scopes to strengthen its presence in the U.S., particularly in the law enforcement and civil markets (i.e. hunting equipment), through the distribution of night vision devices and thermal imagers. Also in 2022, the Group established a joint venture, HTN with Hensoldt Optronics, which is based in Wetzlar Germany. A large part of the contract work for the supply of night vision binoculars to the German and Belgian Armed Forces managed by the OCCAR is being undertaken by this joint venture.

9.4 Products and Services

Theon prides itself on its capacity to customize and conduct extensive research and development R&D to deliver tailored product offerings to its customers. The Group's approach centers on collaborating with end users and customers either prior to the tender process or during the contract implementation period. By leveraging its expertise in R&D and involving stakeholders in the co-development process, Theon seeks to ensure that its products are precisely aligned and tailored to the unique needs and preferences of its customers. This dedication to customization and collaboration enables Theon to align the night vision and

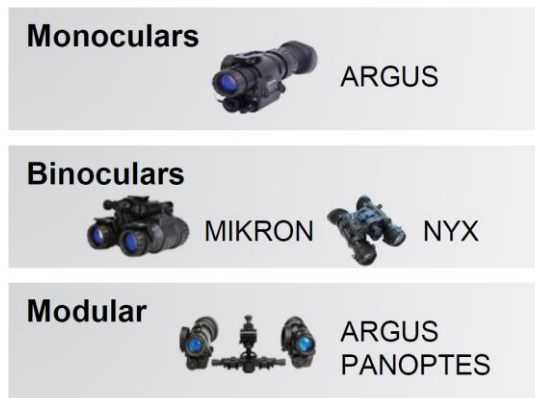
thermal imaging products described below to consistently deliver high-quality, innovative solutions that exceed expectations and drive value for its clients.

9.4.1 *Night Vision products*

Night Vision systems are based on IITs which amplify residual light during the night (for example from the moon, stars, and streetlights) and projecting an image on a phosphor screen that either provides a green or black-and-white image of the observed scenery to the user. The Group's comprehensive catalogue of night vision systems includes: (i) goggles including monoculars, binoculars and modular binoculars, (ii) weapon sights, comprising both stand-alone and clip-on systems; and (iii) platform-based systems, such as driver viewers and day/night cameras for observation and/or targeting purposes. As of the Date of this Prospectus, the Group has approximately 132,000 dismounted Night Vision systems and approximately 3,500 platform Night Vision systems in use.

One of the Group's strengths is the customization of its products to specific customer needs, where the existing products are tweaked, re-designed, and optimized further to match user specific requirements or specifications. This results in a variety of specific and often unique features, such as the fail-safe shut-off mechanism that operates independently of gravity, smart electronics that include a system operations reader which provides hours of useful information for maintenance purposes and an orientation-independent battery insertion, which is a simple but key feature allowing the user to change the battery in darkness without worrying about the direction of battery insertion (plus/minus pole). All systems ensure maximum flexibility with ergonomically advanced designs that are intended to increase mission success rates. The night vision segment accounted for approximately 90%, 83% and 88% of the Group's revenue in 2022, 2021 and 2020, respectively.

9.4.1.1 *Goggles*



(i) ARGUS – Multi Purpose Night Vision Monoculars

ARGUS represents a family of cutting-edge, fully MIL-SPEC image intensified multi-purpose monocular systems that offer versatile functionality as handheld devices, head-helmet attachments, or weapon-mounted setups. ARGUS was the first monocular system developed by Theon in 2008, and has been further developed and improved over the years. Despite their lightweight design, these systems are built to withstand rugged conditions and deliver exceptional optical performance. Powered by standard AA batteries (rechargeable, alkaline, or lithium), ARGUS provides individual soldiers with the ability to perform various tasks such as observation, short-range surveillance, weapon aiming, map reading, and medical aid operations in all-night conditions. There are three versions available, all with the option with or without Manual Gain Control ("**MGC**"): ARGUS LW (Lightweight); ARGUS FS (Fail Safe with a 100% FS shut-off mechanism); as well as ARGUS FS Mk2, which is an upgraded version of the original ARGUS FS. All versions offer "Four+2" degrees of adjustment, ensuring optimal customization. The system features an ambidextrous operation system for convenient use with head and helmet mounts, as well as a quick-release dovetail mechanism for swift attachment to head, helmet, or weapon mounts. Additional technical features include a comprehensive range of accessories such as 3x and 5x magnifiers, sacrificial and antifogging filters, day training modules, laser protection filters, camera adapters, and more. ARGUS can be further enhanced with a Long Range Laser Illuminator for extended reach. Furthermore, it has the capability to be configured as a dual binocular setup, providing enhanced visual capabilities. As of the date of this Prospectus, the Group has delivered approximately 51,000 units, for use in 28 countries.

(ii) ARGUS PANOPTES – Advanced Modular Night Vision Binoculars

ARGUS PANOPTES is a family of full MIL-SPEC, image intensified, modular twin tube binoculars, which consists of two ARGUS night vision monoculars mounted onto a bridge to form a binocular systems. ARGUS PANOPTES provides versatile operation options, including helmet-mounted, head-mounted, or hand-held use. Despite its lightweight design, it boasts robust construction and excels in optical characteristics and performance. The system's modularity empowers users to customize the configuration (monocular, binocular, or weapon-mounted) based on mission requirements and personal preferences. As a dual-channel, dual-tube system, ARGUS PANOPTES enhances depth perception compared to single-tube systems, enabling better judgment of distances and relative motion. This capability, which is applicable to any type of binocular system, proves valuable for demanding tasks such as vehicle driving and other intricate applications. The LW, FS and FS Mk2 versions are all available with or without MGC, providing flexibility to meet individual preferences. As of the date of this Prospectus, the Group has delivered approximately 10,000 units, for use in 9 countries.

(iii) NYX – Dedicated Night Vision Binocular

NYX and MIKRON were Theon's first binocular systems in 2013. The Group considers NYX to be one of the world's leading night vision binoculars based on the capabilities and end-use applications of its end users and is the Group's best-selling product with more than 25,000 units in use. In line with the Group's strength on customization of its products, NYX refers to a group of night vision binoculars with different variants available. NYX is a cutting edge, full MIL-SPEC, image intensified, dual tube binocular that can be operated helmet-mounted, head-mounted or hand-held. Mounts are available for a large range of helmets, including helmets featuring a VAS shroud. It features smart electronics, including a fully programable multi-function button for all controls, failsafe shut off mechanism, as well as data port for maintenance support. Like all of the Group's binoculars and monoculars, NYX features a best of class low weight without compromising robustness with a weight of under 500g, depending on the actual variant. It is fully customizable and can be tweaked, optimized and re-designed depending on the buyer's needs, with modifications related to ergonomics, robustness, use in harsh environment and electronics. It has enhanced sturdiness and practicality due to its dovetail design and the flip up/flip away technology it comes with. It has a typical range of 250 meters for a human target on 1x magnification and its magnifier goes up to 3x magnification. Other accessories include sacrificial, antifogging, day training, laser protection filters, and camera adapters. It uses a built in infrared illuminator to brighten its user's sight in very dark lightening conditions and is powered by a self-contained single AA battery. Lastly, NYX's 25mm eye relief improves the binoculars' comfort over long missions.

(iv) MIKRON-D – Dedicated Night Vision Binocular

The MIKRON is a specific variant of the NYX night vision binocular that uses a 16mm image intensifier instead of the standard 18mm tubes in the NYX. The use of these smaller tubes results in an overall smaller system weight and size while DRI ranges can typically be kept through increased tube performance. As of the date of this Prospectus, the Group has delivered approximately 50,000 units of MIKRON and NYX, for use in 22 countries.

(v) Additional customization of night vision goggles

The Group additionally offers optics for different fields of view starting with the standard 40 degrees, the slightly increased 42 degrees and the large field of view optics with 47 degrees. Although these are designed for the NYX they can easily be adapted to the ARGUS and the MIKRON goggles as well. Moreover, Theon is able to adjust the diopter ranges to specific requirements up to a total of 9 diopters (e.g. -5 to +4) while also offering rear optics with a fixed diopter at -0.5 for special operators who typically do not need any eye sight correction. Finally, Theon offers optics with a reduced F number (1 instead of the typical 1.2) that indicates the amount of light coming through the lens and increases system performance at very low light levels.

9.4.1.2 *Weapon Sights*



(i) ARTEMIS – Night Vision Stand Alone Weapon Sights

ARTEMIS is a family of Night Vision Stand Alone Sights designed for infantry weapons, offering 3x, 4x, and 6x magnification. These sights are characterized by their lightweight construction and compact dimensions, ensuring ease of use for the user. With optimized optics and using high-performance IITs, the ARTEMIS sights provide targeting capabilities in low lighting conditions while maintaining excellent boresight retention. Equipped with a kinematic mounting bracket assembly, the ARTEMIS sights can be directly attached to a picatinny rail, a mounting platform for firearm accessories, allowing for precise adjustments in both elevation and azimuth. This innovative feature ensures that the sights retain their bore sighting accuracy even in harsh and demanding environments. The ARTEMIS series of weapon sights comes with the unique feature of a field replaceable reticle that allows the adaptation of the sight onto virtually any type of weapon platform without the need to return it to the workshop, which provides maximum flexibility to the user. Moreover, the ARTEMIS sights are designed to be compatible with standard AA batteries, ensuring easy power source availability in the field. With a focus on high reliability, these sights are built to withstand rugged conditions, with their robust aluminum housing offering the necessary durability. Additionally, the ARTEMIS sights feature a standard MIL-STD-1913 mount, ensuring compatibility with a wide range of firearms and accessories. This standardization simplifies the integration of the sights into existing setups and enables seamless interchangeability. In summary, the ARTEMIS family of Night Vision Stand Alone Sights offers versatile magnification options, robust performance under various lighting conditions, and easy adaptability to different weapons and ammunition. As of the date of this Prospectus, the Group has delivered approximately 19,000 units, for use in 11 countries.

(ii) DAMON – In Line Afocal Night Sight

The DAMON family comprises a series of Clip-On Night Vision Devices (CNVDs) that have been specifically developed to equip soldiers with exceptional night vision capabilities and enhanced target acquisition. These clip-on sights are designed to be used alongside medium or long-range day sights, enabling effective targeting during nighttime operations while preserving the day optic's ballistic zeroing. The DAMON device boasts user-friendly operation, featuring intuitive ON/OFF/Manual Gain Control and Focus knobs positioned for easy access. Attachment to picatinny rails is swift and straightforward, with the option of utilizing single lever mounts. No dismounting of the day sight or recalibration is necessary, allowing users to maintain their preferred eye relief shooting position and muscle memory. DAMON's large collimating optics ensure that the day sight's exit eye box is retained. Crafted from aircraft-grade aluminum, DAMON, like all of the Group's products, adheres to rigorous military specifications and undergoes comprehensive testing. An additional picatinny rail permits the installation of supplementary equipment such as an IR illuminator. The DAMON MR variant is well-suited for short-range rifles like the M16, M4 and AK-47, whereas the LR variant caters to the needs of squad leaders, snipers, and machine gunners utilizing weapons such as the FN Minimi, MG3, M2 HB and MK19. As of the date of this Prospectus, the Group has delivered approximately 1,700 units, for use in 9 countries.

9.4.1.3 Platform Based Systems



(i) TITANS – Night Driver's Viewers

The Group offers a family of image intensified Night Driver's Viewers for various armored vehicles and main battle tanks. These viewers can be fitted to virtually any type of vehicle using special-to-the-vehicle mounting bracket assemblies. The viewers have the capability to rotate left and right for surveillance when the vehicle is stationary. They can be installed in the driver's hatch or replace an existing periscope, typically the central one. When not in use, the viewers are stored in a metal container. The viewers feature a 25 mm format image intensifier tube with Automatic Brightness Control (ABC) and Bright Source Protection (BSP). They also have an Electronic Control Assembly that turns off the viewer in daylight conditions. Operation is simple with a single ON/OFF - Gain Control switch. Additional features include an optional laser protection filter, a large binocular lens for viewing with both eyes, and the choice of power source from the vehicle's mains or a 3V lithium battery. The viewers offer high logistics uniformity and include a built-in battery protection circuit.

(ii) URANIA – Vehicle Mounted Day-Night Camera; Vehicle Surveillance and Target Acquisition System

URANIA is an advanced digital day and night military camera designed for armored vehicles, offering 4x magnification for observation and targeting. It has undergone international standard testing and utilizes a unique ICMOS sensor that combines an image intensifier tube with a global shutter CMOS sensor, resulting in enhanced optical performance. More precisely, the MK1 version incorporates two channels with a day camera and a "digitized" night vision channel, and a "digitized" night vision channel, which uses a traditional image intensifier tube cemented onto a CMOS, while MK 2 uses a single low light CMOS digital camera to cover both day and night time operations (which provides limited imagery during very low light conditions). The camera transmits video over Ethernet and is controlled via CAN bus. It features a fully customizable design for use in various platforms and applications. Key features include automatic operation with digital manual override, high boresight stability, rugged aluminum housing with EMI/EMC protection, and a fully modular and customizable design. URANIA has a 7.2° field of view with 4x magnification. It captures full HD 1280x960 pixel monochrome video at a 4:3 aspect ratio, with global shutter sensors providing low latency and high dynamic range for reduced halo effects. The camera has a fixed focus mechanism for reliability and simplicity.

As of the date of this Prospectus, the Group has delivered approximately 3,500 platform based systems (TITANS and URANIA), for use in 12 countries.

9.4.2 Thermal Imaging products

Thermal imaging devices use passive sensors that capture the infrared radiation emitted by all objects with a temperature above absolute zero (thermal radiation), allowing its operation in any conditions regardless of lighting levels. The Group's thermal imaging systems include: (i) weapon sights, such as stand-alone, clip-on and customized systems; and (ii) vehicle systems, such as night driver viewers. As of the Date of this Prospectus, the Group has approximately 2,800 dismounted Thermal Imaging systems in use. The Group has designed and developed in-house a variety of thermal engines that integrate image enhancement algorithms and uses high performing uncooled IR sensors for superior image quality. The Group offers different variants of weapon sights with high energy efficiency of more than 10 hours and quick-start capability of less than 3 seconds to meet mission requirements. The thermal imaging segment accounted for approximately 10%, 13% and 12% of the Group's revenue in 2022, 2021 and 2020, respectively.

9.4.2.1 Weapon Sights



(i) THERMIS – Thermal Sight

The Group's THERMIS family of uncooled Thermal Clip-on Sights (TCS) and Thermal Weapon Sights (TWS) uses a 17 mikron pitch microbolometer and was developed to provide soldiers with a day/night advantage in detecting, observing and engaging hostile targets, independent of darkness and common obscurants used for visual concealment. The clip-on sights are designed for use in combination with medium or long range day sights to provide 24 hour targeting capability for anti-tank weapons in any lighting conditions, while maintaining the day optic's ballistic zeroing.

The first generation of THERMIS Mk1 was developed in 2015. All model variants are equipped with the in-house designed thermal engine to deliver performance and reliability. All variants generate superior IR imagery, ensuring target recognition at the maximum possible range. Optimally sized rear optics retain day optics eye box, ensuring user comfort. The thermal engine is designed with an intuitive user interface that allows the use of the system with minimum training efforts. Optimized control of the image processing and region-of-interest settings result in enhanced user experience. Local contrast enhancement delivers further enhanced image quality. The built in digital compass and inclinometer provide range estimation and target orientation.

THERMIS comes in 17 different variants (10 variants of THERMIS Mk2 and 7 variants of THERMIS Mk1) serving short, medium, long and extra-long range targeting applications for short-range rifles (such as M16, M4, AK-47), medium machine guns (such as M16, M4, AK-47, FN Minimi, MG3), or squad leader's weapons, Sniper Rifles, and Heavy Machine guns (such as M2 HB, MK19). The Group believes that its thermal sights contribute to a considerably increased likelihood of target destruction with the first round fired. The Group's offering also includes the TH60/DSA developed for the FCS13/14 (fire control system) from AIMPOINT and TH100 developed for the CORSAR targeting optics from LUCH.

As of the date of this Prospectus, the Group has delivered approximately 2,500 units of the THERMIS family, for use in eight countries (of which approximately 330 are customizable thermal sights, for use in four countries).

(ii) THERMIS Mk2 – Thermal Sight

The THERMIS Mk2 is the second generation of the original THERMIS design and uses a 12 mikron pitch microbolometer that allows a much more compact and thus lightweight design without compromising actual performance and respective DRI ranges. The THERMIS MK2 can be used either as a Clip-on or Stand Alone Sights on virtually any weapon platform up to 0.50" caliber for targeting and observation or as a Handheld Thermal Imager. With the in-house designed thermal engine, user-selectable image enhancement and region-of-interest settings result in an enhanced user experience, while automatic local contrast enhancement delivers superior image quality. Optimized control of the image processing and region-of-interest settings result in enhanced user experience. Local contrast enhancement delivers superior image quality. The built-in digital compass and inclinometer provide navigation and target orientation.

Modern inter-connectivity options provide agile and customizable integration with a broad range of platforms (such as ATAK). Optional accessories are available, such as rear-positioned controls accompanied by an electrical remote control and honeycomb-style reflection suppressor which allow for covert operation under all conditions.

9.4.2.2 Platform Based



(i) THERMON - Thermal Periscope

The Group's THERMON thermal periscope was designed to be mounted in the same vision-block slot on vehicles in use and the Group offers many variants to meet the specifications of most vehicle models. THERMON includes a state-of-the-art non-cooled infrared sensor for superior image quality which enables driving in almost any conditions. It includes a 45° rotation range and electronic image zoom, as well as dual channel camera systems mounted on any vehicle or chassis.

(ii) THERMON Fused- Dual Channel Periscope

The Group's THERMON Fused periscope for armored vehicles seamlessly integrates thermal and daylight imaging, providing enhanced visibility across a wide range of field scenarios. With its advanced integration of thermal and daylight imaging, it provides enhanced visibility in diverse field conditions. Designed for enhanced situational awareness, the periscope allows navigation through dust, fog, and darkness with confidence. Its reliable performance, durable construction, and user-friendly controls ensure prolonged operational availability.

(iii) TALOS SR/TALOS MR/TALOS LR

TALOS is a family of electro-optical observation and surveillance systems designed to provide automatic detection, recognition and identification capabilities, developed for diverse land environmental conditions. The first variant of TALOS (MR 400) was introduced at DSEI exhibition in London in September 2023. The TALOS electro-optical systems provide maximum sensor range performance by using highly sensitive sensors, gyro-stabilization and unique video enhancement algorithms. Applications include border surveillance, coastal surveillance, perimeter surveillance, protection of sensitive sites, terrain dominance, force protection, civil protection, law enforcement, ISR observation and reconnaissance.

The TALOS product family includes short, medium and long range multi sensor EO/IR systems. The TALOS SR product line is a cost effective, maintenance free short range ISR Solution ideal for reconnaissance vans and border surveillance stations. The TALOS MR product line is a gyro stabilized medium range solution suitable for moving military vehicles, patrol and coast guard boats, IPV's and OPV's. The TALOS LR product line is a long range EO solution ideal for stationary border and coast surveillance stations with tens of kilometers of observation area.

(iv) TRITON

TRITON is a family of gyro stabilized electro-optical observation systems designed for the harsh maritime environment. The TRITON family of EO/IR systems can be integrated with the vessel's systems and offer a full solution for naval and maritime operational requirements. Applications include search and rescue,

border surveillance, law enforcement, exclusive economic zone protection, counter piracy, ISR observation, marine navigation and situational awareness. The TRITON family includes short and medium range multi sensor EO/IR systems. The TRITON SR product line is a cost effective, maintenance free short range EO Solution ideal for marine navigation and situational awareness in yachts and commercial vessels. It can also be used for low-cost surveillance and reconnaissance in patrol boats, coast guard boats, IPVs and OPVs. The TRITON MR product line is a high-performance medium range EO Solution ideal for demanding surveillance and reconnaissance in patrol boats, coast guard boats, IPVs, OPVs, and small fast boats and can also be used as secondary EO in frigates and corvettes.

9.4.3 *Follow-on-Support Services*

The Group additionally offers Follow-on-Support ("FoS") Services to end-users who operate with the Group's night vision or thermal systems as well as to users of third-party devices. The Group's existing core Follow-on-Support Services during the life cycle of the Group's night vision or thermal systems include preventive and corrective maintenance as well as providing spare parts for such systems. These FoS are designed to ensure the optimal performance and durability of the Group's systems. Additionally, the Group has recently been focusing on providing upgrades and customization to the Group's own systems as well as to systems made by third-party providers. Upgrades and customization enable end-users to tailor the devices to their personal needs and preferences. The Group also provides end-users of its systems various training modules on device handling. The FoS accounted for less than 1% of the Group's revenue in 2022, 2021 and 2020.

(i) Maintenance and spare parts

In order to maximize the operability and durability of its systems, the Group provides preventive and corrective maintenance services in case the end-user is not able to perform its own maintenance. The Group is in a position to offer maintenance services (including repairs) for the products in operation through customized SLA, taking into consideration the needs of the end-user. For example, the Group has established a company in Denmark, which is responsible for supplying FoS services to end-users in Scandinavia and Baltics regions. The Group also offers the same type of services through a network of authorized partners, who are able to offer maintenance services in the country of the end-user. Similarly, the Group provides and supplies spare parts, covering the entire lifecycle of the products delivered to end-users. The Group provides maintenance and spare parts for products under the warranty free of charge and fee-based after expiration of warranty.

(ii) Upgrades and customization

The Group has recently been focusing on upgrading and customizing existing devices on the market, both the Group's own systems as well as systems by third-party producers. For end-users of the Group's own systems, upgrades provide the end-user the ability to upgrade existing devices without having to replace them with another model. At the same time, the Group is able to showcase its latest technological developments and create a demand for such products. Customization of the Group's devices provides a tailored solution based on the end-user's individual needs and preferred specifications.

For end-users or systems produced by third parties, the Group provides upgrades and customization using the Group's devices. This enables the end-user to benefit from the latest technological developments which are represented in the Group's products, while the Group can potentially create additional demand for such products and is able to showcase its other devices to such end-users.

(iii) Training

The Group provides training performed by skilled and experienced personnel, including either operator training such as in-person demonstrations on equipment handling, or technical training, such as on maintaining and repairing the devices. In both cases, trainees receive relevant documentation, such as manuals, prepared by the Group's dedicated training and integrated logistics support departments. Especially for the technical training, the Group also offers hands-on training to technical personnel of the end-users.

9.4.4 **Products under development**

9.4.4.1 *Augmented Reality Modular Ecosystem of Devices (ARMED)*

The Group is expecting a trend in man portable night vision applications to be able to provide the user with fused imagery, increased situational awareness and interconnectivity. For this reason, the Group is currently developing an Augmented Reality Modular Ecosystem of Devices (ARMED), which uses advanced image processing and different thermal image display options to provide the soldier with the best fused image by reducing unnecessary cluttering of the information displayed. The ARMED system uses a modular or integrated approach to: (i) connect the system wirelessly to other EO systems such as thermal weapon sights or target locator systems using Bluetooth or wireless technology; and (ii) connect the systems through the Radio Coms to the Battle Management Systems providing a two-ways exchange of data and information. This allows the command to see what the soldier sees and effectively deploy all assets in a coordinated approach, while in turn the user receives data and instructions from the command on the battlefield. The ARMED systems can also be used during daytime, due to an auxiliary thermal camera that registers the surroundings.

9.4.4.2 *Other products under development*

The Group is currently developing additional products, such as an advanced fire control system for marksman and assault rifles, thermal red dot sights (targeting both the civil and military market) with short range in modular combination with Theon's thermal sight devices, and thermal hunting sights developed in collaboration with Lightforce Group (Australia) and Nightforce (U.S.) for the U.S. and EU civilian market.

9.5 **Business Model and Sales Approach**

9.5.1 *Contracts with governments and supranational organizations*

The Group's core target customers are defense and security forces. The Group's typical end-customers are governments and organizations that allocate budgets and make procurement decisions for their defense and security forces. Governments in this context includes national governments, as well as supranational organizations, such as OCCAR and NSPA. Governments and supranational organizations typically acquire equipment through public tender procedures. The tender submissions typically consist of a financial offer and technical offer submitted by a company participating in the tender, which are assessed and evaluated and used as the basis for awarding the contract. Both financial and technical offers are binding on the tender participants and any deviation from the offers can be a cause for disqualification.

The Group's largest customers vary year-to-year based on new programs, exercised options or upcoming upgrades. In 2022, such largest customers by total revenue included OCCAR, the U.S. and Sweden. European countries accounted for approximately 65%, North America 15%, MENA 15% and the rest of the world for approximately 5% of the Group's total sales revenue in 2022 (in each case, combining both direct and indirect sales, such are sales through the Group's partners). In total, the Group derived approximately 64% of its revenue in 2022 from customers in the EU and NATO and NATO-equivalent countries, for which the Group relies on well-established export control procedures and which the Group therefore generally considers unproblematic from an export control perspective. Export control procedures for other markets tend to be more complex and time-consuming.

The Group sells to end-customers through different sales channels. Besides direct sales to governments, the Group also sells to non-government customers, such as prime defense contractors, as intermediaries to the Group's government customers. In addition, the Group leverages strategic local partnerships and joint ventures to deliver its products.

Examples of the Group's contracts with governmental customers include a contract with the U.S. Marine Corps for c. 17,000 units during five years starting in 2019, the UK Ministry of Defence for c. 900 units during three years starting in 2021, the Armasuisse for c. 8,500 units (assembled by Vectronix in Switzerland) during six years starting in 2018, the Swedish Army for c. 22,500 units during 14 years starting in 2010 and the Austrian Armed Forces for c. 5,000 units during five years starting in 2019.

9.5.1.1 *OCCAR contract*

OCCAR is a European intergovernmental organization that facilitates and manages collaborative armament programs through their lifecycle between the governments of Belgium, France, Germany, Italy, Spain, and

the United Kingdom. Other states can participate to OCCAR programs without becoming a member state. Some smaller EU states, including some Eastern countries including Romania, Bulgaria, Estonia, Latvia, Poland, Lithuania, Czechia and Ukraine are expected to join the OCCAR framework in light of recent changes in the geopolitical environment. The participating states can choose to tender for military equipment through OCCAR instead of individually at the national level. OCCAR has a separate set of harmonized tender rules, which simplifies the tender process for companies wishing to participate in the tenders. OCCAR acts as the tendering entity during the tendering process and interacts with potential suppliers directly. After a successful tender, the relevant participating states are then allocated the quantity of a particular type of equipment that they requested from OCCAR.

In July 2021, the Group signed a contract with OCCAR for BNVGs on behalf of Belgium and Germany. The Group signed the contract as part of a consortium with Hensoldt Optronics while the contract will be partly executed by the newly founded joint venture HTN. The initial contract provided for the production and delivery of 4,550 BNVGs to the Belgian army and 5,000 BNGVs to the German army, with an option for another 20,000 which was activated in July 2022 through a contract amendment raising the total quantity under contract to 29,550. The contract also includes Integrated Service Support for the Belgian end-user.

9.5.2 *Strategic local partnerships and joint ventures*

In order to expand its global footprint, the Group has entered into strategic local partnerships and joint ventures for the production and delivery of the Group's systems to the relevant geographical markets. The Group's strategic local partnerships are located in South Korea, Indonesia, Saudi Arabia, Switzerland, Brazil and the U.S., and, in addition, the Group has entered into joint ventures with Hensoldt Optronics, EO TECH and Elbit. Due to the Group's growth in recent years, the Group believes it has sufficient financial and production capabilities to individually participate in tenders without being dependent on partnerships or joint ventures. However, the Group still considers such partnership to be strategically important by, e.g., providing the Group with opportunities to raise its profile in key or new markets, while at the same time helping to satisfy any potential localization and local offsets requirements, whereby a certain portion of an awarded contract must be sourced locally in order to be able to participate in a tender.

9.5.2.1 *Hensoldt Theon Night Vision GmbH*

In July 2021, the Group founded a joint venture, HTN, with Hensoldt Optronics in order to establish a hub for the European defense industry. HTN has already been successfully utilized for executing parts of the contract with OCCAR for binocular night vision goggles on behalf of Belgium and Germany, where HTN assembles parts of the MIKRONs goggles as a subcontractor of the consortium. For more information, please see Section 9.5.1.1 "*OCCAR contract*".

9.5.2.2 *Elbit Systems of America*

The Group entered into an agreement with the Group's strategic ally Harris USA (now Elbit) for their joint fulfillment of the U.S. Marine Corps. P.A contract, awarded in September 2019, for the delivery of the Squad Binocular Night Vision Goggle, which has received the U.S. Army/Navy designation AN/PVS-31D. The contract will span a 5-year period, with an expected quantity of 17,000 night vision binoculars to be delivered in total. Deliveries started in spring 2020 and will conclude in September 2024. Under the contract, the Group provides Elbit the flagship night vision binocular NYX in a semi knock down kit format, with Elbit performing the final assembly with its own IITs at its Roanoke night vision production facility in Virginia, U.S. In addition, the Group provides night vision accessories and spare parts and support throughout the partnership.

9.5.2.3 *EO TECH*

The Group has signed an agreement with EO TECH for the assembly of the Group's products in the U.S. for the U.S. defense and law enforcement market. Under the agreement, the Group partially manufactures the parts in Greece and ships them to the EO TECH facility in Plymouth, U.S., where additional parts are also manufactured and then assembled before being delivered to local customers. As of the date of the Prospectus, products are already being delivered to customers in the U.S.

9.5.3 *Civilian market*

The Group has also entered into the civilian market predominantly focused on hunting equipment. For this reason, the Group has entered a partnership with Nightforce Optics, Inc. for the co-development of the JV-

50, which is a thermal hunting sight for the civilian market. The JV-50 is to be produced and assembled in U.S. and Australia and is supplied predominantly in the U.S. market.

9.5.4 *Sales Associates*

In order to expand its reach globally and develop market intelligence and market the Group's products, the Group also engages with sales associates, who are essentially the Group's agents reaching out to potential customers locally. Sales associates are normally compensated on a commission basis, whereas the Group typically makes the actual commercial offer to the potential customer.

The Group collaborates closely with local partners to engage with a diverse range of end users. This process involves presenting the products and conducting live demonstrations, leveraging the Group's market position and globally recognized brand name to access various markets. The Group educates customers about the available solutions, offering insights into product advantages and disadvantages based on long-term industry experience. The Group actively addresses any customer requests, often incorporating them into the product offerings. When dealing with tenders, the Group's technical business development team conducts a meticulous analysis, evaluating competition, products, prices, and other factors, ensuring precise results. Upon winning tenders, the Group ensures swift contract implementation, actively involving production and design & development teams to provide comprehensive customer support. Customer-specific requests are promptly addressed, which the Group believes fosters satisfaction and product improvement. The Group continually explores opportunities for contract extensions, engaging with customers to activate options, add accessories, or introduce new products. This ongoing customer engagement approach is sustained through educational initiatives, introducing investors to new products and enhancing market reach.

9.5.5 *Customization and upgrades*

The Group additionally offers customization of its devices and upgrades of its own devices as well as the devices of third-party producers already on the markets. Customization attracts end-users who require tailored device specification for particular use purposes. Examples of customizations include different fields of view, adjusted diopter ranges and lighter versions with lower specs. Upgrades extend the life cycle of the Group's own devices and enable the Group to introduce its latest technological developments to end-users. This is even more relevant for end-users of devices produced by third parties. Such end-users get familiarized with the Group's products by upgrading their existing devices with devices produced by the Group. Additionally, the Group is able to introduce its other devices to such customer and thereby grow its own customer base.

9.6 **Key Manufacturing Facilities**

The Group's main production strategy is to produce reliable, high-quality, in addition to the ability to maintain and repair its products over long periods of time. The Group produces its products out of the Group's main factory located in Koropi (Athens), Greece, which has obtained NATO security clearance, as all systems are tested according to standard military test procedures prior to launch. The original Koropi facility has an area of 3,500m², which was further expanded with an additional building completed in 2023, to a total of 8,300m² production facility area having yearly capacity for approx. 56,000 monoculars (36,000 in the original building and 20,000 in the new area). The Koropi facilities also have five 10,000 class clean rooms and a solar plant serving the original facilities. In addition, the Group uses joint facilities with Hensoldt in Wetzlar, Germany, with a total of 300m², in a production facility area having yearly capacity for approx. 12,000 monoculars (based on current setup referring only the final part of the production process) which may be further increased in the future, and with EOTECH, with a 100m² production facility area in Plymouth, U.S. where the Group's products are partly manufactured and assembled before being delivered to local customers. Approximately 250 of the Group's employees are allocated to the Koropi facilities, and approximately 10 of the Group's employees are allocated to the Wetzlar facility. The Group also has a maintenance center in Denmark.

The Group's production process includes the following phases: (i) design and development ("**D&D**"); (ii) production; (iii) assembly; (iv) testing; and (v) marketing. In the design and development phase, the D&D department uses modern and state-of-the-art computer-aided design tools to precisely design a product according to required specifications. This allows the Group to provide highly customizable and complementary products and to fast-track modification requests. In the production phase, the Group uses an international supply chain for the production of all components, which is supported by the in-house

D&D workshop. The Group controls the value chain and is continuously investing in its highly engineered, proprietary product portfolio, while its in-house production and engineering expertise creates organizational agility for rapid production. The assembly is done in class 100 (FED-STD-209E) flow-boxes which are located in five 10,000 class cleanrooms. The Group also conducts testing in-house where it utilizes advanced testing facilities for electrooptical and thermal systems. After a product has gone through all of these phases, a global business development network established with strategic partners and sales associates in more than 60 countries markets the product to the Group's potential customers.

9.7 **Research and Development and Trade Secrets**

The Group's research and development efforts are focused on in-house product development, building on existing basic research and studies by third parties. Depending on their complexity, the technology and systems the Group develops typically take between a half a year to two years to yield a product that qualifies for operational service. Especially in areas where operational safety is a critical feature, the process can take longer. After initial entry into service, products are regularly improved and further customized in close cooperation with the customer.

The Group's research and development department comprises a mixture of highly skilled and well educated experienced professionals in the fields of optics, mechanics and electronics. The group initiates the development of a product either upon a market need or a tender requirement. Capitalizing on more than twenty five years of experience and excellence in optonics, a new design effort kicks off with the specifications review. Next, the detailed design commences with optomechanical design joined by electronics hardware and software development. The phases of integration, prototyping and design verification (with possible design re-spins and iterations) ensure a successful product before releasing to production. This development cycle, depending on the specifications, complexity and technological challenges of the product, usually lasts from one to three years which is typical for yielding a proper qualified product for such a demanding sector as defense. Interaction with the end-user is always a requirement for continuous improvement and customization of the product throughout its life cycle. The Group considers its ability to be flexible and address users' feedback to be one of its key strengths.

The Group's research and development processes and activities are designed to produce efficient and effective innovation that relies on knowledge, know-how, skills and practices that have been acquired and developed over many years. This valuable asset of novelty and innovation is protected as a trade secret and as confidential information pursuant to contracts entered into with the Group's various counterparties.

9.8 **Supply and Procurement**

The Group uses an international supply chain for the production of all components. This supply chain is partially supported by the in-house CNC workshop and mostly outsourced, with particular regard to the supply of specific intermediate products, such as image intensifier tubes, lenses, metal bodies and plastic parts, which are necessary for the manufacture of its technological products.

The most relevant suppliers are based in the EU (Germany, Greece, France, and Netherlands), Asia and the U.S. Due to the strict regulatory requirements concerning the Group's products, the Group needs to abide by strict selection criteria, including pricing, accessibility, quality and track-record, and policies to ensure that also outsourced services and components and the relevant suppliers comply with such requirements. The Group also keeps a record of the approved suppliers and partners, which is updated every year ("**Approved Suppliers-Partners**"). For this reason, the Group maintains a Procurement Policy and Process for selecting its suppliers with its primary objective being to ensure that the quality of every piece of equipment or hardware, and every product supplied meets the prescribed standard and that the service delivered by the supplier complies with the specifications already set.

The Group seeks to ensure that outsourced processes and products comply with the requirements through identification and application of criteria for evaluating, selecting, tracking performance and re-evaluating external providers based on their ability to provide processes, products and services in line with the Group's requirements. The Group keeps up-to-date information on the above activities and possible actions taken after the evaluations. All supplies (products, consumables, capital equipment, services) are made by approved suppliers and associates and, only where this is not possible, by candidate suppliers and associates after a thorough evaluation to ensure they meet all the Group's applicable requirements. The Group keeps a record of Approved Suppliers-Partners, which is updated every year. It contains information about the ability - on the part of the supplier - to properly and timely supply the company with products and services

according to the relevant specifications, requirements and contractual obligations. The List of Approved Suppliers-Affiliates is maintained under the responsibility of the Group's Purchasing Department and is reviewed annually on the basis of the data that results from ongoing cooperation with such suppliers and associates.

By participating in tender procurement procedures, the Group benefits from sales volume forecasts and is able to organize its supply chain more efficiently, particularly the supply of IITs, which have the most significant effect on the Group's ability to meet customer demand (see also Section 1, Risk Factors, "1.2.6 *The Group handles highly sensitive information and is exposed to the risks of data breaches, attacks, or disruptions of the Group's IT technology and infrastructure*"). Due to the high visibility of future purchase orders enabled by these procurement procedures, the Group is able to maintain a sufficient inventory of IITs enabling it to fulfil incoming purchase orders without any undue delay. When the Group is about to participate in a tender, it engages a supplier and locks the price in the commercial offer for the items that the Group would need from the supplier in case the Group wins the tender. By doing so, the Group is better able to anticipate the costs of production of tendered equipment and is able to account for any supplier price increase in its tender proposal, thereby passing on the additional cost to the end-user.

The Group deals with its suppliers mainly by means of purchase orders, governed by standard terms and conditions ("**T&Cs**"), either provided by the Group itself or by the relevant supplier. Theon's standard T&Cs, when acting as a buyer, generally include, *inter alia*: (a) a warranty of 12 months, covering also incidental damages, in favor of the buyer, (b) a right to cancel the purchase order in case of delay of the supplier without any penalty / obligation to reimburse costs incurred by the supplier; (c) a right to terminate the agreement without cause with a 30 days written notice and (d) the ability to refuse non-conforming products. Additionally, suppliers must provide prior written notice of any price increase to Theon, which must communicate its acceptance in writing for such price increase to be effective. Similarly, the T&Cs provided by the suppliers generally include provisions which are in line with standard conditions of the Group. Product warranties range between 12 and 24 months, not covering incidental or consequential damages and/or loss of profits. In limited cases, the Group commits to minimum purchase requirements.

The Group aims to establish a good relationship and a long-term collaboration with its suppliers, while seeking to intensify cooperation and expand the number of suppliers in the future in order to ensure that the services delivered by the suppliers continue to comply with the Group's specifications and that all products of the Group are compatible and fully tested for compliance with military standards.

9.9 **Financing Arrangements**

The Group does not rely heavily on external financing, exhibiting a prudent financial structure with a low level of debt to earnings. The Group finances the purchase of IITs, parts and other raw materials for individual projects by using working capital and by utilizing project finance for each specific project.

9.10 **Material Contracts**

Within the two years immediately preceding the date of this Prospectus the Group has not entered into any agreements that are material and/or contain provisions under which it has an obligation or entitlement that is material to it as of the date of this Prospectus.

9.11 **Compliance**

The Group considers it essential to adhere to an optimal code of business practice and to apply a high level of conduct standards. Therefore, the Group has implemented a structured set of guidelines setting out its organization's processes, standards, and best practices to aggregate and harmonize its operations with the applicable established regulations and legislation, which is enforced and overseen by the Legal Department of the Group in coordination with the Contracts and Purchasing Department, which handles the compliance issues of the day to day business, including export control.

Compliance issues are closely monitored on an ongoing basis ensuring both the smooth performance of the Group's contractual obligations (as these have been undertaken by the Group's companies) and the adherence to the corresponding regulatory framework. To this end, the Group ensures its staff and employees periodically receive accommodated training and updates on any legal and regulatory developments that needs to be strictly followed when doing business. External advisors and counsels are

also in an ad-hoc basis engaged by the Group to provide tailored-made advice and solutions and support the Group when bespoke solutions are required.

The Group conducts its business activities in accordance with applicable anticorruption laws, rules, and regulations, and its Code of Ethics and Business Conduct. The Group recognizes the corrosive effect that corruption has on democracy and good governance and is committed to ensuring that the Group and those who conduct business on its behalf do so with integrity and the highest ethical business standards and in full compliance with the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, and other applicable anti-corruption laws. The Group will not engage in and has zero tolerance for bribery and corruption in any form in its business dealings. This policy applies to all officers, members of the Board of Directors, and employees of Theon and its subsidiaries within and outside Greece, and, by written agreement, all appropriate provisions apply to any domestic or international representative, distributor, reseller, consultant, agent, or any other person or firm by whatever name known, of any nationality, who is conducting business for or on behalf of the Group.

Application of the national and European procurement laws, international trade rules, and trade sanctions, data protection and export controls legislation, is also a fundamental element of the compliance portfolio of the Group. Confidentiality of commercial information and technical data, objectivity, fairness and transparency in Group's participation to public procurement procedures are of fundamental importance and pertain all its activities.

9.12 Quality Assurance

The Group maintains and implements a Quality Management System, in accordance with the requirements of the international standard ISO 9001:2015, ISO 14001:2015 and ISO 28000:2007 aiming at the continual effectiveness improvement of all of its Processes.

Quality assurance, which is implemented throughout the production process from design to final achievement of the product, is implemented for both internal and external purposes. Internal Quality Assurance provides trust to management / Leadership while external quality assurance provides trust to customers or third parties and is aligned with Quality Control functions.

After determining the specifications and requirements regarding production and products disposal, a program is implemented, through which the scope of Quality Assurance is the "prevention of error" by ensuring quality at all stages of production.

Through the QMS, all the Processes applied in the company are defined as well as resources, criteria and methods to ensure that both the operation and the control of these Processes are effective.

The Group's goal is to ensure is that the products (or services) provided will have the quality determined by the predetermined accepted standards with direct effect on both quality stability and reliability of the products produced.

A critical part of quality assurance procedures is the quality control process. Quality control is implemented in different parts of Theon Sensors' processes such as incoming inspection, during production, and outgoing inspection.

Checking incoming supplies requires checking all their accompanying documents. Verification is also made of receipt of the ordered "products" both qualitatively and quantitatively. The supply of the above "products" is based on specific procedures and suppliers' supply documents, which are described in detail in the relevant Procedures.

9.13 IT infrastructure and Data Protection

The IT infrastructure is an important part of the Group operations, in particular to support product development and manufacturing, procurement, sales, customer support and services, and administration, as well as internal and external communications. In addition, the IT infrastructure provides management with the financial and other information necessary to implement the Group's strategy, is designed to ensure controls and compliance across the Group, and provides for uniform and timely reporting.

Given the strategic relevance of the IT in its activities and the sensitive information managed through such IT systems, the Group has adopted several measures to prevent incidents such as IT breaches and cyber-

attacks, (e.g., computer viruses, phishing attacks, identity theft, break-ins, theft of address files or user identification or password data, customized malware seeking to access infrastructure and gather critical information, and unauthorized use of data and system), including employee awareness campaigns and trainings, dedicated cyber-security team and budget, security monitoring and IT audits. Over the past three financial years the Group has continuously increased its annual investments on IT, from €280,254.00 in 2020 to €527,274.00 in 2022.

Additionally, Theon's IT infrastructure and systems are protected externally and internally by firewalls and the latest versions of the firmware available. The Group has also implemented a software, Veeam, in both of its Greek sites (i.e., Psyxiko and Koropi) to automatically backup and synchronize repositories, and the QNAP archive, a disaster recovery procedure and back-up facility, in order to mitigate the IT risks.

In relation to the system maintenance, the Group has adopted a proactive approach in the IT asset lifecycle management for core and backbone IT infrastructure and implemented a dedicated software to monitor the lifecycle of the Group's products.

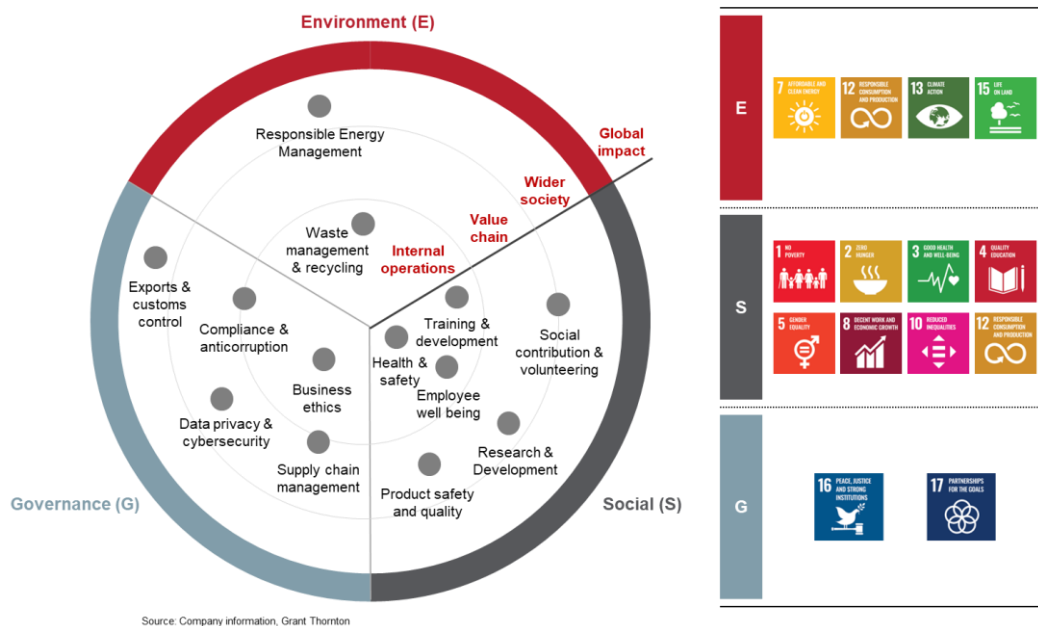
The Group also relies on the safeguards put in place by customers, suppliers, vendors, subcontractors or other third parties to minimize the impact of cyber threats, other security threats or business disruptions. The Group's commercial arrangements with these third parties include processes designed to require that the third parties and their employees and agents agree to maintain certain standards for the storage, protection and transfer of confidential, personal and proprietary information.

9.14 Employees

The Group had 135, 183 and 247 employees as of December 31, 2020, 2021 and 2022, respectively. As of the date of this Prospectus, the Group has a total of more than 260 employees. These employees are divided by function into (i) Production; (ii) Design and Development; (iii) Business Development and Marketing; and (iv) Administration. In 2022, on average, the majority of the Group's employees (63%) worked in production roles. Additionally, Design and Development employees made up a further 16% of the workforce, with 13% in Administration and the remaining 8% in Business Development and Marketing. The largest part of the workforce (c. 96%) was located in Greece. For more information of employee benefits, please see below Section "9.15.1 Social Responsibility and Governance".

9.15 ESG

Environmental, social and governance factors are at the core of the Group's values and strategy and are a long-term commitment that the Group intends to strengthen through various initiatives and projects. The following is the materiality matrix designed for preparing the Group's ESG policies, and is aligned with stakeholder expectations and international standards.



9.15.1 *Social Responsibility and Governance*

The Group has observed historically strong employee loyalty, boasting a high retention rate of 99% in 2022. This is a testament to the Group's dedication to creating a supportive and fulfilling work environment that fosters loyalty and long-term commitment.

Over its history, the Group established an exceptional track record of maintaining a safe and secure working environment for employees. The Group maintains a strong record on reported workplace accidents across all production sites, with only one minor workplace accident reported last year. The Group has implemented comprehensive safety protocols, including regular employee training programs, strict adherence to industry best practices, and continuous monitoring of potential hazards.

The Group's employees are the backbone of the organization, and their well-being is of paramount importance. That's why Theon continues to invest in employee welfare and education, providing comprehensive benefit packages and opportunities for personal and professional growth. Moreover, Theon is committed to social responsibility, extending beyond the workplace. Through various philanthropic activities, the Group strives to make a positive impact on the local community, supporting causes that align with core values and fostering a sense of purpose among employees. The Group also organizes and finances visits, tours, lessons, lectures and other experiences of a cultural and educational character offered free to employees and their families. To boost participation in these programs, the Group has introduced policies such as Delta Passport, an internal record of participation, whereby participation in these activities receives scoring. Top participants receive a multiplier to their bonus scheme and hence interest in educational and cultural activities is rewarded.

Theon aims to support equality, equal opportunities and diversity in the work environment. The Group has collaborated with Women on Top (WoT), an organization focused on women's empowerment, to develop a specialized training program to address workplace harassment. The Group is also committed to supporting community-driven projects that enhance social inclusiveness.

In recognition of the above, the Group has been certified as a Great Place to Work for 2023 awarded by Great Place to Work® Hellas and has received a Bonze Award at the 2022 and 2021 HR Awards organized by the Innovative use of technology for learning has obtained an ISO 9001:2015 certification.

9.15.2 *Emissions & Environment*

The Group takes into consideration the increasing importance of environmental protection and is committed to meet the customer requirements while promoting sustainable development through effective management of natural resources, reducing environmental impacts and continuous environmental monitoring of its activities. The Group is committed in the framework of an overall environmental protection philosophy for the implementation of actions that have the following main application areas, such as the implementation of an Environmental Management System according to the international standard ISO 14001:2015, aiming to continuously improve the environmental performance of the Company. The Group aims to achieve compliance of all its operations with the relevant European and national laws and regulations. The Group's goal is to employ a rational use of natural resources, energy, raw and auxiliary materials in production processes, while maintaining the quality of its products. At the same time the Group aims to reduce and minimize where possible, liquid, solid or gaseous effluents. In the recent past, the Group has focused on reducing carbon emissions, closely monitoring both direct and indirect emissions from purchased electricity and company vehicles, and has promoted reuse and recycling, measuring the relevant progress through waste-related indicators. The Group has also installed photovoltaic panels in its premises.

In order to achieve these goals, the Group conducts an analysis of the environmental impacts before the adoption and introduction of new production processes and products, and offers continuous training, education and encouraging all employees to actively participate in improving environmental performance.

Theon incorporates sound corporate governance practices and principles in its business operations, ensuring accountability and transparency. The Group also collects information from its partners (such as customers, suppliers, contractors and government agencies) in order to support the Group's commitment to reduce its environmental impact. Theon assesses its suppliers prior to any collaboration and evaluates existing

suppliers on the principles of transparency and meritocracy. The Group's key suppliers must meet high standards, including implementing the ISO 9001 Quality Management System and ISO 28000:2007, and meeting specific financial and non-financial criteria. The Group provides information to external stakeholders on environmental performance for the purpose of information and cooperation for effective environmental protection and undertakes systematic measurement, monitoring and evaluation during the implementation of environmental policy principles. The Group engages in continuous review of environmental objectives and targets established by the Company to continuously improve the environmental performance and create favorable conditions for sustainable development.

9.16 **Legal and Arbitration Proceedings**

Although the Group has experienced a limited number of legal and arbitration proceedings as of the date of this Prospectus, as part of the Group's ordinary business activities or the acquisition or divestiture of businesses and/or assets, companies of the Group are, and will likely continue to be, involved in legal and administrative disputes and proceedings. Such disputes and proceedings have in the past, and will likely in the future, relate to, among other things, contractual claims by or against business partners, employment matters, and regulatory compliance.

It is impossible to determine or predict the extent or outcome of any pending or threatened disputes or proceedings. The Group nevertheless believes that no actual or threatened governmental, legal, or arbitration proceedings (including any proceedings which are pending or threatened of which the Group is aware) during the last twelve months may have, or have had in the recent past, a material effect on the Group's financial position or profitability.

9.17 **Insurance**

The Group maintains insurance policies covering areas such as product liability, all risk insurance, transportation of goods, directors and officers liability (D&O), cyber risks, professional indemnity and group employees life insurance.

9.18 **Intellectual Property**

Due to the Group's business model, the Group does not significantly protect its R&D activities through intellectual property rights. This is due to the fact that the Group's products are designed according to each customer's requirements in terms of functionality, dimensions, materials used and regulation, which vary from customer to customer. As of the date of the Prospectus, the Group does not depend on any patents or licenses, industrial, commercial or financial contracts or new manufacturing processes. For further information on the limited intellectual property rights the Group owns "*1.2.8. The Group owns and registers limited intellectual property rights*".

10. REGULATORY ENVIRONMENT

10.1 Regulatory Overview

The Company's operations and products are subject to numerous laws, rules, and regulations at international, EU, and national levels, in particular in the fields of procurement, pricing, secrecy protection, export control, foreign trade, anti-corruption and -bribery, as well as product safety and liability.

Since the business primarily comprises the production and distribution of defense and security-related products, the Group is subject to procurement laws and regulations and depends on political decisions on governments' defense spending. The Group's business contacts with government customers also result in the imposition of special secrecy obligations which allow the Group under certain conditions to exchange classified information with these customers.

Due to the Group's product portfolio, which includes, to a large extent, military equipment, the Group is subject to international, European, and national export control and foreign trade laws and regulations. In this context, the Group must also comply with embargoes and trade sanctions, which impose restrictive measures against certain countries, organizations, groups, non-state entities, and individuals, and which require the Group to conduct a thorough assessment of customers' background and supply chains.

The Group is subject to anti-corruption and bribery laws, which are one of the main drivers for the Group's compliance efforts. In addition, the Group is subject to a number of health, safety, and environmental protection laws and regulations. The Group's products must meet certain product safety standards in all jurisdictions where they are delivered.

10.2 Contracts with Governments

10.2.1 *Applicable Procurement Laws and Regulations*

The Group's main operation is the supply of military and sensitive equipment, including any parts, components, or subassemblies thereof. The supply of defense equipment is usually conducted through public procurement procedures, as these are set up by the competent contracting authorities.

The Group is an EU-incorporated entity and, as such, it is subject to a number of EU laws and regulation, including the Directive 2009/43/EC and Directive 2009/81/EC implementing the so-called "defense package" of the European Union, as well as Directive 2014/24/EC on public procurement. The defense package is the first procurement law regime that was created particularly for the defense and security sectors and serves the purpose of enhancing transparency and openness in defense markets between EU countries. Public procurement law generally requires public entities, sectorial contracting entities, and concession grantors to award contracts and concessions in a transparent and non-discriminatory tender procedure, depending on certain thresholds, either on the national or on the European level. Tender obligations also apply to material amendments to existing contracts. In case of violations of public procurement law requirements, the underlying contract may be null and void. In addition, competitors may claim damages in case of such violations, in particular against the public contracting entity.

As to domestic law, the Group's main production facilities are located in Athens and are subject to Greek laws and regulations, including: (i) law 3978/2011 regulating public work contracts, supply and service contracts; (ii) law 3433/2006 on the supply of defense material by the armed forces; (iii) law 4412/2016 regulating *ad hoc* contracts, supply and service contracts that shall not fall within the scope of law 3978/2011, as per Articles 15 – 17 of law 4412/2016; (iv) law 4028/2011 on the simplification of the requirement regarding the circulation of defense related products within the EU and (v) Ministerial decision F900/2553 on End-User certificates.

10.2.2 *Approvals and Pricing Regulations*

Sales to governments are generally subject to procurement approval requirements by the respective country's parliament or other stakeholders. Pursuant to Greek Law 3978/2011 (Art. 13), works and supply contracts in the field of defense and security are subject to pre-contractual audit by the Greek Court of Auditors.

10.2.3 *Secrecy Obligations*

Since the products are mainly sold to government customers, the Group may have access to classified documents and thus is subject to special secrecy obligations. Furthermore, the sensitive defense products require special protection of business and products against unauthorized interference from third parties, manipulation, and sabotage. Pursuant to Greek Law 3978/2011 (Art. 35), when contracts in the fields of defense and security involve, require and/or contain classified information, the contract documentation (contract notices, contract documents, descriptive documents or supporting documents) shall define the measures and requirements necessary to ensure the security of such information at the requisite level.

10.3 **Export Controls**

10.3.1 *Legal framework*

Within the European Union's internal market, the principle of free movement of goods applies, which does not, however, apply to goods and services that are listed as military items under applicable export control laws. When importing and exporting goods to non-EU countries, the Group must comply with national and European, as well as international export control laws and customs regulations.

As to European law, the regulatory framework concerning customs is the Union Customs Code (Regulation (EU) No 952/2013), with the powers of the customs authorities being further set out in the national laws of the Member States.

Since the products are sold worldwide and given that most of them are to a large extent export controlled, these goods and services are subject to export control regulations of the country in which the relevant Group's affiliate is located. In addition, the Group procures goods from suppliers worldwide, who might also be subject to export restrictions. Such export restrictions from suppliers could also impose further legal requirements when the Group provides goods and services to customers. In Greece, exporting companies have to comply with, in particular, European export control regulations, as well as the U.S. re-export regulations (for example, the ITAR or the U.S. Export Administration Regulation), applicable depending on (i) the kind of product and the purpose for which the product has been developed, (ii) the country of destination, (iii) the intended use of the exported goods, and (iv) as part of the U.S. re-export regulations, the classification status of the receiving company.

As to domestic law (law 4028/2011), the Group has to apply for the relevant license when exporting to non-EU-countries. Once the Group has obtained the end-user certificate, as per the template provided by the Hellenic Ministry of National Defense (or an international import certificate), executed by the end-user, the Ministry of Foreign Affairs releases the license, following the positive opinion of the Ministry of National Defense. Relevant provision may also apply when exporting parts or subassemblies of the end products, requiring licenses of the country of origin.

As to European law, the Group is subject to the provisions of Directive 2012/47/EU on the list of defense-related products. Based on this list, the Group provides products under category ML15(c) (image intensifier equipment), ML15(d) (infrared or thermal imaging equipment), or technology under category ML22 (*i.e.*, any technology required for the design of, the assembly of components into, and the operation, maintenance and repair of, complete production installations for military products). The Group is also subject to Directive 2017/433/EU (amending Directive 2009/43) as regards the list of defense-related products. By virtue of Greek Law 4028/2011, the transfer of defense-related products between Member States shall be subject to prior authorization in accordance with Articles 9, 10 and 11 of said Law granted only to exporters registered in the Registry of Exporters of their establishment. Pursuant to the Ministerial Decision enacting said Law (no. Φ 900/2553/Σ.751/2012), when exporting to non-EU-countries, an import certificate or an EUC is required.

10.3.2 *Dual-Use Items*

EU and Greek export control laws restrict the export of the Group's products, services, and technologies designed for non-military purposes but which are utilized in military applications or can contribute to the proliferation of weapons of mass destruction ("**Dual-Use Items**"). Some of the products qualify as dual-use items.

Dual-Use Items are goods, software and technology that can be used for both civilian and military applications. The EU export control regime for Dual-Use Items is governed by the Dual-Use Regulation.

The Dual-Use Regulation provides for common EU control rules, a common EU Dual-Use Items list and harmonized policies for implementation. The objective of the revised Dual-Use Regulation is to modernize the EU system for the control of exports, brokering, technical assistance, transit, and transfer of Dual-Use Items. The revised regulation applies to a wider range of emerging dual-use technologies, and introduced due diligence obligations for producers. Furthermore, the revised regulation intends to strengthen coordination between the EU and partner countries through more convergent approaches to export controls at a global level. Under this EU regime, the export of Dual-Use Items is subject to control and Dual-Use Items may not leave the EU customs territory without an export authorization. The Dual-Use Regulation is binding and directly applicable throughout the EU. The Member States nevertheless implemented some of its provisions into national law, such as consequences of breaches and applicable penalties.

The Dual-Use Regulation includes an annex with a detailed list of Dual-Use Items (Annex I), within which sensors and lasers fall under Category 6.

10.4 **Embargoes and Trade Sanctions**

10.4.1 *Overview*

Countries like the United States, as well as supranational organizations like the EU and the United Nations, impose sanctions or other restrictive measures against countries/territories, organizations, groups, non-state entities, and individuals who infringe upon internationally accepted behavior and norms or otherwise pose national security or foreign policy risks. This includes list-based sanctions against those who have, for example, been identified as being involved in weapons proliferation, as terrorists, as supporters of terrorist organizations, as violators of human rights, or as being involved in corruption and bribery. Such country/territory- and list-based measures are more commonly known as trade sanctions or embargoes.

Trade sanctions take the form of comprehensive embargoes (total embargoes), partial embargoes, such as arms, trade, or financial embargoes, or embargoes targeted against specific individuals, entities, groups, and organizations contained in lists (list-based sanctions). Financial embargoes usually prohibit placing assets of any kind at the disposal of sanctioned parties or providing them with financial services of any kind.

10.4.2 *EU Legislation*

EU trade sanctions have a broad scope. They apply (i) within the territory of the Member States, (ii) to any person inside or outside the territory of the EU who is a national of a Member State, (iii) to any legal person, entity or body which is incorporated or constituted under the law of a Member State whether acting inside or outside the EU, and (iv) to any legal person, entity, or body in respect of any business done in whole or in part within the EU.

The Group's commitments in terms of sanctions and embargoes mainly (but not exclusively) derive from Council Regulation (EC) No 2580/2001. This regulation is directed against certain persons and entities for the purpose of combating terrorism. It aims to prevent and prohibit the financing of terrorist acts by prohibiting that funds, other financial assets, and economic resources are made available, directly or indirectly, to, or for the benefit of, a natural or legal person, group, or entity included in the list of restricted parties, or by prohibiting financial or other related services from being rendered for the benefit of restricted parties.

Besides the embargoes against certain persons and entities, there are a number of embargoes in place against countries, such as Iraq, Libya, or Russia. The embargoes limit the freedom of foreign trade with the embargoed countries. They also prohibit making available funds, other financial assets, and economic resources, directly or indirectly, to, or for the benefit of, a natural or legal person, group or entity included in the list of restricted parties of that embargoed country, or by prohibiting financial or other related services from being rendered for the benefit of restricted parties of that embargoed country.

The given examples reflect the current legal situation only, which is, however, subject to frequent changes as sanctions lists are updated on a regular basis.

10.4.3 *U.S. Legislation*

U.S. trade sanctions apply primarily to U.S. persons. The term "**U.S. person**" includes (i) individual U.S. citizens and lawful permanent residents, (ii) all companies and other legal entities organized under U.S.

law, including their branch offices located outside the United States, and (iii) persons present in the United States. In the case of the Cuba and Iran sanctions programs, the U.S. sanctions also apply to non U.S.-entities owned or controlled by U.S. persons.

Besides country or territory-based and sectoral sanctions (which, for example, target certain sectors of the Russian economy), the U.S. government also imposes list-based sanctions against certain entities and individuals, including through the U.S. Office of Foreign Asset Control's List of Specially Designated Nationals and Blocked Persons. The obligation to screen U.S. sanctions lists may also follow from contracts with suppliers, credit facilities, or loan agreements that require compliance with U.S. sanctions or screening against U.S. sanctions lists.

U.S. sanctions may also have an extraterritorial effect and apply even to non-U.S. persons as defined above (so called "**secondary sanctions**"), if such entity or individual participates in certain activities for which such sanctions may be imposed. Further, non-U.S. persons and entities that cause a U.S. person to violate U.S. sanctions also violate the U.S. sanctions and risk civil and criminal penalties under applicable U.S. law.

10.5 **Anti-Corruption and Anti-Bribery**

The Group is also subject to foreign anti-corruption and anti-bribery laws in addition to Greek regulations. These measures include, for certain parts of the Group's business, the U.S. Foreign Corrupt Practices Act. The Greek anti-corruption legislation consists of:

- Articles 235-237B of the Greek Penal Code;
- Law 2656/1998 (Ratification of the OECD Anti-Bribery Convention);
- Law 2802/2000 (Ratification of the EU Convention Against Corruption Involving Officials of the European Communities or Officials of Member States of the European Union); and
- Law 3560/2007 (Ratification and implementation of the Criminal Law Convention on Corruption and of its Additional Protocol).

10.6 **Product Safety and Liability**

The Group is subject to provisions on product safety in all countries and jurisdictions where it delivers products and could therefore be held liable in cases concerning damage caused by defective products manufactured. As a principle, each delivered product leaves the production site with a product safety record stating compliance with all applicable product safety laws.

If a defective product causes a person's death, injury to the body, damage to health, or damage to an item of property, the Group is obliged to compensate the injured person for the respective damage under certain circumstances. A product is defective if it does not provide for the safety which one is entitled to expect, taking into account all circumstances, in particular (i) its presentation, (ii) the use to which it could reasonably be expected that it would be put, and (iii) the time when it was put into circulation. In addition to compliance with the safety requirements, manufacturers must provide consumers with the necessary information in order to assess a product's inherent risks and take necessary measures to avoid such threats (for example, withdraw products from the market, inform consumers, and recall products).

10.7 **Other Laws and Regulations**

10.7.1 *Competition Law*

The Group is subject to various competition and antitrust laws. Competition law in the broader sense includes all legal provisions that concern the protection of a diverse and free competition. Antitrust law, in particular, aims to protect free competition. National and supranational authorities that monitor compliance with competition rules may initiate investigations and proceedings into alleged infringements. Violations of competition and antitrust laws can have various consequences, including the nullity of agreements, fines, absorption of benefits, and civil claims for damages. Authorities may impose limitations or conditions regarding acquisitions and certain business practices if the Group is found to have obtained a dominant position in a certain market area or to be otherwise non-compliant with competition and antitrust regulation.

In addition, certain acquisitions, cooperations and partnerships of the Group may from time to time be subject to merger control laws and regulations.

10.7.2 *Data Protection*

When processing personal data, the Group is subject to the GDPR and the respective implementation legislation in the national laws of the Member States as well as to other similar data protection rules in other jurisdictions, where applicable. A violation of obligations under the GDPR or other similar data protection rules may constitute an administrative offense, which can result in fines or investigative measures imposed by the competent data protection authority.

10.7.3 *Supply Chain*

In addition, the European Commission adopted a Proposal for a Directive on Corporate Sustainability Due Diligence on February 23, 2022 ("**CSDD Proposal**"), which is currently being presented to the European Parliament and the Council for approval. The CSDD Proposal would expand the scope of addressees of the affected companies and the list of protected goods, by extending the due diligence obligations to the entire value chain, and by introducing a new civil law liability element for breaches of due diligence obligations. Furthermore, the CSDD Proposal introduces duties for the directors of the relevant EU companies, including setting up and overseeing the implementation of the due diligence processes and integrating due diligence into the corporate strategy. In addition, when fulfilling their duty to act in the best interest of the company, directors must take into account human rights, climate change and environmental consequences of their decisions. If adopted, the Member States will have two years to transpose the Directive into national law. This may lead to adjustments of the correlating national legislation. To ensure compliance with future due diligence obligations, the Member States will have to establish penalties. It is envisaged that administrative fines will be set on the basis of a company's turnover to ensure a proportionate level of penalty.

11. MAJOR SHAREHOLDERS

11.1 Major Shareholders

The table below sets out the information known to the Company with respect to the shareholding structure of the Company as at the date of this Prospectus, also showing the shareholders of the Company that hold an interest in the Company's share capital and voting rights that would qualify as a notifiable interest under applicable Cyprus law.

Direct Shareholders	Ownership in %	
	As of the date of this Prospectus	Assuming the completion of the Private Placement^(*)
Venetus Limited ⁽¹⁾	88.44%	69.12%
CHRE Investments Limited ⁽²⁾	11.08%	9.62%
Free Float	n.a.	21.26%
Total		100.00%

^(*) Assuming the private placement of 4,000,000 Existing Shares from the holdings of the Selling Shareholder and of 9,090,909 New Shares at the mid-point of the Price Range and assuming the full exercise of the Over-Allotment Option, resulting in gross proceeds for the Company of approximately €100 million and gross proceeds for the Selling Shareholder of €58.4 million.

⁽¹⁾⁽²⁾ Christianos Hadjiminis is the ultimate controlling shareholder of CHRE Investments Limited, holding 100% of its share capital and voting rights, and he further is the ultimate controlling shareholder of Venetus Limited, controlling 93.80% of Venetus Limited's voting rights through CHRE Investments Limited. As a result, the total shareholding in the Company of CHRE Investments Limited and Venetus Limited, both controlled by Christianos Hadjiminis amounts to 99.52%, and Christianos' economic beneficial interest in the Company amounts to approximately 94.03% as of the date of this Prospectus. Assuming a successful Private Placement at the mid-point of the Price Range as described under ^(*) above, Christianos Hadjiminis' indirect economic beneficial ownership in the Company would amount to approximately 74.45% and the total shareholding in the Company of CHRE Investments Limited and Venetus Limited would amount to 78.74%.

As of the date of this Prospectus, Mr. Hadjiminis indirectly through CHRE Investments Limited and Venetus Limited, holds or controls almost all the voting rights in the Company, and assuming a successful Private Placement as described in the table above, he will hold or control approximately 78.74% of the voting rights in the Company. As of the date of the Prospectus, there are no agreements or measures in place between Mr. Hadjiminis, CHRE Investments Limited and/or Venetus Limited and the Company or the other shareholders to ensure that such control is not abused. Depending on the level of shareholder attendance at the general meeting or extraordinary meetings of the Company's shareholders, Mr. Hadjiminis may be able to adopt and implement or prevent the adoption of resolutions which require a simple majority or even higher majorities solely through the exercise of his own votes in the Company. Furthermore, Mr. Hadjiminis, provided he is present at a meeting, may prevent a general meeting of the Company's shareholders from adopting resolutions which require a qualified majority of the votes cast (see "1.5.2 Risks relating to the Shares and the Admission - Following the Admission, Christianos Hadjiminis will still be in a position to exert substantial influence on the Group, which could differ from the interests of the other Shareholders").

To the best knowledge of the Company and other than the Private Placement, there are no arrangements as at the date of this Prospectus which may result in a change of control in the Company at a subsequent date.

11.2 Treasury Shares

As of the date of this Prospectus, the Company does not hold any treasury Shares.

12. GENERAL INFORMATION ON THE GROUP

12.1 Establishment, Formation, and Registered Office of the Company

The Company is a public limited company, incorporated under the laws of Cyprus on August 10, 2021 as a private limited liability company and converted to a public limited company as of September 15, 2021, with the name Theon International Plc, and registered with the Department of Registrar of Companies and Intellectual Property of the Republic of Cyprus with Registration Number HE424549. The Company's commercial name is "Theon International / Theon Sensors". The Company's legal entity identifier ("LEI") is 2138002Y6CEIWHLN8775. The address and registered office of the Company is 5 Agiou Antoniou Street, Muskita Building 2, 1st floor, apartment 102, 2002, Strovolos, Nicosia, Cyprus. The telephone number of its registered office is +357 22770740. The Company's website is <https://www.theon.com/>. Any information on the Company's website does not form part of the Prospectus.

12.2 Governing Law

The Company is incorporated under and governed by the laws of the Republic of Cyprus.

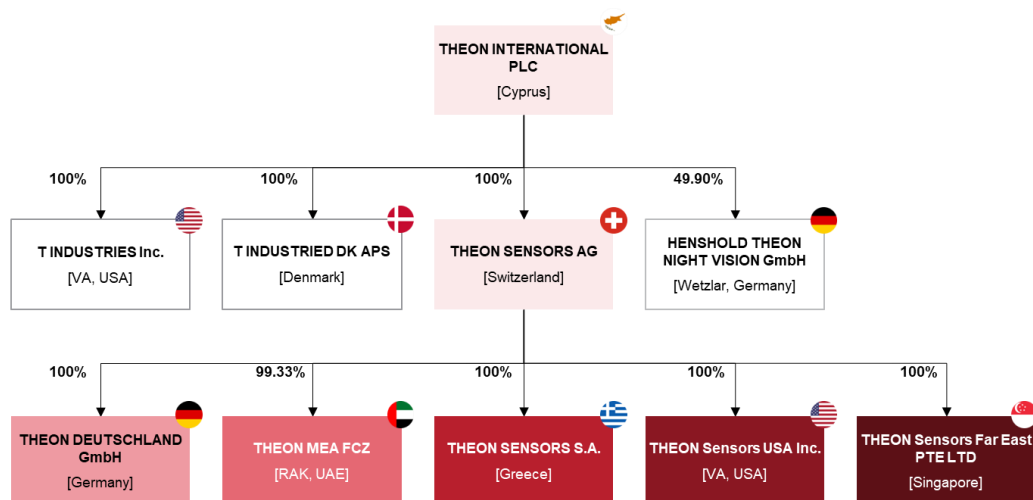
12.3 Objects of the Company

The Articles of Association, supplementing Section 3 of the memorandum of association of the Company, allow the Company's officers to engage in any sector or type of work for which there is either explicit or implied authorization from the Company's governance documents. The Company thus can engage in a broad range of activities, among others, carry out the business of a holding company and to coordinate, finance and direct all or part of the operations and activities of the Group companies. Additionally, the Company can participate in companies dealing with production, maintenance, repair and trading of high-tech products of thermal imaging sensors and thermal imaging instruments, optical instruments, distance meters, day and night observation instruments, high-tech and microelectronics products, as well as trading, operation and maintenance and other activities related to such products. Furthermore, the objects of the Company allow it to provide consulting services, programming and management services, engage in financing transactions and purchase and sell immovable property and list its shares on a regulated market.

12.4 Group structure

The Company is the holding company of the Group, which consists of 10 companies active in several different jurisdictions, mainly Greece, Germany, Denmark, the USA, the UAE and Singapore. On August 27, 2021, the Company approved the acquisition from the shareholders of Theon Sensors AG of 204,082 issued and fully paid shares of Theon Sensors AG, corresponding to the total share capital of said company, in exchange for 199,000 ordinary shares of the Company with nominal value of €1.00 each. This acquisition became fully effective on September 13, 2021, whereby the Company became the parent entity of the Group. The Company's primary role is to function as a management and finance holding company. The business is conducted by the Company primarily through its subsidiaries.

The chart below shows the current structure of the Group in a simplified form.



12.5 Significant Subsidiaries and Shareholdings

The following table provides an overview of the significant subsidiaries and shareholdings, as well as key information relating to these equity interests.

<u>Name of the subsidiary</u>	<u>Country of incorporation</u>	<u>Ownership interest/share of voting power</u>	<u>Issued capital</u>
Theon Sensors AG	Switzerland	100%	CHF 204,082
Theon Sensors S.A.	Greece	100%	EUR 8,514,000
Theon Sensors MEA	UAE	99.3%	AED 150,000
Theon GmbH	Germany	100%	EUR 25,000
HTN GmbH	Germany	49.90%	EUR 24,663
Theon Sensor far East	Singapore	100%	EUR 1,846,313

12.6 Financial Year and Duration

According to the Articles of Association, the duration of the Company is unlimited. The financial year of the Company ends on December 31 each calendar year.

12.7 Auditors

The statutory auditors of the Company are appointed by the general meeting of shareholders, with such appointment lasting from the conclusion of such meeting until the conclusion of the next Annual General Meeting. The Company's current approved statutory group auditor, KPMG Limited, is organized under the laws of Cyprus, having its registered office at 14, Esperidon Str., 1087 Nicosia, Cyprus, registered under the registration number HE 163844, was appointed by the Annual General Meeting on August 16, 2023 for the audit of the Group's financial statements for the year ended December 31, 2023 and onwards. With respect to the Unaudited Condensed Consolidated Financial Statements, the independent auditors KPMG Limited have reported that they applied limited procedures in accordance with professional standards for a review of such information. However, their separate report included herein, which includes an emphasis of matter paragraph that states that the comparative information presented as at 31 December 2022 and 1 January 2022 has been restated, states that they did not audit and they do not express an opinion on those Unaudited Condensed Consolidated Financial Statements. Accordingly, the degree of reliance on their report on the Unaudited Condensed Consolidated Financial Statements should be restricted in light of the limited nature of the review procedures applied.

The Company's group auditor for the years ended December 31, 2022 and December 31, 2021 was PKF abas limited organized under the laws of Cyprus, having its registered office at 67 Limassol Avenue, 5th floor, 2121 Nicosia, Cyprus, registered under the registration number HE416976 ("PKF"). The Audited Consolidated Financial Statements have been audited by PKF, which in each case provided an unqualified auditor's report reproduced in this Prospectus. The 2020 Consolidated Combined Financial Statements have been prepared and reviewed by PKF, which provided a report of the independent accountant-auditor regarding their compliance with International Financial Reporting Standards reproduced in this Prospectus.

13. **DESCRIPTION OF THE COMPANY'S SHARE CAPITAL AND APPLICABLE REGULATIONS**

Set forth below is a brief description of the Company's share capital and certain requirements of Cypriot legislation. The description does not purport to be complete and is qualified in its entirety by references to the Articles of Association and relevant Cyprus companies law. The Shareholders will be able to exercise their rights with respect to the Shares only in accordance with the provisions and the relevant requirements of Cyprus companies law and the Articles of Association.

The rights attaching to the Shares provided for in the Company's Articles of Association are set out under the heading "Rights attached to the Shares" in this section. The rights attaching to the Shares are also subject in all respects to the Cyprus companies law. The Articles of Association in the governing Greek language and in an English translation as well as the Board Charter in the English language are available on the Company's website (<https://www.theon.com/>). See also Section 14 (Management and Governing Bodies) for a summary of certain material provisions of the Board Charter.

13.1 **Share Capital of the Company**

13.1.1 ***Authorized, Issued and Outstanding Share Capital***

As of the date of this Prospectus, the authorized share capital of the Company amounts to €750,000.10 consisting of

- (i) the issued share capital of the Company in the amount of €600,000.10 which is divided into two classes of shares: (a) 60,000,000 Shares; and (b) 10 Non-Voting Shares, both classes created under and in accordance with Cyprus companies law and
- (ii) the unissued share capital in the amount of €150,000.00 comprising 15,000,000 Shares with a nominal value of €0,01 each, which were authorized by a shareholder resolution dated November 16, 2023, in order to allow the Company to effect the Placement Capital Increase.

The Shares and the Non-Voting Shares in the share capital of the Company each constitute separate classes of shares but rank between them *pari passu* in respect of dividends and other distributions. All Shares are in dematerialized, registered form. The ISIN Code of the Shares is CY0200751713. All outstanding Shares are fully paid-up. For more information about the Shares, see *3.1.1 Information on the Shares*.

The Company is from time to time entitled to increase the capital of the Company by way of a resolution passed in accordance with the provisions of Cyprus companies law, by such an amount, divided into shares of such value, as will be determined by such Shareholder resolution (see below under Section "13.3 Issuance of Additional Shares and Pre-emption Rights").

13.1.2 ***History of Share Capital***

Upon incorporation, the Company's share capital equaled €1000.00 consisting of 1000 ordinary shares with a nominal value of €1.00 each. On September 13, 2021 the extraordinary general meeting of the Company unanimously resolved to issue 199,000 ordinary shares with nominal value of €1.00 each, which were subsequently exchanged for the acquisition of Theon Sensors AG. More specifically, 199,000 ordinary shares were offered to the shareholders of Theon Sensors AG for the acquisition of 100% of the issued share capital i.e., 204,082 shares settled as part of the share for share exchange. Post acquisition, the Company's share capital was €200,000.00 comprising 200,000 ordinary shares with a nominal value of €1.00 each.

In 2022, there were no changes to the Company's share capital and, as of December 31, 2022, the company's share capital was €200,000.00 comprising 200,000 ordinary shares with a nominal value of €1.00 each.

In 2023, the Company declared and then undertook a share buyback acquiring 19,631 ordinary shares in exchange for approximately €15.7 million consideration offered to certain existing shareholders which sold their shares. Subsequently, in October 2023, the Company distributed all treasury shares to existing shareholders. As of September 30, 2023, the company's share capital was €200,000.00 comprising 200,000 ordinary shares with a nominal value of €1.00 each.

Since September 30, 2023 and up to the date of this Prospectus, the following changes to share capital occurred:

13.1.2.1 *Share Split and Reduction in Nominal Value per Share*

On November 14, 2023, the Company's general shareholder meeting resolved to effect a share split of 1 to 300, and resolved to increase the share capital from €200,000.00 to €600,000.00 using Company retained earnings and at the same time reduce the nominal value per Share from €1.00 to €0.01, this increasing the number of existing shares from 200,000 to 60,000,000.

13.1.2.2 *Authorized Capital for the Private Placement*

On November 16, 2023, in connection with the planned Private Placement and Admission to Trading, the Company's general shareholder meeting resolved to authorize the Board of Directors to effect an increase in the Company's share capital by up to €150,000.00 for the issuance of up to 15,000,000 Shares, excluding pre-emption rights for Existing Shareholders as of the date of this Prospectus, in connection with the Private Placement.

13.1.2.3 *Creation of a new class of shares*

On November 23, 2023, in connection with the planned Admission and in order to have the Shares deposited with Euroclear Nederland, the Company's general shareholder meeting resolved to amend the Articles of Association and create a second class of restricted Non-Voting Shares with a nominal value of €0.01 each, increasing the issued share capital from €600,000 to €600,000.10. The Non-Voting Shares were created to ensure compliance with the Cyprus company law requirements for the minimum number of registered shareholders (minimum of seven (7) shareholders). These ten (10) Non-Voting Shares will be held by current employees of the Group and are only transferable to the extent this would not result in the Company having less than seven registered shareholders. Each Non-Voting Share carries the same dividend right as one Share.

13.2 **Articles of Association**

Subject to mandatory provisions of Cyprus companies law, the Articles of Association of the Company is the key governing document of the Company. The Articles of Association sets out the share capital, how a general meeting is convened and how it is conducted, how directors are appointed and the requirements for directors as well as various other points in relation to the governance of the Company.

The Articles of Association can be amended by special resolution of the General Meeting. The required vote is a simple majority vote at the General Meeting.

13.3 **Issuance of Additional Shares and Pre-emption Rights**

13.3.1.1 *Issuance of New Shares*

Subject to the Cyprus companies law and the Articles of Association, new Shares may be issued (a) as shares with such special rights as the shareholders decide at a general meeting via an ordinary resolution or if no such decision is in place, as the Directors determine (i.e. shares of a different class compared to the existing Shares); (b) as shares ranking *pari passu* in all respects with any existing and already issued shares as the Directors determine (i.e. shares of the same class as the existing Shares). In order to increase the issued share capital of the Company, a resolution of the two thirds of the votes of the General Meeting is required (by a majority of two-thirds of the votes corresponding either to the represented Shares or to the represented issued share capital if less than half of the issued share capital is represented and a simple majority when at least half of the issued share capital is represented.).

In accordance with section 60B of the Companies Law Cap 113, whenever the share capital of a public company is increased by considerations in cash, the shares must be offered on a pre-emptive basis to existing shareholders in proportion to the capital represented by their shares. Each notice of a share capital increase shall specify the number of the proposed Shares offered to each shareholder and the period within which the offer, if not accepted, shall be deemed to be declined and after the expiration of the said period, the Directors may dispose the declined proposed Shares in such a manner as they think fit. Same applies for the issue of debentures convertible into Shares.

In order for the pre-emptive rights of shareholders to be waived or excluded, the Board of Directors needs to write a written report setting out the reasons why pre-emptive rights of shareholders should be disappplied. This written report is then presented to the General Meeting which votes on the exclusion of the pre-emptive rights on the basis of Cyprus companies law.

The Company may exercise the powers of paying commissions which may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.

Subject to sections 59A and 60 of the Cyprus companies law Cap.113 and the Company's Articles of Association, the Company may increase the share capital by a resolution of the general meeting of its shareholders:

- increase the registered (authorized) share capital of the Company by creating new (additional) shares of any nominal value;
- consolidate and divide all or any of its share capital into shares of a higher par value than its existing shares;
- subdivide its existing shares, or any of them, into shares of smaller par value than is fixed by the Articles of Association subject, nevertheless, to the provisions of section 60(1)(d) of the Cyprus companies law; and
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

The Company, by a special resolution, may decrease its share capital, the capital reserve, or any share premium account of the Company, subject to the Court procedural and other procedural requirements of sections 64 to 69 (both inclusive) of Cyprus companies law Cap.113.

13.3.1.2 *Pre-emption rights under Cyprus companies law*

Under the Cyprus companies Law, each existing shareholder has a right of pre-emption to subscribe for any new shares to be issued by the Company in cash in proportion to the aggregate number of such shares and/or other securities giving right to the purchase of shares in the Company or which are convertible into shares of the Company, of such shareholder, except that there are no obligatory pre-emption rights with respect to shares issued for non-cash consideration.

Under the Articles of Association, the Company has to notify all Shareholders in writing of the number of Shares and/or other securities giving right to the purchase of Shares or which are convertible into Shares, which the Shareholders are entitled to acquire and the time period within which the offer, if not accepted, shall be deemed to have been rejected.

Each Shareholder has no less than 14 calendar days following its receipt of the notice of the offer to notify the Company of its desire to exercise its pre-emption right on the same terms and conditions proposed in the notice. If not all the Shareholders fully exercise their pre-emption rights, the Board of Directors may decide to offer and sell the remaining shares to third parties on terms not more favorable than those indicated in the notice.

Shareholders' pre-emption rights may be waived by a resolution adopted by a majority of two-thirds of the votes corresponding either to the represented Shares or to the represented issued share capital if less than half of the issued share capital is represented and a simple majority when at least half of the issued share capital is represented. In connection with such waiver, the Board of Directors must present a written report indicating the reasons why the right of pre-emption should be waived and justifying the proposed issue price. Any such decision of the general meeting shall be made in accordance with article 59A of the Cyprus Companies Law Cap 113 and be published as per the provisions of article 365A of the Cyprus Companies Law Cap 113.

As of the date of this Prospectus and other than the authorized but unissued share capital for purposes of the Private Placement Capital Increase, the Company does not have any General Meeting authorization to waive pre-emption rights of existing Shareholders for any future issuance of new Shares. In the future, the of Board of Directors may be further authorized by special resolution of the General Meeting to exclude pre-emption rights of existing shareholders in connection with an increase of the Company's share capital

by consideration in cash, either on a case by case basis, or by through an authorization for a certain duration and/or for up to a certain amount of new Shares.

13.4 Dividends and Distributions

Dividends and interim dividends may be paid out in accordance with the general provisions of Cyprus law and the Articles of Association. The general meeting of the shareholders of the Company may declare dividends or interim dividends by way of an ordinary resolution following relevant recommendation by the Board of Directors. Provided that no dividend or interim dividend shall exceed the amount recommended by the Board of Directors and no dividend or interim dividend shall be paid otherwise than out of divisible profits and in accordance with the provisions of Cyprus companies law Cap.113, as amended from time to time, in relation to dividends.

The Board of Directors may from time to time pay to the shareholders such interim dividends as appear to the Board of Directors to be justified by the profits of the Company for the relevant period. If at any time the share capital of the Company is divided into different classes, the Board of Directors may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights unless at the time of payment any preferential dividend is in arrears. Provided that the Board of Directors acts in good faith it shall not incur any liability to the Shareholders conferring preferential rights for any loss that they may suffer in consequence of the declaration or by the lawful payment of any interim dividend on shares ranking after those with preferential rights.

The Board of Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Board of Directors, be applicable for any purpose to which the profits of the company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares) as the Board of Directors may from time to time think fit. The Board of Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.

Subject to any special rights conferred on shares at their issuance, all declared dividends shall be declared and paid according to the amounts paid up on such shares, apportioned and paid proportionately to the amounts paid up on the relevant shares. Any general meeting of the shareholders of the Company declaring a dividend or bonus may decide by ordinary resolution, the payment of such dividend or bonus, wholly or partly, by the distribution of specific assets and the Board of Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Board of Directors may settle the same as it thinks expedient by resolution of the Board of Directors.

No dividend shall bear interest against the Company.

All dividends or interim dividends unclaimed for a period of five years after having become due for payment shall (if the Board of Directors so resolves) be forfeited and shall revert to the Company.

13.5 Alteration of Rights

Subject to the Cyprus companies law and the Articles of Association, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time, by resolution of the general meeting of the shareholders determine.

If at any time the share capital is divided into different classes of shares, the rights attached to any class may, whether or not the Company is being wound-up, be varied with the consent of the requisite number of votes of shareholders passed at a separate general meeting of the holders of the shares of the class, as per section 59A of the Cyprus companies law. To every such separate general meeting the provisions of the Articles of Association relating to general meetings apply, but in terms of voting to such variation of rights, the resolutions will pass by a majority of two thirds of the votes corresponding either to the represented shares or to the represented issued share capital. If at least half of the issued share capital is represented, a simple majority shall be deemed to be sufficient.

13.6 Winding-up of the Company

If the Company is wound-up, the surplus assets remaining after payment of all creditors are to be divided among the shareholders in proportion to the capital which at the commencement of the winding-up is paid up on the shares held by them, respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the shareholders in proportion to the capital paid up at the commencement of the winding up on the shares held by them, respectively. The foregoing is subject to the rights attached to any shares which may be issued on special terms or conditions.

If the Company is wound-up, the liquidator may, with the sanction of an extraordinary resolution of the general meeting of the shareholders and any other sanction required by the Cyprus companies law and any other relevant Cyprus law relating to insolvency procedures divide among the shareholders either in kind or in specie the whole or any part of the assets of the Company and may for that purpose value any assets and determine how the division shall be varied out as between the shareholders or their different classes. The liquidator may with the sanction of an extraordinary resolution of the shareholders vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the shareholders as he with the like sanction determines, but no shareholder shall be compelled to accept any assets upon which there is a liability or other encumbrance.

13.7 Takeover Bids

Cyprus implemented the Directive 2004/25/EC of 21 April 2004 on takeover bids ("**Takeover Directive**") by enacting the Public Takeover Bids Law of 2007 (Law No. 41(I)/2007) as amended ("**Cyprus Takeover Law**"), which is applicable in relation to every takeover bid for securities and provides mandatory takeover bid rules where a person, as a result of his own acquisition or the acquisition by persons acting in concert with such a person, holds securities of a company which, added to his existing holdings and the holdings of persons acting in concert with him, directly or indirectly give him a percentage of 30% or more of existing voting rights in that company at the date of the acquisition. The rule, which is subject to various exemptions which may be granted upon application to CySEC which is the competent authority in Cyprus, triggers an obligation on such a person to make a bid at the earliest opportunity to all the other holders. The bid must be addressed to all the remaining shareholders and must be at a fair price. The obligation to make a mandatory bid is valid when, following the acquisition, the offeror holds at least 30% of the voting rights of a company. The following cases constitute a non-exhaustive list of situations where the obligation to make a bid applies:

- where the offeror holds no securities or holds securities representing less than 30% of the voting rights of a company and with an acquisition of securities he/she reaches or supersedes 30% of the voting rights of a company; or
- where the offeror already holds a percentage equal to or greater than 30% and below 50% of the voting rights of a company and increases his/her percentage of holding.

In case the acquirer already holds more than fifty per cent (50%) of the voting rights of a company and with the proposed additional acquisition the rights of minority shareholders are not affected, the further acquisition of securities does not create an obligation to make a mandatory bid, provided the CySEC grants an exception upon an application by the acquirer, pursuant to section 15 of the Cyprus Takeover Law. In relation to the 90% threshold which is relevant for a squeeze-out, see Section "*13.8 Cyprus Squeeze-Out and Sell-Out Provisions*".

Since the Company has its registered office in Cyprus and the Shares will be listed on a regulated market in the Netherlands, the Takeover Directive provides for dual regulation. The relevant applicable provisions of the Cyprus Takeover Law are, *inter alia*, provisions regarding employee information and company law matters, the determination of voting thresholds which result in 'control' for the purposes of mandatory offers (i.e. how shares are accounted in order to result in a breach of the 30% threshold), any derogation from a possible obligation to launch a mandatory offer, circumstances within which the Board of Directors may frustrate a takeover bid, as well as squeeze out and sell out rules. The CySEC has provided an overview on their website providing information on such shared regimes.

- Specifically, pursuant to the Takeover Directive, the percentage of voting rights conferring 'control' is to be determined by the rules of the Member State in which a company has its registered office.

- In addition to this, matters of notification of the offeree company personnel, the exceptions from the obligation to launch the bid and the terms under which the board of directors of the offeree company has capacity to proceed with acts capable of frustrating a bid, as well as squeeze out and sell out rules, are also regulated by the rules of the Member State in which a company has its registered office, therefore is regulated by the Cyprus Takeover Law and supervised by CySEC.
- Matters concerning the consideration of the bid, in particular the price as well as matters concerning the procedure for a bid, in particular notification by the offeror of his decision to launch a bid, the content of the offer document and publication of a bid are governed by the laws of the jurisdiction of the regulated market and would be supervised by the laws of the country of the regulated market to which the Company shall list its Shares.

13.7.1 *Summary of Cyprus takeover provisions*

One of the applicable provisions of the Cyprus Takeover Law is section 6(3) which provides that following the announcement of the takeover bid, the board of directors of the offeree company and of the offeror shall inform the representatives of their respective employees or, where there are no such representatives, the employees themselves.

Regarding provisions concerning principles for the percentage of acceptance in a takeover bid, the applicability is subject to agreement with the regulator of the country of the regulated market to which the Company shall list its Shares and its national law, i.e. Dutch law in case of the Company.

The applicable section 22(1)(a)(ii) of the Cyprus Takeover Law further provides that as long as the approval of the CySEC to publish the offer document is secured, the offeror communicates as soon as possible the offer document to the offeree company and to the representatives of the offeror's employees or where there are no such representatives, to the employees themselves.

Pursuant to section 34 of the Cyprus Takeover Law, the powers of the board of directors of the offeree company are limited during the time allowed for acceptance, or revocation or cancellation of the bid, and it may not, without prior authorization of the general meeting of Shareholders, take any action which may result in the frustration of the bid.

Pursuant to section 38 of the Cyprus Takeover Law, as soon as the offeree company is notified of result of the bid, it communicates it to the representatives of its employees, or where there are no such representatives, to the employees themselves.

13.7.2 *Dutch bidding rules*

The Takeover Directive has been implemented in the DFSA, and certain rules promulgated thereunder, including the Dutch Decree on Takeover Bids (*Besluit openbare biedingen Wft*).

In general, under the Dutch takeover provisions, it is prohibited to launch a public offer for securities that are admitted to trading on a Dutch regulated market, such as the Shares, unless an offer document has been approved by, in the case of the Company, the AFM and has subsequently been published. The Dutch takeover provisions are intended to ensure that, in the event of a public offer, sufficient information will be made available to holders of the Shares, that the holders of the Shares will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely offer period. Certain parts of the Dutch takeover provisions, matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, are applicable to the Company as the Shares would be admitted to trading on Euronext Amsterdam. However, the part of the Dutch takeover provisions regarding mandatory takeover bids, in terms of when a mandatory takeover bid is triggered (including as regards acting in concert related considerations), do not mandatorily apply to the Company, as the Company is not incorporated as a public company (*naamloze vennootschap*) under the laws of the Netherlands. Instead, the Cypriot rules discussed above apply in respect to mandatory bids.

In addition, it is prohibited to launch a public takeover bid for shares of a listed company, such as the Shares, unless an offer document has been approved by the AFM. A public takeover bid may only be launched by way of publication of an approved offer document unless a company makes an offer for its shares. The Dutch takeover provisions are intended to ensure that in the event of a public takeover bid, among others, sufficient information will be made available to the holders of the shares, the holders of the

shares will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely offer period.

13.8 **Cyprus Squeeze-Out and Sell-Out Provisions**

13.8.1 *Squeeze-Out and Sell Out Rules under the Cyprus Takeover Law*

Section 36 of the Cyprus Takeover Law provides that, where an offeror makes a bid to all the holders of securities of an offeree company for the total of their holding, he is able to require all the holders of the remaining securities to sell him/her those securities in the following situations:

- where the offeror holds securities in the offeree company representing not less than 90% of all securities capital carrying voting rights and not less than 90% of the voting rights in the offeree company; or
- where the offeror holds or has irrevocably agreed to acquire, following the acceptance of a takeover bid, securities in the offeree company representing not less than 90% of the capital carrying voting rights and not less than 90% of the voting rights included in the takeover bid.

The offeror may exercise the aforesaid right within three months from the end of the time allowed for acceptance of the bid. The consideration for the acquisition of securities shall take the same form and be at least equivalent to the consideration offered in the bid or there will be a cash alternative which shall be provided in each case at the recipient's choice.

This right is exercised following a relevant application to the CySEC, which is communicated by the offeror to the offeree company. Together with the application, the offeror submits a confirmation by one or more credit institutions or other organizations with the necessary, according to the Commission, solvency, where it will be stated that the cash the offeror will be called to pay to the holders of securities of the offeree company is available and will remain available to the credit institution or to the organization until the completion of the procedure. The following working day from the submission of the said application, the offeror makes an announcement in accordance with the provisions of Cyprus Takeover Law.

When the Commission ascertains that the offeror holds securities representing not less than ninety per cent (90%) of the offeree company's capital carrying voting rights and there is the confirmation about credit institutions as described above, it issues a decision containing the obligation of the offeror (a) to notify in writing the holders of securities of the offeree company which will be affected; (b) to pay the said holders immediately the total amount of the consideration offered, and (c) to take all necessary actions to transfer the securities in its name.

The payment of the consideration and the transfer of securities is also announced by the offeror in accordance with the provisions of Cyprus Takeover Law.

Section 37 of the Cyprus Takeover Law allows for the holder of the remaining securities (i.e. the remaining 1 - 10%) of the offeree company in any of the two situations described above, to require the offeror (holding not less than 90% of the capital carrying voting rights and not less than 90% of the voting rights in the offeree as per section 36 of the Cyprus Takeover Law described above) to buy his/her securities from him/her at a fair price, provided that this right is exercised within three months of the end of the time allowed for acceptance of the bid.

The offeror is responsible for making the relevant announcement in accordance with the provisions of the Cyprus Takeover Law.

13.8.2 *Squeeze-Out and Sell Out Rules under the Cyprus companies law*

The Cyprus companies law also contains provisions for the squeeze out and/or sell out of remaining shareholders in circumstances where a company is subject to a takeover bid, inter alia, takeover bids, however, it is deemed that for as long as the Company's shares remain admitted to trading on a regulated market and it is the subject of a purported takeover bid during such time, the provisions of the Cyprus Takeover Law shall be applicable to the Company, at the exclusion of such provisions.

Should it be the case however, that the Company becomes delisted, the provisions of the Cyprus companies law may be applicable to subsequent takeover bids as follows:

Subject to certain provisions, section 201 of the Cyprus companies law denotes that, where a scheme or contract involving the transfer of shares or any class of shares in a company (in this section referred to as "**the transferor company**") to another company, whether a company within the meaning of the Cyprus companies law or not (in this section referred to as "**the transferee company**"), has, within four months after the making of the offer in that behalf by the transferee company been approved by the holders of not less than nine-tenths in value of the shares whose transfer is involved (other than shares already held at the date of the offer by, or by a nominee for, the transferee company or its subsidiary), the transferee company may, at any time within two months after the expiration of the said four months, give notice in the prescribed manner to any dissenting shareholder that it desires to acquire his shares, and when such a notice is given the transferee company shall, unless on an application made by the dissenting shareholder within one month from the date on which the notice was given the Court thinks fit to order otherwise, be entitled and bound to acquire those shares on the terms on which, under the scheme or contract, the shares of the approving shareholders are to be transferred to the transferee company.

13.9 **Transparency Directive**

Cyprus will be the home Member State of the Company for the purposes of the European Directive 2004/109/EC as amended ("**Transparency Directive**") following Admission. As a result, the Company will be subject to financial and other reporting obligations under the Cyprus Transparency Law (as defined below).

Because the Shares will be admitted to trading on a regulated market operating in the Netherlands, the Company and its shareholders will also be subject to the disclosure obligations described below. These disclosure obligations are laid down in the DFSA, which, amongst others, implements the Transparency Directive in the Netherlands.

13.10 **Notification obligations**

13.10.1 **General**

The Company and persons who hold an interest in or connection with the Shares may be subject to notification obligations. Such persons are advised to consult with their own legal advisors to determine whether the notification obligations apply to them.

13.10.1.1 *The Netherlands – Shareholders*

Pursuant to the DFSA, any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest and/or voting rights in the Company must immediately give written notice to the AFM of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

A notification requirement also applies if a person's capital interest or voting rights reaches, exceeds or falls below the abovementioned thresholds as a result of a change in the Company's total outstanding share capital or voting rights. Such notification has to be made no later than the fourth trading day after the AFM has published the Company's notification of the change in its outstanding share capital. The Company is required to notify the AFM immediately of the changes to its total share capital or voting rights if its issued share capital or voting rights changes by 1% or more since the Company's previous notification. The Company must furthermore notify the AFM within eight days after each quarter, in the event its share capital or voting rights changed by less than 1% in that relevant quarter since the Company's previous notification.

In addition, every holder of 3% or more of the Company's share capital or voting rights whose interest changes in respect of the previous notification to the AFM by reaching or crossing one of the thresholds mentioned above as a consequence of the interest being differently composed due to having acquired shares or voting rights through the exercise of a right to acquire such shares or voting rights, must notify the AFM of the changes within four trading days after the date on which the holder knows or should have known that his or her interest reaches or crosses a relevant threshold.

Controlled entities (*gecontroleerde ondernemingen* within the meaning of the DFSA) do not themselves have notification obligations under the DFSA as their direct and indirect interests are attributed to their (ultimate) parent. Any person may qualify as a parent for purposes of the DFSA, including an individual. If a person who has a 3% or larger interest in the Company's share capital or voting rights ceases to be a controlled entity it must immediately notify the AFM and all notification obligations under the DFSA will become applicable to such former controlled entity.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, *inter alia*, be taken into account: (i) shares and/or voting rights directly held (or acquired or disposed of) by any person; (ii) shares and/or voting rights held (or acquired or disposed of) by such person's controlled entities or by a third party for such person's account; (iii) voting rights held (or acquired or disposed of) by a third party with whom such person has concluded an oral or written voting agreement; (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment; (v) shares which such person (directly or indirectly), or any controlled entity or third party referred to above, may acquire pursuant to any option or other right to acquire shares; (vi) shares which determine the value of certain cash settled financial instruments such as contracts for difference and total return swaps; (vii) shares that must be acquired upon exercise of a put option by a counterparty; and (viii) shares which are the subject of another contract creating an economic position similar to a direct or indirect holding in those shares.

Special attribution rules apply to shares and voting rights that are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of shares can also be subject to the reporting obligations, if such person has, or can acquire, the right to vote on the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger the reporting obligations as if the pledgee or beneficial owner were the legal holder of the shares.

For the same purpose, the following instruments qualify as 'shares': (i) shares; (ii) depositary receipts for shares (or negotiable instruments similar to such receipts); (iii) negotiable instruments for acquiring the instruments under (i) or (ii) (such as convertible bonds); and (iv) options for acquiring the instruments under (i) or (ii).

Finally, when calculating the percentage of capital interest a person is also considered to be in possession of shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the shares or any distributions associated therewith and which does not entitle such person to acquire any shares, (ii) such person may be obliged to subscribe for or purchase shares on the basis of an option, or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding shares.

13.10.1.2 *The Netherlands – Short positions*

13.10.1.2.1 Net short position

Pursuant to the Regulation (EU) No 236/2012 ("**Short Selling Regulation**"), each person holding a net short position attaining 0.1% of the issued share capital of the Company is required to notify such position to the AFM. Each subsequent increase of this position by 0.1% above 0.1% will also have to be reported. Each net short position equal to 0.5% of the issued share capital of the Company and any subsequent increase of that position by 0.1% will be made public via the AFM short selling register (see also Section 13.10.1.3 (*Public registry*)). To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located. The notification shall be made no later than 15:30 CET on the following trading day.

13.10.1.2.2 Gross short position

In addition, each person holding a gross short position in relation to the issued share capital of the Company that reaches, exceeds or falls below one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must immediately give written notice to the AFM. If a person's gross short position reaches, exceeds or falls below one of the above-mentioned thresholds as a result of a change in the Company's issued share capital, such person is required to make a notification not later than on the

fourth trading day after the AFM has published the Company's notification in the public register of the AFM.

13.10.1.3 *Public registry*

The AFM does not issue separate public announcements of the notifications. It does, however, keep a public register of and publishes all notifications made pursuant to the DFSA the MAR and the Short Selling Regulation at its website (www.afm.nl). Third parties can request to be notified automatically by email of changes to the public register in relation to a particular company's shares or a particular notifying party.

13.10.1.4 *Cyprus Transparency Law*

The Cyprus Transparency Law of December 31, 2007 as amended ("**Cyprus Transparency Law**"), establishes the requirements in relation to the disclosure of periodic and ongoing information about issuers whose securities are already admitted to trading on a regulated market and for which the Republic of Cyprus is the home Member State.

The Cyprus Transparency Law imposes notification obligations on persons who acquire or dispose of Shares subject to section 28 as this is amended from time to time. Where a shareholder acquires or disposes of Shares, such shareholder is obliged to notify the Company and CySEC in accordance with the Cyprus Transparency Law of the proportion of voting rights he holds in the Company as a result of the acquisition or disposal where that proportion reaches, exceeds or falls below the thresholds of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75%. Notification requirements will also apply to certain indirect acquisitions or disposals of major proportions of voting rights, as set out in more detail in section 28 of the Cyprus Transparency Law. The shareholder will have to file the aforementioned notification also with the CySEC (provided that the home Member State of the Company is Cyprus, or otherwise, to the relevant competent authority of such home Member State).

The voting rights are calculated on the basis of all the shares of the issuer to which voting rights are attached even if the exercise thereof is suspended. Information is also given in respect of all the shares of the issuer which are in the same class and to which voting rights are attached.

In the event where CySEC has reasonable grounds for suspecting that the issuer has infringed provisions of the Cyprus Transparency Law or any directives issued thereof, CySEC may suspend or request the relevant regulated market to suspend trading in securities of an issuer, for a period not exceeding ten days.

When receiving a shareholder ownership notification, the Company will also have to publish such notification as soon as possible and not before the next working day following the receipt of a notification.

13.10.2 *Non-compliance*

Non-compliance with the disclosure obligations set out in the paragraphs above is an economic offence (*economisch delict*) and may lead to the imposition of criminal prosecution, administrative fines, imprisonment or other sanctions. The AFM may impose administrative penalties or a cease-and-desist order under penalty for non-compliance. If criminal charges are pressed, the AFM is no longer allowed to impose administrative penalties and, vice versa, the criminal prosecution is no longer allowed if administrative penalties have been imposed.

In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be correctly notified. A claim requiring that such measures be imposed must be instituted by the Company and/or one or more shareholders who alone or together with others represent(s) at least 3% of the issued share capital or are able to exercise at least 3% of the voting rights. The measures that the civil court may impose include:

- (a) an order requiring the person violating the disclosure obligations to make appropriate disclosure;
- (b) suspension of voting rights in respect of such person's Shares for a period of up to three years as determined by the court;
- (c) voiding a resolution adopted by the General Meeting, if the court determines that the resolution would not have been adopted if the voting rights of the person who is obliged to notify had not

been exercised, or suspension of a resolution until the court makes a decision about such voiding; and

- (d) an order to the person violating the disclosure obligations to refrain, during a period of up to five years as determined by the court, from acquiring Shares and/or voting rights in Shares.

13.11 **Market Abuse Regime**

The MAR requires that persons discharging managerial responsibilities ("**PDMRs**") within a company, the shares of which are listed on a regulated market or on a multi-trading facility, such as the Company, or persons closely associated with them notify their own transactions in shares of the company or related financial instruments, to the company and to the CySEC respectively within three working days. The Company is required to draw up a list of all PDMRs and persons closely associated with them and notify PDMRs of their obligations in writing. PDMRs are required to notify the persons closely associated with them of their obligations in writing.

PDMRs are members of a management, administrative or supervisory body of the company as well senior executives who regularly have access to insider information and are authorized to make material business decisions. The following persons are deemed to be closely related to a person discharging managerial responsibilities: spouses, registered partners, dependent children and other relatives who, at the time when the transaction must be notified, have been living for at least one year in the same household as the person discharging managerial responsibilities. Legal entities in which the above persons perform management duties are also subject to the notification requirement. This regulation also encompasses such legal persons, companies and institutions which are directly or indirectly controlled by a person discharging managerial responsibilities or a person closely related to such person that were formed for the benefit of such person or whose economic interests largely correspond to those of such person.

The Company is obliged to publish this notification immediately after receipt, but no later than three business days after occurrence of the respective transaction.

13.11.1 ***Market Abuse Regulation – Persons Discharging Material Responsibilities***

In addition, pursuant to the MAR and the regulations promulgated thereunder, certain persons who are closely associated with PDMRs, are also required to notify the CySEC and the Company of any transactions conducted for their own account relating to Shares or any debt instruments of the Company or to derivatives or other financial instruments linked thereto. The MAR and the regulations promulgated thereunder cover, inter alia, the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse; (ii) dependent children in accordance with national law; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, the managerial responsibilities of which are discharged by a PDMR or by a person referred to under (i), (ii) or (iii) above, which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interest of which are substantially equivalent to those of such a person.

The notification obligations under the MAR apply when the total amount of the transactions conducted by a PDMR or a person closely associated to a PDMR reaches or exceeds the threshold of €5,000 within a calendar year (calculated without netting). The first transaction reaching or exceeding the threshold must be notified as set forth above. The notifications pursuant to the MAR described above must be made to the CySEC and the Company no later than the third business day following the relevant transaction date.

13.11.2 ***Public disclosure of inside information***

Inside information is any information of a precise nature relating (directly or indirectly) to the Company, or to the Shares or to other financial instruments, which information has not been made public and which, if it were made public, would be likely to have an effect on the price of the Shares or the other financial instruments or on the price of related derivative financial instruments (i.e., information a reasonable investor would be likely to use as part of the basis of his or her investment decision). An intermediate step in a protracted process can also be deemed to be inside information.

The Company will be under an obligation to make any inside information public as soon as possible and in a manner that enables fast access and complete, correct and timely assessment of the information. However, the Company may defer the publication of inside information if it can guarantee the confidentiality of the

information. Such deferral is only possible if the publication of the inside information is likely to damage the Company's legitimate interests and if the deferral does not risk misleading the market. If the Company makes use of this deferral right, it needs to inform the AFM thereof as soon as that information is made public. Upon request of the AFM, a written explanation needs to be provided setting out why a deferral was considered permitted. The Company is required to post and maintain on its website all inside information for a period of at least five years.

13.11.3 *Insider dealing and market manipulation prohibitions*

Pursuant to the MAR, no natural or legal person is permitted to: (i) engage or attempt to engage in insider dealing in financial instruments listed on a regulated market or for which a listing has been requested, such as the Shares, (ii) recommend that another person engages in insider dealing or induce another person to engage in insider dealing or (iii) unlawfully disclose inside information relating to the Shares or the Company. In addition, no person may engage in or attempt to engage in market manipulation.

The MAR further provides that a PDMR is not permitted to (directly or indirectly) conduct any transactions on its own account or for the account of a third party, relating to Shares or debt instruments of the Company or other financial instruments linked thereto, during a closed period of 30 calendar days before the announcement of a half-yearly report or an annual report of the Company.

The Company and any person acting on its behalf or on its account is obligated to draw up an insider list, to promptly update the insider list and provide the insider list to the AFM upon its request. The Company and any person acting on its behalf or on its account is obligated to take all reasonable steps to ensure that any person on the insider list acknowledges in writing the legal and regulatory duties entailed and is aware of the sanctions applicable to insider dealing and unlawful disclosure of inside information.

13.11.4 *Non-compliance with the market abuse rules*

In accordance with the MAR, the AFM has the power to take appropriate administrative sanctions, such as fines, and/or other administrative measures in relation to possible non-compliance with the market abuse rules. Non-compliance with the market abuse rules set out above could also constitute an economic offence (*economisch delict*) and/or a crime (*misdrif*).

The public prosecutor could press criminal charges resulting in fines or imprisonment. If criminal charges are pressed, the AFM is no longer allowed to impose administrative penalties and *vice versa*.

The AFM shall in principle also publish any decision imposing an administrative sanction or measure in relation to an infringement of the MAR.

13.11.5 *Insider trading policy*

The Company has adopted, with effect from Admission, an insider trading policy in relation to the Shares which is based on the requirements of the MAR. The policy adopted will apply to all persons working, under a contract of employment or otherwise, for the Group, including independent contractors, Directors and other PDMRs. PDMRs include: (i) Directors; or (ii) members of the senior management who have regular access to inside information relating directly or indirectly to the Company and who have the authority to take managerial decisions affecting the future developments and business prospects of the Company.

14. MANAGEMENT AND GOVERNING BODIES

14.1 Board of Directors

The Company has a one-tier board structure consisting of three executive Directors ("**Executive Directors**") and four non-executive Directors ("**Non-Executive Directors**" and together with the Executive Directors, the "**Directors**"). The Board of Directors is responsible for the continuity of the Company and the businesses of the Group. The Directors are responsible for the Company's general affairs and are in charge of oversight of the day-to-day management, formulating a strategy and policies, and setting and achieving the Company's objectives. The Directors focus on long-term value creation for the Company and the businesses of its Group thereby considering the interests of all its subsidiaries and how group-wide strategies and policies contribute to the interest of each subsidiary and the interest of the Group as a whole over the long-term. The Executive Directors are responsible for the Company's day-to-day management. The Non-Executive Directors supervise the Executive Directors' policy and performance of duties and the Company's general affairs and business, and advise the Executive Directors.

The Non-Executive Directors shall in particular have regard to and supervise the manner in which the Executive Directors implement the long-term value creation strategy and regularly discuss the strategy, the implementation of the strategy and the principal risks associated with it.

14.2 Board Charter

Prior to Admission, the Board of Directors will adopt a charter (called a terms of reference of the Board of Directors) governing its principles and best practices, division of tasks and responsibilities between the members of the Board of Directors, description of specific responsibilities for the Chairperson of the Board of Directors and further details on procedures for holding meetings, decision making and overall functioning of the Board of Directors, including maintaining internal governance arrangements, processes and mechanisms that are consistent, well-integrated and conducive to the alignment of the respective business objectives, strategies and risk management framework of the Company and its Group ("**Board Charter**"). The Board Charter will be available, free of charge, on the Company's website.

The Board Charter's material provisions set out:

- the role of the Board of Directors for the Company, in particular that it is (i) responsible for setting and achieving the Company's objectives, (ii) is additionally responsible for conducting the Company's business and proceeding with all necessary actions for the proper performance of the business and operations of the Company, acting within the ambit of the applicable law, which is mandatory applicable to the Company and/or the Board of Directors;
- the duties and responsibilities of the Board of Directors, including that the Directors have a fiduciary duty, a duty of skill and care and diligence to the Company and are obliged to act in good faith, in the best interest of the Company;
- that the Board of Directors is responsible and entitled to (i) propose a dividend distribution from the profits of the Company, following the relevant procedures to that effect; (ii) safekeep the Company's seal/stamp; (iii) appoint a managing director; (iv) procure to keep the minutes of all General Meetings of the Company as well as minutes to any appointments of officers and to any proceedings of all meetings of the Directors and committees; (v) give such notice as per the Cyprus companies law Cap.113 in relation to the convention of any General Meeting; (vi) issue any copies or extracts of the Company's minutes; and (vii) ensure in accordance with the relevant provisions of law, that the annual financial statements are prepared;
- that the Board of Directors is responsible for keeping proper books of accounts;
- the Board of Directors composition, appointments and removal of directors;
- the decision-making by the Board of Directors;
- the relevant committees of the Board of Directors; and
- provisions on conflict of interest in contracts.

Other than mandatory legal requirements of decisions in relation to the Company (such as the dissolution of the Company and amending the Articles of Association) which require a majority vote of the General Meeting, all decisions in relation to the management of the Company rest with the Board of Directors.

14.3 Term of Appointment of the Board of Directors

Members of the Board of Directors are appointed by the General Meeting for three years by a simple majority decision. The resolution proposals for the General Meeting provide suggestions for the appointment of Directors.

The General Meeting can remove Directors by a majority vote even before the end of the term of appointment. In addition, a Director is disqualified as acting on the Board of Directors, as set out in the Board Charter (a) when she/he is declared bankrupt; or (b) when she/he becomes prohibited from being a Director by reason of mandatory law; (c) when she/he is of unsound mind; or (d) when she/he resigns his office by notice in writing to the Company; or (e) when she/he is absent for more than six months without the permission of the Board of Directors from the meetings held during that period and the Board of Directors decides that the office has become vacant due the absence. At the end of their tenure, the Directors shall resign. Any resigning Director is eligible for re-election. Members of the Board may serve any number of consecutive terms. The Board of Directors elects the Chairperson from among its members.

14.4 Composition of the Board of Directors

As of the date of the Prospectus, the Board of Directors comprises the following seven Directors with business address at 5 Agiou Antoniou Street, Muskita Building 2, 1st floor, apartment 102, 2002, Strovolos, Nicosia, Cyprus:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>First appointed in</u>	<u>Appointed until</u>
Christianos Hadjiminias	63	Company's founder Vice-Chairperson of the Board of Directors, and CEO	September 2021	January 2027
Stelios Anastasiou	67	Executive Director	September 2021	January 2027
Philippe Mennicken	47	Business Development Director Executive Director	January 2024	January 2027
Stathis Potamitis	67	Non-Executive Director, Non-independent	January 2024	January 2027
Hans Peter Bartels	62	Non-Executive Director, Non-independent	January 2024	January 2027
Kolinda Grabar-Kitarović	55	Chairperson of the Board of Directors and Non-Executive Director, Independent	January 2024	January 2027
Maria Athienitou Anastasiou	47	Non-Executive Director, Independent	January 2024	January 2027

The Articles of Association contain provisions that determine the minimum number of Board of Directors (3) and the maximum number of Directors (9) and the number of years they should be elected to the board (3 years). Within the first financial year after Admission, the Company intends to nominate two further independent Non-Executive Directors to the Board of Directors.

14.5 Biographical Details of the Directors

Kolinda Grabar-Kitarović. *Chairperson of the Board and Non-Executive Independent Director.* Kolinda Grabar-Kitarović graduated from the University of Zagreb with a B.A. degree in Arts in 1993 and with a

M.A. degree in Arts in 2000. She became Minister Counsellor at the Ministry of Foreign Affairs in Croatia in 2001 and served as a Minister of European integration between December 2003 and February 2005, and as Minister of Foreign Affairs and European Integration from February 2005 until January 2008. She worked as Assistant Secretary General for Public diplomacy at NATO between 2011 and 2014. In 2015, she was elected as President of the Republic of Croatia and served until 2020. Since 2020, she has been a member of the International Olympic Committee.

Christianos Hadjiminias. *Vice-Chairperson of the Board of Directors and CEO.* Christianos Hadjiminias graduated in 1981 from Columbia University with a B.A. in Economics (*Magna Cum Laude*) and in 1983 from Wharton Business School (University of Pennsylvania) with an MBA in Business and Finance. After working as a Senior Trader at Phibro-Salomon Inc. in 1987, he has set up his first company in New York and soon thereafter in 1989, he has moved his business in Greece and established EFA VENTURES in Athens. Mr. Hadjiminias is today the owner of EFA GROUP, a "marketing" construct referring to a set of companies with a leading-edge position in the international market with more than 30 years of experience, in the fields of Aerospace, Security, Defense, and Industrial cooperation. Mr. Hadjiminias is also the President of the Hellenic Entrepreneurs Association - EENE and Head of EENE International, as well as Founder and Honorary President of the Wharton Alumni Club of Greece.

Stelios Anastasiou. *Executive Director.* Stelios Anastasiou graduated from LCCI Higher Stage with a degree in accounting and from the English College Commercial Department. He is a certified accountant technician, a member of the Association of Accounting Technicians and a licensed auditor by the Ministry of Finance of Cyprus. He worked at PwC in Nicosia (Cyprus) between 1987 and 1999, where he got promoted to the role of Senior Manager. Since 1999, he has worked at Dynasource Consultancy Limited where he has been acting in his current positions as Director.

Philippe Mennicken. *Executive Director and Business Development Director.* Philippe Mennicken graduated in 2000 from Université de Liège, Belgium with a B.A. in Mechanical Engineering, graduated in 2001 from College of Aeronautics, Cranfield University, UK with an MSc in Aerospace Dynamics and in 2006 from Management Research Centre, University of Bristol with an MSc in Strategic Management. After working as a product support engineer at Goodrich Aero and technical sales manager at SKF Aerospace in the UK, he then worked as a Offset & Industrial Cooperation Manager at Epicos S.A. in Athens. He joined Theon Sensors S.S. in Athens in April 2010 as the Business Development Manager and has been acting in his current positions as the Business Development Director since January 2013.

Stathis Potamitis. *Non-Executive Director.* Stathis Potamitis graduated from University of Toronto (Canada) with a B.A. degree in 1997, LL.B degree in 1986 and with an M.A. degree in 1991. He is the founder and managing partner of an independent law firm, Potamitisverkis, where he has been a managing partner since 1996 and has been acting in his current position as senior partner since 2022. He is admitted to practice law in Athens, Thessaloniki and previously was a qualified attorney at law in the State of New York. Potamitisverkis acts as legal advisor for the Company as well as the Selling Shareholder on matters of Greek law.

Hans-Peter Bartels. *Non-Executive Independent Director.* Hans-Peter Bartels graduated from the Max Planck School in Kiel in 1980. After he finished his military service, he began studying political science, sociology and folklore at the Christian Albrechts University in Kiel in 1981, which he completed in 1986 with a master's degree. Bartels was a member of the German Bundestag from 1998 until his appointment as Defense Commissioner in 2015. From 2015 to 2020 he served as the Armed Forces Commissioner of the German Bundestag and has been President of the Society for Security Policy since May 2022. He has been a member of the supervisory board of ThyssenKrupp Marine Systems since 2023.

Maria Athienitou Anastasiou. *Non-Executive Independent Director.* Maria Athienitou Anastasiou graduated in 1997 from Reading University with a B.A. degree in Management and Business Administration and in 1997 from the City Business School (CASS) with MSc degree in Internal Auditing and Management. Since 2000, she has been working at current PricewaterhouseCoopers Ltd in Cyprus where she has been focused on providing regulatory compliance services in financial sector. She holds the Advanced Certificate of Professional Competency from the CySEC and the Certified Accounting Technician qualification from the Association of Certified Chartered Accountants.

14.6 **Directorship agreements entered into by members of the Board of Directors with the Company or its subsidiaries that provide benefits upon the termination of employment**

As of the date of this Prospectus, there are no directorship agreements entered into by members of the Board of Directors with the Company or its subsidiaries that provide benefits upon the termination of employment.

14.7 **Additional information about the Directors**

The following table sets out the names of all companies and partnerships of which a Director has been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years, other than a subsidiary of the Company.

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
Christianos Hadjiminias	ASSEBLIA Limited (director) Aerospace Ventures AG (director) European Finance Aerospace Group AG (director) Aerospace Ventures FEA PTE. LTD (director) CHRE Investments Limited (director)	Scytalys PTE (director)
Stelios Anastasiou	EFA Holdings PLC (director) ASSEBLIA Limited (director) Dynasource Consultancy Limited (director)	-
Philippe Mennicken	T INDUSTRIES DK Aps (director)	-
Stathis Potamitis	POTAMITISVEKRIS Law Firm (non-executive partner) Association of Law Firms of Greece (board member) Hellenic Association for the Environment and Culture (board member) Climate Governance Initiative, Greece (non-executive board member) Symbeosis Ευ Ζην» (non-executive board member)	POTAMITISVEKRIS Law Firm (managing partner) Association of Law Firms of Greece (chairman of the board) HIPPECRATES FOR LIFE (non-executive board member) Association of Law Firms of Greece (chairman of the board) APIVITA S.A. (non-executive board member)
Hans Peter Bartels	ThyssenKrupp Marine Systems (supervisory board member)	-
Kolinda Grabar-Kitarović	KGK Advising and Professional Services (director)	-
Maria Athienitou Anastasiou	-	-

At the date of this Prospectus, none of the members of the administrative, management or supervisory bodies has, in the previous five years:

- been convicted of any fraudulent offences;
- been associated with any bankruptcies, receiverships, liquidations (other than voluntary liquidations) or companies put into administration;

- been subject to any official public incriminations and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

As of the date of this Prospectus, none of the members of the Board of Directors, has (or will have) family relationship with other members of the Board of Directors or Senior Management.

14.8 Senior Management

For management of its day-to-day operations, the Company relies on its senior management who hold key functions in the Company. The senior management includes the Vice-Chairperson of the Board of Directors and CEO Christianos Hadjiminias, the Company's Business Development Director Philippe Mennicken both executive members of the Board of Directors and Chief Financial Officer ("**CFO**") of the Company Dimitris Parthenis (together the "**Senior Management**").

The Senior Management have their business address at 5 Agiou Antoniou Street, Muskita Building 2, 1st floor, apartment 102, 2002, Strovolos, Nicosia, Cyprus. Dimitris Parthenis has been employed in his position as the CFO of Theon, in January 2024 for an unlimited duration.

For more information on the term of appointment of Christianos Hadjiminias and Philippe Mennicken, please see the Section 14.3 *Term of Appointment of the Board* of the Prospectus.

14.8.1 *Biographical Details of the Senior Management*

Dimitris Parthenis. *Chief Financial Officer*. Dimitris Parthenis graduated from Athens University of Economics & Business with a degree in Business Administration. Starting in 2000 and until 2004 he was working as finance manager and later as CFO in Grissin Pappas SA. Between 2004 and 2017 he served as CFO and later as CEO in ALPHA GRISSIN GROUP, an Athens stock exchange-listed company, specializing in Data Center Infrastructure design and support. While in this position he also served as executive board member in several Group affiliates in Greece, Cyprus, Bulgaria, Romania and Poland. He joined Theon Group in August 2017, acting as Chief Financial Officer in Theon SA (Greece) and, since August 2020, in THEON International Plc.

For more information on the biographical details of Christianos Hadjiminias and Philippe Mennicken, please see the Section 14.5 *Biographical Details of the Directors* of the Prospectus.

14.8.2 *Directorship agreements entered into by Senior Management with the Company or its subsidiaries that provide benefits upon the termination of employment*

As of the date of this Prospectus, there are no directorship agreements entered into by any member of the Senior Management with the Company or its subsidiaries that provide benefits upon the termination of employment.

14.8.3 *Additional information about the Senior Management*

The following table sets out the names of all companies and partnerships of which the Senior Management have been a member of the administrative, management or supervisory bodies or partner at any time in the previous five years, other than a subsidiary of the Company.

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships / partnerships</u>
Dimitris Parthenis	BoD Member – EFA Ventures	BoD Member – SCYTALYS S.A.
	BoD Member – SARISA SA	CEO – Alpha Grissin SA
	BoD Member – AVITESS	BoD Member – Alpha Imotti AD

BoD Member – Alpha Krakow
Development Spzoo

BoD Member – Alpha Tunari
Development Srl

BoD Member – Alpha
International Holdings Ltd

BoD Member – EUROPEAN
SENSOR SYSTEMS S.A

As of the date of this Prospectus, none of the Senior Management, has (or will have) family relationship with other members of the Board of Directors or Senior Management.

For additional information about Christianos Hadjiminias and Philippe Mennicken, please see the Section *14.7 Additional information about the Directors* of the Prospectus.

14.9 Conflicts of interests

Some members of the Board of Directors and Senior Management are shareholders of the Company and have an interest in the Admission as the admission to trading of the Shares in the Company is expected to have a positive impact on the liquidity of the Shares on the stock exchange. Besides interests mentioned above, there are no other interests or potential conflicts of interest between their duties to the Company and their private interests, that are material to the Admission.

14.10 Remuneration

14.10.1 *Remuneration for the last full financial year*

For the financial year ended December 31, 2022, the aggregate amount of remuneration paid (including any contingent or deferred compensation) and benefits in kind granted by the Group to Senior Management and members of the Board of Directors amounted to €399,143. Individual remuneration disclosure is not required in Cyprus, the Company's home country, and is not otherwise publicly disclosed by the Company.

Compensation for retirement is not funded from special funds. The Company has not developed a special benefits plan for employees other than those specified in the relevant legislation, which must be paid to all employees who leave the Company.

14.10.2 *Current remuneration of the member of the Board of Directors and Senior Management*

The remuneration of the members of the Board of Directors and Senior Management will be described in the Group's remuneration policy ("**Remuneration Policy**") that provides for a remuneration range and discretionary short-term and long-term incentives, which the Group expects to introduce after the First Trading Date. The actual remuneration paid out to each member of the Board of Directors and to the Senior Management for a particular financial year is finally determined by the Nomination and Remuneration Committee (for more information, see *14.12.1.2 Nomination and remuneration committee*). The Group intends to put in place a short-term and long-term incentive program that aligns the interest of the members of the Board of Directors with that of its shareholders, and will include fixed compensation as well as share-based compensation, with levels and amounts to be determined by the Nomination and Remuneration Committee and after conducting a review of listed-peers and receiving expert advice.

14.11 General Shareholders' Meeting

The holding of a General Meeting is subject to the provisions of the Cyprus companies law and the Articles of Association.

14.11.1 *General provisions for the General Meeting*

The Company shall in each year hold a general meeting as its Annual General Meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than 15 months shall elapse between the date of one Annual General Meeting and that of the next.

The Annual General Meeting shall be held at such place and time as the Directors shall appoint (the Directors are not restricted as to the location of the Annual General Meeting) and article 55 of the Articles of Association permits both physical and hybrid meetings.

The directors may, whenever they think fit, also convene an extraordinary General Meeting. Under the Cyprus companies law, extraordinary General Meetings can also be convened by the request of shareholders holding, at the date of the deposit of the requisition, at least 10% of such of the paid in capital of the Company as at the date of the deposit carries the right of voting at General Meetings of the Company.

The Annual General Meeting and the meeting convened for the passing of a special resolution shall be convened by at least twenty-one (21) days' notice, and any other general meeting of the Company shall be convened by at least fourteen (14) days' notice. The notice shall be exclusive of the date on which it is served or deemed to be served and of the date specified for the holding of the meeting. The notice must specify the place, date and time of the General Meeting and, in the event of special business, the general nature of such business and shall be given in the manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meetings, to such persons as are entitled to receive such notices from the Company.

14.11.2 *Proceedings at the General Meeting*

At any General Meeting a resolution put to the vote of the meeting shall be decided on a poll. Subject to any rights or restrictions for the time being attached to any class or classes of shares and subject also to any special provisions contained in the Articles of Association, on a poll every shareholder shall have one vote for each share of which he is the holder. The General Meeting requires a specific quorum of at least 50% of the voting rights present in person or by proxy shall constitute a quorum.

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairperson of the meeting, whose decision shall be final and conclusive.

On a poll, votes may be given either personally or by proxy. Every Share carries one vote.

Each shareholder shall be entitled to appoint one or more proxies to attend on the same occasion, on condition however that such appointment shall be made in one single instrument. Other general meetings of the Company's shareholders are held at such places and times as may be specified in the respective notices of the meeting. Provided that the attendance on any occasion of the person first mentioned in the instrument of proxy shall preclude any other person named therein from attending and so on. The instrument appointing a proxy shall be in writing signed by the appointer or of his attorney duly authorized in writing, or, if the appointer is a corporation, either under Seal, or under the hand of an officer or attorney duly authorized. A proxy need not be a shareholder of the Company.

An instrument appointing a proxy shall be in such form as may be prescribed by the Directors from time to time.

14.12 **Corporate Governance**

The Company complies with mandatory Cypriot company law, and mandatory rules and regulations applicable to a Cypriot public limited company governing certain matters of corporate governance.

The Company is not required to comply with and has not explicitly adopted the requirements of either the Cypriot Corporate Governance Code or the Dutch Corporate Governance Code. Although the Company is not required to apply the Dutch Corporate Governance Code, it has nevertheless taken into account certain principles and best practices presented in the Dutch Corporate Governance Code in establishing the corporate governance policies presented below.

The Company believes the policies and practices described under section 14.12.2 "*Corporate governance policies*" below will encourage good governance standards on matters including management boards, shareholders and the general meeting, financial reporting, auditors, disclosure, compliance and enforcement standards.

14.12.1 *Board Committees*

14.12.1.1 *Audit and risk committee*

The audit and risk committee's role is to assist the Board of Directors with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within the Group in due regard of listing and regulatory requirements.

After the Admission, the Board of Directors will adopt a regulation for the functioning of the audit and risk committee. In addition to setting out the tasks and duties of the audit and risk committee as described above, the terms of reference provide, *inter alia*, that:

- the audit and risk committee will meet as often as is required for its proper functioning, but at least four times each year to coincide with key dates in the financial reporting and audit cycle;
- the audit and risk committee will consist of at least three members, all of which to be financially literate and with at least one member of the audit and risk committee to be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities;
- more than half of the members of the audit and risk committee and its chair must be independent within the meaning of the Dutch Corporate Governance Code; and
- the audit and risk committee may not be chaired by the Chairperson or by a former Executive Director.

The audit and risk committee is chaired by Maria Athienitou Anastasiou and its members Kolinda Grabar-Kitarović, Dr. Hans-Peter Bartels and Maria Athienitou Anastasiou are for the majority independent. All members meet the requirements of members of the audit and risk committee pursuant to the terms of reference, as further described above.

14.12.1.2 *Nomination and remuneration committee*

The nomination and remuneration committee assists the Board of Directors in reviewing the structure, size and composition of the Board of Directors and proposes appointments and reappointments. It periodically assesses the functioning of individual Directors and is also responsible for reviewing the remuneration policy and succession plans for the Directors.

Prior to Admission, the Board of Directors will adopt terms of reference for the functioning of the nomination and remuneration. Besides setting out the tasks and duties of the remuneration and appointments committee as described above, the terms of reference provide, *inter alia*, that:

- the nomination and remuneration committee will meet as often as is required for its proper functioning, but at least two times each year;
- the nomination and remuneration committee will consist of at least three members;
- more than half of the members of the remuneration and appointments committee and its chair must be independent within the meaning of the Dutch Corporate Governance Code; and
- the nomination and remuneration committee may not be chaired by the Chairperson or by a former Executive Director.

The nomination and remuneration committee is chaired by Stathis Potamitis and its members are Kolinda Grabar-Kitarović, Maria Athienitou Anastasiou and Stathis Potamitis. All members meet the requirements of members of the nomination and remuneration committee pursuant to the terms of reference, as further described above.

14.12.2 *Corporate governance policies*

The following is a summary of the main corporate governance policies adopted by the Company to comply with the applicable laws and regulations.

14.12.2.1 *Conflict of Interest Policy*

On January 19, 2024, the General Meeting passed a resolution adopting, among others, a policy and procedure for the prevention, detection and management of conflict of interest ("**Conflict of Interest Policy**") for the Group. The Conflict of Interest Policy sets forth the general principles and the basic rules and organizational regulations for the prevention and management of an actual or a potential "conflict of interest" (as defined therein).

The Conflict of Interest Policy applies to conflicts of interest of the members of the Board of Directors, the executive committees, the executive officers (managers or/and other persons who hold equivalent positions), the employees of the Group, the shareholders who hold a participation rate (shareholding percentage) or voting rights equal or higher than the 5% of the Company's issued share capital, any person (natural person or legal entity, employee or external associate) who provides and executes services and activities to the Group and any related person (i.e., family members, legal entities managed or, directly or indirectly, controlled by a relevant person).

The Conflict of Interest Policy requires, inter alia, all covered persons to timely notify the Compliance Department or the HR Department of the Company of any suspicion of a conflict of interest (actual or potential). The Compliance Department, in collaboration with the Legal Department, is responsible for managing such notices and adopting all necessary measures.

14.12.2.2 *Suitability Policy*

On January 19, 2024, the General Meeting passed a resolution adopting, among others, a suitability policy ("**Suitability Policy**") for the Group. The Suitability Policy is aimed at supporting and promoting diversity, and conveying broad range of skills and experiences within the Board of Directors, ensuring quality staffing and effective operation evaluation.

Under the Suitability Policy, the Board of Directors' nominations and remuneration committee is responsible for identifying and proposing suitable candidates to fill Board of Directors vacancies and, in compliance with the applicable law, ensure that the Board of Directors consists of a sufficient number of members with diverse knowledge and specializations.

Suitability criteria identified in the Suitability Policy apply to all Board of Directors members, regardless of their status as executive, non-executive, or independent non-executive members, and include both individual and collective criteria. Individual criteria include, inter alia, adequate knowledge, expertise and competencies, ethical conduct and reputation, conflict of interests, independence of judgment and commitment (devotion of sufficient time), while collective criteria concern the collective expertise altogether and diversity of the board.

The Company shall continuously monitor suitability of the Board of Directors to detect any incidents or situations and the Vice-Chairperson of the Board of Directors, along with the Nominations and Remuneration Committee, shall conduct an annual evaluation of its own effectiveness, duty fulfillment and committee performance. This evaluation encompasses both self-assessment and collective assessment through questionnaires and/or interviews. Additionally, every three financial years, competent third parties evaluate the Board of Directors.

14.12.2.3 *Market Abuse Regulation Policy*

On January 19, 2024, the General Meeting passed a resolution, among others, adopting the market abuse regulation policy ("**MAR Policy**") for the Group, which is aimed at regulating the management and

handling of inside information, and the obligations of the persons within the Group who are discharging material duties as well as for the persons that are closely associated with them ("**Relevant Persons**").

Pursuant to the MAR Policy, each Relevant Person shall notify the Company and the relevant authority, no later than three business days, of every transaction of a value above Euro 5,000, carried out directly or on their behalf, in which is related to the Company's shares or debt securities or to derivative instruments or other linked financial instruments. Relevant Persons must be aware of the obligation not to trade during a closed period of 30 calendar days prior to the announcement of an interim financial report or a year-end report, unless otherwise permitted by the law. Relevant Persons are also obliged to notify transactions that in aggregate exceed the Euro 5,000 threshold within a calendar year. The limit of Euro 5,000 is calculated taking into account the value of each transaction, without any netting.

The Company, through its Investors Relations Department and the Compliance Department, is obliged to inform the investing public immediately and no later than three business days after the transaction.

14.12.2.4 *Whistleblowing Policy*

On January 19, 2024, the General Meeting passed a resolution adopting, among others, a whistleblowing policy ("**Whistleblowing Policy**") for the Group, which is aimed at encouraging and urging all employees of the Group to report violations within the Group as soon as they come to their attention and to express concerns regarding violation within the Group.

The Whistleblowing Policy defines a whistle-blower as an employee, officer, consultant, intern, seconded or agent of the Group who reports or publicly discloses information on breaches occurred in the context of his or her work-related activities. The violations the Group's employees are encouraged and urged to report include information and reasonable suspicions, about actual or potential illegal acts, omissions and breaches, which occurred or are very likely to occur in the Company. The Whistleblowing Policy sets out reporting channels that enable named or anonymous reporting, in writing and/or orally, and an investigative process. A compliance officer plays a central role in investigative process.

The investigative process commences with receiving of a report, following which it is evaluated if the reported violation falls under the scope of the Whistleblowing Policy. If the reported violation is considered credible, the compliance officer, alone or with the assistance of third parties, decides whether the case is to be closed or if it requires further investigation. Written feedback and update on the progress of the investigation is provided to the reporting person. The compliance officer decides whether disciplinary measures need to be imposed, based on the result of the investigation process. The Company must keep a record of all the reports. The Whistleblowing Policy sets out measures for protection against retaliation.

14.12.2.5 *Remuneration Policy*

On January 19, 2024, the General Meeting passed a resolution adopting, among others, the Remuneration Policy of the Board of Directors ("**Remuneration Policy**"), which is primarily aimed at ensuring that the Directors' compensation is aligned with the Company's short and long-term business plans to foster value creation for customers, shareholders, employees and local communities.

Pursuant to the Remuneration Policy, the remuneration of Non-Executive Directors consists of fixed pay which is designed to compensate for the time required to fulfil their duties. This includes fees for attendance of the Board of Directors and relevant committee meetings, including time spent on travel and preparation. When deciding on the fee, the following factors are taken into account: (i) market rates; (ii) ensuring that Non-Executive Directors with the necessary skills, diversity, knowledge, and experience can be recruited for the Board of Directors; (iii) the time commitment required for the role; (iv) any changes in the scale, scope, or responsibilities of the role; and (v) the necessity to recruit a non-executive Director with specific skills and experience.

Pursuant to the Remuneration Policy, the remuneration of Executive Directors consists of a combination of a fixed component that is in line with the role's scope and responsibilities, benefits and variable component that includes short-term and long-term incentive. The Company's policy is to consider the remuneration levels in other companies of similar size, with roles of comparable scope and responsibility when determining the fixed component of Executive Director's compensation. The short-term incentive is linked to the Company's short-term performance and provides a rewarding mechanism for the achievement of short-term individual, strategic, financial, and non-financial objectives of the company. The long-term

incentive which includes an opportunity to receive an annual award in the form of shares or options to shares, is designed to foster a sense of ownership, align the interests of shareholders with the Company's performance, and reward value creation over an extended timeframe. The nominations and remuneration committee is responsible for evaluating and determining the most appropriate performance measures and targets for awarding long term and short-term incentives on the annual basis. However, the incentive components of the Executive Directors are subject to claw back provisions in specific circumstances which include incorrect financial data or other data, in case of fraud, gross negligence, willful misconduct or any other activity deemed detrimental to the Company.

The Remuneration Policy is to be submitted for adoption to the general meeting of the Company's shareholders at every material change and at least every four (4) years. Any modification to the Remuneration Policy will be accompanied by a detailed explanation of the significant alterations and the decision-making process employed during its creation, review and implementation.

14.12.2.6 *Related Party Transactions Management Framework*

On January 19, 2024, the General Meeting passed a resolution adopting, among others, the Related Party Transactions Managing Framework ("**RPT Framework**") that sets out the rules and procedures regarding the identification, evaluation, approval, and disclosure of transactions with related parties in accordance with relevant provisions of corporate legislation as well as rules and provisions aimed at ensuring transparency and effective supervision of the Company's contracts or transactions with related parties. Pursuant to the RPT Framework, a transaction with a Related Party encompasses any transaction that establishes a provision relationship between the Company and the Related Party, regardless of whether a price is charged.

Pursuant to the RPT Framework, the finance department, in collaboration with the legal services department of the Group, is responsible for compiling and maintaining a list of related parties that must be regularly updated.

The RPT Framework differentiates between: (i) transactions that are conducted regularly, as well as they are directly related to the Company's business operations and objectives, both in terms of their nature and scale ("Ordinary Transactions"), (ii) material transactions where the information about the Related Party Transaction is considered inside information as defined in Article 7(1) of the Market Abuse Regulation (EU) No 596/2014 or if it equals or exceeds either (a) 1% of the value of the total assets of the Company in accordance with the latest published annual financial statements, or (b) 2.5% of the turnover of the Company in accordance with the latest published annual financial statements ("Material Transactions"); and (iii) transactions that fall under (ii) of this paragraph, and are not conducted regularly, or directly related to the Company's business operations and objectives and do not fall within the Excluded Transactions set out in RPT Framework ("**Qualified Related Party Transaction**") and (iv) transaction to which the prohibition on engaging in Related Party Transactions with Related Parties and the subsequent requirement for Board of Directors approval do not extend.

Under the RPT Framework, the Company must publicly announce Qualified Related Party Transactions no later than at the time of the conclusion of the Transaction on the Company's website, provided their value equals or exceeds €35,000, which is calculated in the prescribed manner of the Material Transaction definition hereof. Similarly, the Company shall publicly announce Qualified Related Party Transactions concluded between the Related Party of the Company and that Company's subsidiary.

14.13 **Shareholdings of the Members of the Board of Directors and Senior Management**

Christianos Hadjiminias, Philippe Mennicken and Dimitris Parthenis indirectly hold shares in the Company through Venetus Limited. Christianos Hadjiminias additionally holds shares in the Company through CHRE Investments Limited. No other current or expected future members of the Board of Directors (set forth in Section 14.4 (*Composition of the Board of Directors*)) or members of the Senior Management hold any shares or options over shares in the Company as of the date of this Prospectus.

As of the date of this Prospectus, Christianos Hadjiminias, Philippe Mennicken and Dimitris Parthenis indirectly hold 94.03%, 0.60% and 0.10% of the Shares, respectively. Following the settlement of the Private Placement, assuming 4,000,000 Existing Shares from the holdings of the Selling Shareholder and 9,090,909 New Shares are placed at the midpoint of the Price Range and assuming full exercise of the Over-Allotment Option, Christianos Hadjiminias, Philippe Mennicken and Dimitris Parthenis will indirectly hold

74.45%, 0.47% and 0.08% of the Shares, respectively, upon effectiveness of the Placement Capital Increase, assuming €100 million of gross proceeds are raised by the Company in the Private Placement.

The remaining Shares indirectly held by the Executive Directors or the Senior Management following the settlement of the Private Placement are subject to a lock-up of 365 days commencing on the Settlement Date.

15. RELATED PARTY TRANSACTIONS

In accordance with IAS 24, transactions with persons or companies that are, inter alia, members of the same group as a company or that are in control of or controlled by a company must be disclosed unless they are already included as consolidated entities in a company's consolidated financial statements. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The disclosure requirements under IAS 24 also extend to transactions with associated companies (including joint ventures), as well as transactions with persons who have significant influence on a company's financial and operating policies, including close family members and intermediate entities. This includes the members of the Board of Directors and close members of their families.

Set forth below are details of such transactions with related parties for the current year up to and including the date of this Prospectus and as of and for the years ended December 31, 2022, 2021 and 2020 and as of and for the nine months ended September 30, 2023. Further information on related-party transactions, including quantitative amounts, is contained in the notes to the Audited Consolidated Financial Statements and Unaudited Condensed Consolidated Financial Statements, which are included elsewhere in this Prospectus. Business relationships between companies of the Group are not included.

15.1 Certain ongoing Relationships with Related Parties

In the ordinary course of its business, from time to time, members of the Group enter into agreements with the principal shareholder, which is a related party as such term is defined in EU approved standards of the International Accounting Standards Boards, and other companies within the Group relating to the rendering of intra-group services. These agreements are negotiated and executed on an arm's length basis and on the basis that the terms of these transactions are comparable to those contracted with unrelated third-party suppliers and service providers.

15.2 Past Transactions with Related Parties

15.2.1 *Transactions with Related Parties in 2022, 2021 and 2020 and as of September 30, 2023*

Details of related party transactions entered into by members of the Group during the period covered by the financial information included in this Prospectus and up to the date of this Prospectus include those described in Note 5.29 to the Audited Consolidated Financial Statements and Note 22 to the Unaudited Condensed Consolidated Financial Statements.

During the financial years ended December 31, 2022, 2021 and 2020, for the nine months ended September 30, 2023 as well as of the date of this Prospectus, the ultimate beneficial owner of the Group is Mr. Christianos Hadjiminias. As a result, the Group has from time to time engaged in certain transactions with related parties, consisting of Mr. Hadjiminias and members of the board of directors. These transactions include director loans and agreements for sale and purchase of goods and services.

For the nine months ended September 30, 2023, related party transactions comprise, on the one hand, sales of goods and services by Theon in the amount of €12,805.4 thousand primarily to HTN (€12.734.3 thousand) with the remainder consisting of transactions with related parties controlled by Mr. Hadjiminias (approximately €71.1 thousand) and, on the other hand, purchases of goods and services in the amount of €108.8 thousand from related parties controlled by Mr. Hadjiminias. Furthermore, during the nine months ended September 30, 2023, loans to directors amounting to €3,953.0 thousand were fully repaid and no outstanding loans to related parties remain. In the Company's opinion, all transactions with related parties are conducted at an arms' length basis.

As of the date of this Prospectus, other than described above, there have been no other related party transactions.

16. TAXATION

16.1 *Warning on tax consequences*

The Company is subject to taxation in the Republic of Cyprus. The tax laws of any jurisdiction with authority to impose taxes on the Company's shareholders and the tax laws of the Company's country of incorporation, Cyprus, may have an impact on the income received from the Shares.

16.2 **Taxation in Cyprus**

The following section contains a short summary of certain important Cyprus tax principles in relation to the Company. The summary is based on laws, regulations and practice in force and applied in Cyprus at the date of this Prospectus. Provisions may change at short-term notice, possibly with retroactive effect.

This section does not purport to be a complete summary of tax law and practice currently applicable in Cyprus and does not contain any statement with respect to the tax treatment of an investment in the Company in any other jurisdiction. Furthermore, this clause does not address the taxation of the Company in any other jurisdiction or the taxation of any Investment Holding Entity in which the Company holds an interest in any jurisdiction.

Prospective shareholders are advised to consult their own professional tax advisers in respect of the possible tax consequences of subscribing for, buying, holding, redeeming, converting or selling Shares in the Company under the laws of their country of citizenship, residence, domicile or incorporation.

The following provisions apply to a company that is tax resident within the Republic of Cyprus.

16.2.1 *Taxation of the Company*

16.2.1.1 *Tax Residency of a company*

A company is considered to be tax resident of Cyprus if it is managed and controlled in Cyprus. In order to achieve tax residency, several factors are taken into consideration by the tax authorities, amongst others the residence of its directors, the place where major decisions are taken and major contracts are signed etc. As from 2023, a Cyprus incorporated company is considered by default a tax resident of Cyprus provided it is not tax resident in any other jurisdiction. All Cyprus tax resident companies are taxed on their income accrued or derived from all chargeable sources in Cyprus and abroad.

16.2.1.2 *Corporate Tax*

Corporate tax for Cyprus tax resident corporate entities is currently imposed at the rate of 12.5% for each year of assessment on the taxable income derived from sources both within and outside Cyprus; the same will apply in the case of the Company. In arriving at the taxable income, deductions on such income and exemptions must be taken into account. All relevant expenses incurred wholly and exclusively for the production of that income are deductible expense. Dividends, capital gains or profit from the sale of titles (described in more detail below) constitute tax exempt income. Expenses that directly or indirectly relate to the production of tax-exempt income are not tax deductible.

A notional interest deduction ("**NID**") will be provided to the Company in relation to any new investments in equity in the Company. In essence the NID will equal the multiple of a reference interest rate and the new equity issued and for all years held; both are defined in the Cyprus income tax law and related circulars. The NID is not available in the case of losses nor can it exceed 80% of the Company's profit. Further, a number of anti-avoidance provisions also regulate the application of the NID so as to prevent abuse.

16.2.1.3 *Tax losses*

Any tax loss arising during a year which, if it was a gain or profit would have been chargeable to tax, it can be set off against current year profits and any excess can be carried forward for a period of five years from the tax year in which the loss has incurred.

16.2.1.4 *Income arising in the Company*

Income arising from investments that do not meet the definition of titles will be subject to taxation at the corporate tax rate of 12.5%. Similarly, interest income, if considered as income in the ordinary course of its business will be subject to taxation at the corporate tax rate of 12.5%. If such interest income is not considered as income in the ordinary course of its business it will not be subject to taxation at the corporate tax rate of 12.5% but under the Special Contribution for Defense ("**SDC**") law as described below.

16.2.1.4.1 Profits from the sale of titles

According to the Cyprus Income Tax Law, profits from the sale of "titles" are exempt from taxation in Cyprus. For these purposes, "**titles**" means shares, bonds, debentures, founder's shares and other securities of companies or other legal persons, and options thereon as currently defined under Article 2 of the Cyprus Income Tax Law N118(I)/2002 and related circulars.

16.2.1.4.2 Interest income

The tax treatment of interest income arising in a Cyprus company depends on whether interest income is closely related to the company's ordinary course of business. If the interest income is considered to be related to the ordinary course of business, it will be included in the taxable base of the company and, after deducting all expenses incurred for its production, it will be subject to corporation tax at the rate of 12.5%. If the interest income is considered not to be related to the ordinary course of business, the gross amount will be subject to SDC tax at a rate of 30%, with no expenses allowable as a deduction against this income. Interest income from corporate or government bonds listed in a recognized Stock Exchange will be subject to SDC at a rate of 3%.

16.2.1.4.3 Foreign Exchange Differences

Foreign Exchange (the "**FOREX**") gains or losses are completely tax neutral without taking into account whether these are realized or unrealized provided that such FOREX gains/losses did not result from trading in currencies and related derivatives. Trading FOREX gains/losses should be taxable/deductible accordingly. Therefore, any FOREX gain or loss incurred by the Company will not be tax/allowed accordingly.

16.2.2 *Taxation of the Shareholders*

Shareholders are advised to consult their own professional advisors concerning possible taxation or other consequences of purchasing, holding, selling or otherwise disposing of the interests under the laws of their country of incorporation, citizenship, residence or domicile.

16.2.2.1 *Tax residency of an individual*

An individual is considered to be tax resident in Cyprus if s/he stays in Cyprus for a period or periods exceeding in aggregate 183 days in the year of assessment. See also Section "*16.2.1.1 Tax Residency of a company*".

With effect as from 1 January 2017, an individual may also be considered tax resident in Cyprus if (s)he satisfies the "60-day rule". The "60-day rule" applies to individuals who in the relevant tax year:

- (i) do not reside in any other single state for a period exceeding 183 days in aggregate, and
- (ii) are not considered tax resident by any other state, and
- (iii) reside in Cyprus for at least 60 days, and
- (iv) have other defined Cyprus ties.

To satisfy this condition the individual must carry out any business in Cyprus and/or be employed in Cyprus and/or hold an office (director) of a company tax resident in Cyprus at any time in the tax year, provided that such is not terminated during the tax year. Further the individual must maintain in the tax year a permanent residential property in Cyprus which is either owned or rented by him/her.

16.2.2.2 *Domicile*

Domicile applies only in respect of individual shareholders and only in respect of tax arising under SDC law. An individual who is resident in Cyprus for a period of at least 17 years out of the last 20 years prior to the tax year in question shall be deemed as domiciled in Cyprus for SDC purposes regardless of whether or not (s)he has his/her domicile of origin in Cyprus. A person who has domicile of origin in Cyprus will be treated as "domiciled in Cyprus" for SDC purposes (and hence subject to SDC) with the exception of:

- An individual who has obtained and maintained a domicile of choice outside Cyprus under the provisions of the Wills and Succession Law, provided that this individual was not a Cyprus tax resident for any period of at least 20 consecutive years prior to the tax year in question; or
- An individual who was not a Cyprus tax resident for a period of at least 20 consecutive years immediately prior to the tax year in question.

Such exempt person is considered "non-domicile" and therefore from the date s/he obtains the tax residency of Cyprus and for the following 17 years, any income from dividend, interest and rent is tax exempt.

Corporate or personal income tax rules apply solely based on tax residency and are not affected by the application of the "domicile" principle.

16.2.2.3 *Dividend income*

16.2.2.3.1 Corporate Shareholders

Inter-company Dividends

Dividends paid from one Cyprus company to another are free from any withholding tax in Cyprus. Dividends received from abroad by a Cyprus tax resident company are exempt from corporate income tax, provided that they are not allowed as a tax deduction in the jurisdiction of the foreign paying company.

Further dividends distributed to a Cyprus tax resident company from a company abroad, are also exempt from SDC, if one of the following two conditions are satisfied:

- (i) The company paying the dividend must not engage more than fifty percent directly or indirectly in activities which lead to passive income (non-trading income), or
- (ii) The foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus.

If the above conditions are not satisfied, then dividends will be subject to SDC at the rate of 17%. In the event of dividends being subject to tax, credit shall be provided in respect of foreign tax suffered on the same income. The credit shall not be available in the case of an arrangement, which having been put into place for the main purpose of obtaining a tax advantage, is not genuine, having regard to all relevant facts and circumstances. An arrangement shall be regarded as not genuine to the extent that it is not put into place for valid commercial reasons which reflect economic reality.

16.2.2.3.2 Individual Shareholders

Dividend income arising for a shareholder who is both a Cyprus tax resident and Cyprus domiciled individual (from both resident and non-resident companies) is subject to SDC tax at the rate of 17%. Dividends paid to Cyprus tax resident with the non-domicile status is tax exempt.

16.2.2.4 *Deemed dividend distribution rules*

In relation to dividend distributions from Cyprus tax resident companies, any profits attributable to Cyprus tax resident shareholders (companies or Cyprus domiciled individuals) are subject to the deemed dividend distribution rules.

In accordance with the provisions of the SDC legislation, Cyprus companies which do not distribute 70% of their profits after tax, as defined by the SDC legislation, within two years after the end of the year of assessment to which the profits refer, will be deemed to have distributed this amount as a dividend.

In this respect, SDC will be payable, at the relevant rate prevailing at that point in time (currently at the rate of 17%), on such deemed dividends to the extent that the shareholders at the end of the period of the two years from the end of the year of assessment to which the profits relate, remain Cyprus tax residents (individual shareholders will have to remain Cyprus tax residents and Cyprus domiciled).

16.2.2.5 *Interest income*

16.2.2.5.1 Corporate Shareholders

The tax treatment of interest income arising for a corporate shareholder which is a Cyprus tax resident company depends on whether interest income is closely related to the shareholders' ordinary course of business.

If the interest income is considered to be related to the ordinary course of business, it will be included in its taxable base and, after deducting all expenses incurred in its production, it will be subject to corporation tax at a rate of 12.5%.

If the interest income is considered not to be related to the ordinary course of business, the gross amount will be subject to SDC tax at a rate of 30%, with no expenses allowable as a deduction against this income. If interest is received from corporate or government bonds listed in a recognized Stock Exchange, will be subject to SDC tax at a rate of 3%.

16.2.2.5.2 Individual Shareholders

Interest income arising for a shareholder who is both a Cyprus tax resident and Cyprus domiciled individual will be subject to Special Contribution tax at a rate of 30%. If interest is received from corporate or government bonds listed in a recognized Stock Exchange, will be subject to SDC tax at a rate of 3%.

16.2.2.6 *Capital gains*

According to the Cyprus tax laws, profits from the sale of titles are exempt from taxation in Cyprus. The redemption of shareholder shares shall be considered as a disposal of a title and as such are exempted from taxation in Cyprus both for corporate and individual shareholders. Circular 2008/13 of 17 December 2008 interprets the definition of the term "titles", as currently defined under Article 2 of the Income Tax Law N118(I)/2002. Under the circular, titles include units in open-ended or closed-ended collective investment schemes (provided that they are registered and operate in accordance with the provisions of the laws in the country of their registration). Examples of units in open-ended and closed-ended collective schemes include the following:

- a) investment and mutual Companies (investment trusts, investment Companies, mutual Companies, U-unit trusts, and real estate investment trusts)
- b) International Collective Investment Schemes;
- c) UCITS; and
- d) other similar investment schemes.

16.2.2.7 *Withholding Taxes*

No Cyprus withholding taxes will apply in respect to the distribution of dividends or interest to shareholders that are non-tax residents of Cyprus (companies or individuals). However, for Cyprus tax resident individuals tax is withheld at source where for Cyprus tax resident companies tax is withheld only for interest.

16.2.3 *Other tax issues*

16.2.3.1 *Capital Gains Tax*

Under the capital gains tax legislation, capital gains tax is imposed only on gains arising from the disposal of immovable property situated in Cyprus and shares in companies owning immovable property situated in Cyprus (with the exception of shares in listed companies) at the flat rate of 20%.

16.2.3.2 *Stamp Duty*

Cyprus stamp duty is levied on 'documents' (i.e. written agreements/contracts and other documentation specified in Annex 1 of the relevant law) relating to assets located in Cyprus and/or matters or things taking place in Cyprus. In terms of agreements, stamp duty is calculated on the value of the agreement at 0.15% for amounts exceeding Euro 5,000 but do not exceed Euro 170,000 and at 0.2% thereafter with a maximum cap of Euro 20,000 per stampable agreement. The person legally liable to pay such stamp duty (unless otherwise stated on the agreement) is the purchaser.

Whether or not the transactions of the Company (and hence documents concluded) will attract stamp duty, is a matter to be assessed on a case-by-case basis and after taking into consideration the facts of such transaction.

16.2.3.3 *Inheritance tax*

There is currently no inheritance tax payable in Cyprus.

16.2.3.4 *Estate Duty*

There is currently no estate duty payable in Cyprus

16.2.3.5 *Double Tax Relief*

Cyprus has set up a network of double taxation treaties affording double taxation relief to qualifying companies, including the treaty with the Netherlands (effective from 1 January 2024). Notwithstanding the aforementioned, the Cyprus tax legislation allows for unilateral relief against tax payable in Cyprus for foreign tax paid on the same income in the form of tax credit.

16.2.3.6 *General Health System*

As per Article 19 of the General Health System Law of 2001 89(I)/2001, as amended in 2017, the income, including dividends and interest, of natural persons who are tax residents of Cyprus, is subject to contributions to the General Health System Law. The contribution amounts to 2,65% of the aforesaid income.

16.3 **Taxation in the Netherlands**

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could have retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Shares, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

For the purpose of the paragraph "*Taxes on income and capital gains*" below, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes.

For the purpose of the paragraph "*Taxes on income and capital gains*" below, it is assumed that an individual holding Shares who is taxed as resident in the Netherlands for income tax purposes does not and will not have a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Company.

Generally speaking, an individual has a substantial interest in a company if (a) such individual, either alone or together with his partner, directly or indirectly has or is deemed to have, or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have (i) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5% or more of either the total issued and outstanding capital of such company or the issued and outstanding capital of any class of shares of such company, or (ii) the ownership of, or certain rights over, profit participating certificates (*winstbewijzen*) that relate to 5% or more of either the annual profit or the liquidation proceeds of such company. Also, an individual has a substantial interest in a company if his partner has, or if certain relatives of the individual or his partner have, a deemed substantial interest in such company. Generally, an individual or his partner or relevant relative has a deemed substantial interest in a company if either (a) such person or his

predecessor has disposed of or is deemed to have disposed of all or part of a substantial interest or (b) such person has transferred an enterprise in exchange for shares in such company, on a non-recognition basis.

Where this summary refers to a holder of Shares, an individual holding Shares or an entity holding Shares, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Shares or otherwise being regarded as owning Shares for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate and gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settlor, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Where the summary refers to "the Netherlands" or "Dutch" it refers only to the European part of the Kingdom of the Netherlands.

This overview assumes that the Company is solely tax resident in the Republic of Cyprus and is not, nor will be, treated as resident or deemed resident in the Netherlands for tax purposes or as having a presence in the Netherlands for tax purposes.

Investors should consult their professional advisers as to the tax consequences of acquiring, holding and disposing of Shares.

16.3.1 ***Withholding tax***

All payments by the Company in respect of Shares can be made free of withholding or deduction of any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

16.3.2 ***Taxes on income and capital gains***

16.3.2.1 ***Residents***

16.3.2.1.1 Resident entities

An entity holding Shares which is or is deemed to be resident in the Netherlands for Dutch corporate tax purposes and which is not tax exempt, will generally be subject to corporate tax in the Netherlands in respect of income or a capital gain derived from such Shares at rates up to 25.8%, unless the entity has the benefit of the participation exemption (*deelnemingsvrijstelling*) with respect to such Shares. Generally speaking, the entity holding Shares will have the benefit of the participation exemption if the entity owns at least 5% of the nominal paid-up share capital of the Company.

16.3.2.1.2 Resident individuals

An individual holding Shares who is or is deemed to be resident in the Netherlands for Dutch income tax purposes will generally be subject to income tax in the Netherlands in respect of income or a capital gain derived from such Shares at rates up to 49.5% if:

- (i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or
- (ii) the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor (ii) applies, the individual will generally be subject to Dutch income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from the Shares. For the fiscal year 2024, separate deemed return percentages for savings, debts and investments apply, 6.04% for the category investments (including the Shares), as at the beginning of the relevant fiscal year. The applicable percentages will be updated annually on the basis of historic market yields. Subject to certain anti-abuse provisions, the product of an amount equal to (a) the total deemed return divided by the sum of savings, debts and investments and (b) the sum of savings, debts and investments minus a tax-free allowance, forms the individual's taxable income from savings and investments (including the Shares) for 2024 and will be taxed at the prevailing statutory rate (36% in 2024).

16.3.2.2 *Non-residents*

A holder of Shares which is not and is not deemed to be resident in the Netherlands for the relevant tax purposes will not be subject to taxation in the Netherlands on income or a capital gain derived from Shares, unless:

- (i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in the Netherlands or carried on through a permanent establishment (*vaste inrichting*) or a permanent representative (*vaste vertegenwoordiger*) taxable in the Netherlands and the holder of Shares derives profits from such enterprise (other than by way of the holding of securities); or
- (ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (*belastbaar resultaat uit overige werkzaamheden*) in the Netherlands as defined in the Income Tax Act 2001 (*Wet inkomstenbelasting 2001*), including, without limitation, activities that exceed normal, active asset management (*normaal, actief vermogensbeheer*).

16.3.3 *Gift and inheritance taxes*

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of Shares by way of gift by, or on the death of, a holder, unless:

- (i) such holder is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions; or
- (ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

16.3.4 *Value added tax*

There is no Dutch value added tax payable by a holder of Shares in respect of payments in consideration for the acquisition of Shares, payments of dividend on the Shares, or payments in consideration for the disposal of Shares.

16.3.5 *Other taxes and duties*

There is no Dutch registration tax, stamp duty, or any other similar tax or duty payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of Shares.

16.3.6 *Residence*

A holder of Shares will not be and will not be deemed to be resident in the Netherlands for Dutch tax purposes and, subject to the exceptions set out above, will not otherwise be subject to Dutch taxation, by reason only of acquiring, holding or disposing of Shares.

17. RECENT DEVELOPMENTS AND OUTLOOK

17.1 Recent Developments

17.1.1 *Contract developments*

Due to the ongoing Russia-Ukraine war, and the recent escalation of hostilities between Israel and Hamas, the Group is expecting the trend of increased defense spending by governments globally to continue, which has the potential to further increase the demand for the Group's products.

In late November 2023, Elbit Systems of America ("**ESA**") was awarded, through an international tender, a contract for the supply of the Squad Binocular Night Vision Goggle ("**SBNVG**") to the US Marine Corps. Theon, as a subcontractor, expects to provide to ESA its dedicated night vision binocular NYX in a semi knock down kit format, where final manufacturing and dissemination of the complete SBNVG solution will be performed at U.S.-based ESA facility. In addition, Theon expects to provide ESA with night vision spare and repair parts, logistics support and test article refurbishment throughout the contract term.

Furthermore, in November 2023, the Group announced that Theon together with its partner Hensoldt has been invited to the signature ceremony of the OCCAR NVGs Contract Amendment No. 2. The contract signature ceremony, which is expected at the end of January 2024, concerns an additional tranche of the existing OCCAR contract, details of which shall be announced after the ceremony on top of the 29,550 Mikron Night Vision Binoculars which had already been contracted for supply to the German and Belgian Armed Forces under the original OCCAR contract.

Finally in December 2023, Theon signed two framework agreements with a duration of up to 5 years with the NATO Support and Procurement Agency ("**NSPA**") for the supply of thermal weapon sights and thermal monoculars, part of the state-of-the-art THERMIS MK2 series of thermal sights. While the first agreement relates to a specific European NATO member state, the second agreement is open for NVO (Night Vision and Optronics) member nations but also its program partner states, comprising a total of 19 NATO member states. Theon has already received the first purchase order for an initial quantity of thermal sights under these agreements.

Other than described above, as of the date of this Prospectus, there have been no significant change in the financial performance or outlook of the Group since September 30, 2023 to the date of this Prospectus. As of the date of this Prospectus, management believes that business performance for the October-December 2023 period has been in line with expectation and seasonality characteristics experienced in prior financial years and working capital has converged to pre-2022 levels when expressed as a percentage of revenue.

17.1.2 *Order Backlog*

As of December 31, 2023 the Group's Order Backlog amounted to approximately €190 million compared to an Order Backlog of €220 million as of September 30, 2023, partly as a result of strong last quarter delivery numbers. As of the date of this Prospectus, and compared to the Order Backlog as of December 31, 2023, the Group was awarded additional contracts with a cumulative value of approximately €350 million. Some of these additional contracts are still subject to finalization and ratification by national parliaments. Together, such additional awarded amounts and the Order Backlog as of December 31, 2023, amounting to approximately €540 million, are referred to as "**Soft Backlog**" in this section. Furthermore, under the recently awarded but not finalized contracts, certain customers have options allowing them to place additional orders under the same contract. As of the date of this Prospectus, the value of such options amounts to approximately €520 million. Although not indicative for future customer decisions, in the Company's past experience, customers usually tend to exercise their options to purchase additional products when they are satisfied with the Company's performance under the original agreement.

17.1.3 *Capitalization and New loan facilities*

In November 2023, the Group drew on existing credit lines as part of ordinary course operations linked to increased business demand, resulting in an increase of approximately €10 million of current debt as of November 30, 2023 compared to September 30, 2023.

During December 2023 and up to the date of this Prospectus, the Group has entered into the following loan agreements:

- Recovery and Resilience Facility (RRF) loan of an amount up to €7.9 million to finance the construction of the new facility at Koropi, purchasing of new machinery and equipment and installation of solar panels on the facilities.
- A loan of an amount of up to €6.0 million to purchase new machinery and equipment that will be directed to some of the Group's key suppliers to help them increase their production capacity.
- A loan of an amount up to €20.0 million with 18 months maturity that will refinance existing short-term loans at a lower cost.

As of the date of this Prospectus, the Group drew down approximately €24 million from these credit lines, €4 million of which is intended for general corporate purposes, increasing the Group's current debt, and €20 million was used to refinance existing short-term loans.

17.2 **Outlook**

17.2.1 ***2023 Revenue Target and Estimated Capex***

For the 2023 financial year, the Group targets full-year revenue of between approximately €215 million and €220 million.

Additionally, the Company estimates that capital expenditure for the year ending December 31, 2023 will amount to approximately €7 million, mainly used for completing the expansion of production facilities in Athens and supporting the production capacity at certain significant part suppliers.

17.2.2 ***2024 Revenue Target***

For the year ending December 31, 2024, the Group expects that approximately 60% of the Soft Backlog as of the date of this Prospectus will cover approximately more than 90% of the targeted revenue for the 2024 financial year.

17.2.3 ***Medium Term Targets***

In the medium term, the Group targets a revenue growth in line with the growth of its addressable market for dismounted applications and for platforms. Additionally, the Group targets an Operating Profit Margin that will converge to approximately 25% over the medium term and expects to maintain a capital expenditure amount in line with historical levels (excluding the 2021-2023 Athens production facility expansion) when expressed as a percentage of revenue.

The Group targets a dividend payout ratio between 30% and 40% of its net income for the prior financial year, starting from 2025 onwards, subject to market conditions, the Company's results of operations for the period, financial condition, contractual restrictions and capital requirements.

18. FINANCIAL INFORMATION

Prospective investors should read this Section 18 (Financial Information) in conjunction with Section 7 (Management's Discussion and Analysis of Net Assets, Financial Condition and Results of Operations) and the Consolidated Financial Statements, as well as additional financial information contained elsewhere in this Prospectus. Prospective investors should read the entire Prospectus and not just rely on the information contained in this section.

In particular, attention is drawn to Section "7.5 Presentation of Financial Information and Factors Affecting Comparability", and to note 26 of the Unaudited Condensed Consolidated Financial Statements on page F-158, showing the Group restated statements of financial position as of December 31, 2022 and as of January 1, 2022, as a result of restatements to prior periods to correct certain errors in the application of accounting policies.

This Prospectus includes the following financial information:

Audited Consolidated Financial Statements of the Company as of and for the year ended December 31, 2022, prepared in accordance with IFRS	F-3
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Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-8
Consolidated Statement of Financial Position	F-9
Consolidated Statement of Changes in Equity	F-11
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Consolidated Statement of Profit or Loss and Other Comprehensive Income	F-50
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Unaudited Condensed Consolidated Financial Statements of the Company as of and for the three months and nine months ended September 30, 2023, prepared in accordance with IAS 34	F-133
Independent Auditor's Review Report	F-124
Condensed Consolidated Statement of Financial Position	F-126
Condensed Consolidated Statement of Profit & Loss for the nine months ended 30 September	F-128
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THEON INTERNATIONAL PLC

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

In accordance with IFRS

1. **Board of Directors and Other Principal Officers**

Board of Directors:	Christian Hadjiminias (Managing Director) Petros Christou (Vice President) Stelios Anastasiou
Company Secretary:	Petros Christou
Independent Auditors:	PKF abas limited Certified Public Accountants and Registered Auditors 67 Limassol Avenue Vision Tower 5th Floor 2121 Nicosia, Cyprus
Registered office:	5 Agiou Antoniou Muskita Building 2, 1 st Floor, Office 102 2002 Nicosia Cyprus
Registration number:	HE 424549

1.1 Independent Auditor's Report

To the Members of THEON INTERNATIONAL PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of THEON INTERNATIONAL PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 14 - 52 and comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

To the Members of THEON INTERNATIONAL PLC

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

To the Members of THEON INTERNATIONAL PLC

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

Other Matter

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

George Koukoumas
Certified Public Accountant and Registered Auditor
for and on behalf of
PKF abas limited
Certified Public Accountants and Registered Auditors
67 Limassol Avenue
Vision Tower
5th Floor
2121 Nicosia, Cyprus

Nicosia, 4 May 2023

2. Financial Statements

2.1 Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2022	2021
		€	€
Turnover (net)	5.1	147,386,179	80,557,820
Cost of sales	5.2	(96,416,332)	(46,913,079)
Gross profit		50,969,847	33,644,741
Other income	5.3	998,881	161,973
		51,968,728	33,806,714
Administrative expenses	5.4	(7,114,798)	(5,286,284)
Selling expenses	5.5	(2,008,391)	(1,530,883)
Research & Development expenses	5.6	(1,985,082)	(1,482,444)
Other expenses, losses and impairments	5.7	(351,331)	(463,535)
Other income and gains	5.8	487,535	363,952
Profit earnings before interest and tax		40,996,661	25,407,520
Interest income and related income	5.9	16,765	170
Interest charges and related expenses	5.9	(2,452,547)	(1,092,691)
Profit before tax		38,560,879	24,314,999
Income tax	5.10	(7,964,196)	(5,251,557)
Profit for the year before tax		30,596,683	19,063,442
Earnings per share		2022	2021
Basic earnings per share net of tax (in €)	5.11	<u>152.98</u>	<u>95.32</u>
Diluted earnings per share net of tax (in €)	5.11	<u>152.98</u>	<u>95.32</u>
		2022	2021
		€	€
Profit for the year net of tax		30,596,683	19,063,442
Re-measurement of defined benefit plans	5.20	16,001	1,305
Corresponding income tax	5.10	(3,520)	(287)
Other comprehensive income / (losses) after tax		12,481	1,018
Total comprehensive income after tax		30,609,164	19,064,460

2.2 Consolidated Statement of Financial Position

	Note	2022 €	2021 €
Non-current assets			
Tangible assets			
Own-use properties	5.12	6,535,056	5,185,213
Investment properties	5.12	1,412,354	1,491,327
Machinery & equipment	5.12	2,769,109	2,462,622
Other equipment	5.12	2,177,511	1,537,581
Total		12,894,030	10,676,743
Intangible assets			
Development costs	5.13	548,861	192,343
Other intangible assets	5.13	275,456	331,115
Total		824,317	523,458
Financial assets			
Other investments		45,425	-
Loans receivable from related parties	5.29	7,526,149	-
Other non-current receivables	5.14	105,716	103,922
Total		7,677,290	103,922
Deferred tax asset	5.15	303,606	54,047
Total non-current assets		21,699,244	11,358,170
Current assets			
Stocks			
Finished goods and work in progress	5.16	7,996,319	4,442,512
Raw material and various materials	5.16	18,900,711	8,216,935
Down payments for inventories	5.16	6,610,220	2,871,060
Total		33,507,250	15,530,507
Financial assets and receivables			
Trade receivables	5.17	69,390,484	15,841,677
Other receivables	5.17	3,698,983	2,709,585
Other financial assets	5.17	462,403	397,378
Cash and cash equivalents	5.18	24,035,135	26,096,448
Total		97,587,005	45,045,088
Total current assets		131,094,255	60,575,595
Total assets		152,793,500	71,935,632

2.2 Consolidated Statement of Financial Position (continued)

Equity	Note	2022	2021
		€	€
<i>Net assets</i>			
Paid up capital			
Share capital	5.19	200,000	200,000
Total		200,000	200,000
<i>Reserves</i>			
Reserves	5.19	98,587,469	64,949,785
Consolidation reserve	5.19	(33,331,866)	(31,304,573)
Total		65,255,603	33,645,212
Total net assets		65,455,603	33,845,212
<i>Provisions</i>			
Provisions for employee benefits	5.20	162,026	162,035
Total		162,026	162,035
<i>Liabilities</i>			
<i>Long-term liabilities</i>			
Loans	5.21	3,075,002	7,540,103
Lease liabilities	5.21	586,354	815,417
Government grants	5.22	188,427	378,385
Total Long-term liabilities		3,849,783	8,733,905
<i>Short term liabilities</i>			
Loans	5.21	30,217,270	8,922,898
Short term portion of long-term loans	5.21	781,397	717,536
Lease liabilities	5.21	295,232	281,350
Trade payables	5.23	23,969,876	6,915,631
Tax liabilities	5.24	6,121,779	4,296,230
Other taxes and duties	5.25	188,397	131,663
Social security providers		288,486	209,488
Other liabilities	5.26	21,463,651	7,719,684
Total Short-term liabilities		83,326,088	29,194,480
Total liabilities		87,337,897	37,928,385
Total net assets, provisions and liabilities		152,793,500	71,935,632

2.3 Statement of changes in equity

	Share capital	Reserves mandated by law or the articles of association	Statutory reserve	Retained Profit / (losses)	Other comprehensive income	Consolidation reserve *	Total
	€	€	€	€	€	€	€
Balance on 1/1/2021	200,000	3,603,943	1,391,641	36,628,707	2,148,070	(29,353,878)	14,618,483
Profits/(losses) for the year	-	-	-	19,063,442	2,260,272	-	21,323,714
Other comprehensive income/(loss)	-	-	-	1,018	-	-	1,018
Total comprehensive income				19,064,460	2,260,272		21,324,732
<u>Changes during the year:</u>							
Capitalisation of other reserves	-	-	389,513	(537,005)	-	(1,950,695)	(2,098,187)
Other rounding differences	-	-	-	184	-	-	184
Balance on 31/12/2021 and 1/1/2022	200,000	3,603,943	1,781,154	55,156,346	4,408,342	(31,304,573)	33,845,212
Profits/(losses) for the year	-	-	-	30,596,683	1,643,684	-	32,240,367
Other comprehensive income/(loss)	-	-	-	12,481	-	-	12,481
Total comprehensive income				30,609,164	1,643,684		32,252,848
<u>Changes during the year:</u>							
Capitalisation of other reserves	-	-	884,880	503,476	-	(2,027,293)	(638,937)
Other rounding differences	-	-	-	-	-	-	-
Balance on 31/12/2022	200,000	3,603,943	2,666,034	86,265,466	6,052,026	(33,331,866)	65,455,603

* Note: Consolidation reserve represents the difference between the consideration paid for the acquisition of a subsidiary and the book value of its net assets.

2.4 Cash Flow Statement

	Note	2022 €	2021 €
Profit before tax		38,560,879	24,314,999
Plus / minus adjustments for:			
Depreciation	5.12, 5.13	1,475,887	1,289,239
Credit interest, exchange differences and related income	5.8, 5.9	(24,552)	(74,308)
Assets subsidies		(189,958)	(45,332)
(Reversal of impairment)/impairment of investments	5.17	(77,048)	(51,747)
Impairment of receivables	5.17	103,993	9,429
Impairment of inventory	5.16	(263,238)	34,642
Profit from the sale of assets		(53,817)	(39,888)
Income from dividends		(198,120)	(3,348)
Provisions		20,740	9,125
Other non-cash transactions		-	189,000
Interest charges, exchange differences and related expenses	5.7, 5.9	3,963,362	1,276,891
		43,318,128	26,908,702
Add / minus:			
Decrease/ (increase) in inventories	5.16	(17,713,505)	(2,217,863)
Decrease/ (increase) in receivables	5.14, 5.17	(55,649,173)	(8,797,351)
(Decrease) / increase in liabilities		27,808,246	6,012,832
		2,236,304	21,906,321
Less:			
Payments for income tax		(3,739,735)	(3,026,293)
Inflows / outflows from operating activities (a)		(5,976,039)	18,880,027
Investing activities			
(Acquisition) / sale of investments		(45,425)	-
(Acquisition) / sale of tangible and intangible assets		(3,940,217)	(4,603,999)
Loans granted		(8,700,000)	
Receipts from loans granted		1,211,573	
Interest received		-	170
Dividends received		198,120	3,348
Receipts from grants		-	418,748
Inflows / outflows from investing activities (b)		(11,275,949)	(4,181,733)
Financing activities			
Receipts from loans	5.21	42,919,990	37,471,883
Repayment of loan principal	5.21	(26,231,374)	(33,067,728)
Repayment of loan interest	5.21	(605,316)	(453,453)
Net inflows / (outflows) of lease liabilities	5.21	(215,181)	(280,629)
Interest on lease liabilities	5.21	(32,357)	(17,455)
Repayment of shareholder loans		-	(6,960,887)
Interest paid		(636,410)	-
Inflows / outflows from financing activities (c)		15,199,352	(3,308,269)
Net increase / (decrease) in cash and cash equivalents for the year (a)+(b)+(c)		(2,052,636)	11,390,025
Cash and cash equivalents at beginning of year		26,096,448	14,632,284
Foreign exchange differences		(8,677)	74,139
Cash and cash equivalents at end of year		24,035,135	26,096,448

Notes on the Financial Statements

3. General information about the Group

Theon International PLC ("The Company") was incorporated in Cyprus on 10 August 2021 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113 and was converted to a Public Limited Liability Company on 13 September 2021. Its registered office is at 5 Agios Antonios Street, 1st floor, Office 102, 2002 Nicosia, Cyprus.

The company was incorporated with the purpose to acquire the 100% of the issued share capital of Theon Sensors AG, a company incorporated in Switzerland. The acquisition agreements were concluded on 27 August 2021. Theon Sensors AG is the 100% owner of the following companies:

- Theon Sensors Single Member SA, Greece,
- Theon Sensors MEA FZC, United Arab Emirates
- Theon Deutschland GmbH, Germany,
- Theon Sensors Far East Ltd., Singapore and
- Theon Sensors USA Inc. USA

For the acquisition of the share capital of Theon Sensors AG, the Company issued on 13 September 2021, 199,000 ordinary shares of €1.00 each in exchange of 204,082 issued and fully paid shares in Theon Sensors AG.

Additionally, Theon International Plc holds 17% in European Sensor Systems SA, Greece.

Theon International PLC together with its subsidiaries form the Group "Theon Sensors" ("The Group").

The Group is engaged in the production and trade of a large range of sensors, and in particular night vision systems, thermal systems (thermal sights) and other innovative electro-optical equipment and equipment for application to Defense and Security.

The Company is involved in the manufacture and trade of high-tech sensors, its main focus being the production of other optical instruments and their parts.

The Company is today one of the market leaders in night vision systems for military and security applications, with production facilities and head offices in Athens, and more than 120,000 systems in use or under contract in 58 countries worldwide.

The Company's objects are to manufacture, maintain, repair and trade in high-tech sensors and thermal imaging instruments, vision instruments, distance meters, daytime and night-time sights, high-tech and microelectronics products, to provide all manner of information and advice about the operation of those products, to act as agent for and/or to broker the conclusion of all manner of contracts relating to those products, to brief individuals about the above work, to provide consultancy services.

The Company is today one of the market leaders in night vision systems for military and security applications, with production facilities and head offices in Cyprus, Greece, Germany, Saudi Arabia, United Arab Emirates, America & Singapore, and more than 120,000 systems in use or under contract in 58 countries worldwide.

The main product ranges are:

- Night vision monoculars and binoculars
- Full range of night vision sights and thermal imaging instruments
- Sights for night driving and upgrade kits for armoured vehicles
- Night vision and thermal imaging systems for vehicles and digital platforms
- Thermal instruments
- ILS and maintenance services
- Provision of customised solutions

All products of "THEON SENSORS Single-Member Commercial and Industrial Société Anonyme" are compatible and fully tested for compliance with military standards, focusing on highly effective and

ergonomically advanced systems that increase the safety and performance of soldiers during night operations.

One of the featured advantages is that systems can be adjusted to meet the specific requirements of end users. Following flexible procedures we can promptly respond to adjustment requests within a short period.

4. Summary of main accounting policies

The main accounting policies implemented in preparing these Consolidated Financial Statements are set out below:

4.1 Basis of preparation of the financial statements

Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2022 consist of the financial statements of the parent Company and its subsidiaries in accordance with international financial reporting standards (IFRS) and the Interpretations issued by the IFRS Interpretations Committee as adopted by the European Union.

The consolidated financial statements have been prepared in accordance with the historical cost or deemed cost principle, keeping each year separate, ensuring uniform presentation, taking into account the materiality of the information and applying the accrued revenues and expenses principle. The financial statements have also been prepared on the basis that the Group remains a going concern.

Preparation of the financial statements in accordance with the IFRS requires the use of certain important accounting estimates and the exercise of judgement by Management in applying the accounting policies. The financial statements areas where estimates are particularly important are outlined in note 4.5.

Consolidated financial statements

The consolidated Balance Sheet (Statement of financial position) at 31 December 2022 and the Profit or Loss and Other Comprehensive income ("Income Statements and Statement" or "comprehensive income") for the respective year include the financial statements of Theon International PLC and its subsidiaries and were prepared on the assumption that were a Group since 1 January 2020.

For the purposes of preparing the consolidated financial statements, the method of Business Combinations under Common Control was followed, where the book value method ("book-value accounting" or "Predecessor Value method") is applied. The assets and liabilities of the acquired company were recognised based on their current book values instead of fair values. The Management has adopted this method of business combination since the new business structure does not affect the shareholding structure and minority interests. Furthermore, no resources were spent outside the group as a result of this restructuring.

Therefore, the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income at 31 December 2021 are presented as the sum of the respective financial statements of the parent and its subsidiaries as if they had been combined during the accounting periods included in these financial statements. The difference between the acquisition price of a company and the book value of the corresponding net assets is presented as "consolidation reserve" in the reserves.

The balances and transactions between the Group companies were eliminated during the consolidation in accordance with IFRS 10 "Consolidated Financial Statements".

4.2 New standards, interpretations, reviews and amendments to standards which are in effect and have been adopted by the European Union

The following amendments and interpretations of IFRS have been issued by the International Accounting Standards Board (IASB) and their application is mandatory for periods beginning on or after 1st January 2022.

The most important standards and interpretations are listed below:

Mandatory standards and interpretations for the current fiscal year

IAS / IFRS	Effective date
Annual improvements to IFRSs 2018-2020	1 January 2022
Amendments to IAS 16: Proceeds before intended use	1 January 2022
Amendments to IAS 37: Onerous contracts / Cost of fulfilling a contract	1 January 2022
Amendments to IFRS 3: Reference to the Conceptual Framework of Financial Statement preparation	1 January 2022

From the aforementioned amendments, only changes in IFRS 16 regarding Covid-19-related rent concessions have resulted in changes in accounting policies. The other amendments either have little effect on the financial statements or are not relevant to the Group.

4.3 New accounting standards, amendments to standards and interpretations that will become mandatory in subsequent periods

	Effective date
IFRS 17 Insurance contracts	1 January 2023

Amendments	Effective date
Amendments to IFRS 17 (Insurance Contracts) Initial application of IFRS 17 and IFRS 9 – Comparative information	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and Practise statement IFRS 2: Disclosure of Accounting Policies (issued on 12 February 2021)	1 January 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Ορισμός των λογιστικών εκτιμήσεων (εκδόθηκε στις 12 Φεβρουαρίου 2021)	1 January 2023
Amendments to IAS 12 – "Income Taxes": Deferred tax relevant to financial assets and liabilities arising from a single transaction (issued on 7 May 2021)	1 January 2023

The amendments above that will become mandatory in subsequent periods are not expected to have a significant effect on the Group's financial statements.

4.4 Group Accounting Policies

4.4.1 Tangible assets

Tangible assets are measured at acquisition cost less accumulated depreciation and any impairment loss, apart from the plots/lots category which is measured at acquisition cost less any impairment losses.

The cost of acquisition of tangible assets includes all expenses directly associated with acquisition of the tangible assets. Subsequent expenditure is added to the book value of the tangible asset or recorded as a separate tangible asset, only if there is a high likelihood that the specific tangible asset will generate future financial gains for the economic entity and the cost can be reliably assessed.

The carried cost of a part of a tangible asset which is replaced ceases to be recognised. Repairs and maintenance are charged to the income statement when incurred.

Subsequent expenditure is depreciated either over the remaining useful life of the asset or the period up to the next planned improvement to the tangible asset, whichever is shorter.

Depreciation of all tangible assets is computed using the straight-line method over the useful life of the assets. The estimated useful life of the most important categories of tangible assets coincides with the depreciation rates in the tax laws, since in the view of the Group management team, they correctly reflect the estimated useful economic life of the assets.

Such rates are as follows:

Buildings	4% per year	(25 years)
Machinery and technical installations	10% per year	(10 years)
Means of transport	12% to 16% per year	(6.2 to 8.3 years)
Furniture and other equipment	10% per year	(10 years)
Computers	20% per year	(5 years)
Assets of lesser value (below € 1,500)	100% per year	(1 year)

The residual values and useful lives of tangible assets are re-examined and adjusted at the end of each period, if that is considered necessary.

Where the carrying amount of an asset is greater than its recoverable amount, the value of the asset is adjusted to the recoverable amount.

Each tangible asset and each important part thereof initially recognised is derecognised upon sale or when no future economic gain is expected from use or sale thereof.

Gains and losses which arise from the sale of tangible assets are calculated as the difference arising between the revenue from sale and the carrying amount, as shown in the accounting books and included in the operating results.

Interest from loans taken out specifically or generally to finance the construction of tangible assets is capitalised in the year in which it arises, during the tangible asset construction period, where the recognition criteria are met.

4.4.2 *Investment property*

Investment property is investments that relate to all those properties (including land, buildings or parts of buildings or both) that are held by the Company either to earn rentals or for capital appreciation or both, and are not used in commercial or other activities of the Company. Investment property is measured at acquisition cost less accumulated depreciation and impairment.

4.4.3 *Intangible assets*

Intangible assets acquired separately are recorded at historical cost. After initial recognition, intangible assets continue to be measured at historical cost less the accumulated depreciation and accumulated impairment losses.

Intangible assets generated in-house are capitalised if the relevant expenditure is associated with an intention on Management's part, and a technical capability, to complete the intangible asset (for use or sale), if there is a strong likelihood that there will be future financial gains and that there is a reliable system for measuring such costs.

In all other cases, the relevant cost is recognised as an expense.

The Group's intangible assets have a limited useful life and are depreciated over their useful life. They are tested for impairment when there are signs that some intangible assets may have suffered impairment. Intangible assets whose usage period is contractually specified are depreciated over that period. Such assets without a usage period specified in contract are depreciated based on estimated useful economic life.

The useful life and depreciation method for intangible assets with a specific useful life are re-examined at least in each year in which financial statements are prepared. Changes to the expected useful life or expected method by which future financial gains accrue for each intangible asset are treated as a change in an accounting estimate. The cost of depreciating intangible assets is recognised in the income statement.

Depreciation of all intangible assets is computed using the straight-line method over the useful life of the assets. The estimated useful life of the most important categories of intangible assets coincides with the depreciation rates in the tax laws, since in the view of the Group management team, they correctly reflect the estimated useful economic life of the assets. Such rates are as follows:

Other intangibles	10% per year (10 years)
R&D – Internally Generated intangibles	10% per year (10 years)
Contractually specified useful life	1 / contractual years

4.4.4 *Impairment of tangible & intangible assets*

Tangible assets with an unlimited life (such as land) are not depreciated or tested annually for impairment.

Tangible and intangible assets which can be depreciated are tested for impairment in case events or changes in the circumstances suggest that the book value may no longer be recoverable. When the carrying amount for tangible and intangible assets exceeds the recoverable value, then the impairment loss amount is entered directly in the results as an expense.

For the purposes of impairment testing, assets are grouped together in the lowest category where cash flows allow them to be individually identified. Non-financial assets, other than goodwill, which have been impaired are re-assessed for any possible reversal in impairment on each date the financial statements are prepared.

The recoverable value of assets is either the fair value of asset less sale costs or the value in use, whichever is higher.

4.4.5 *Leases*

The Group adopted IFRS 16 "Leases" with full retrospective effect, for both properties and cars.

When recognising a contract as a lease, the Group examines all relevant facts and circumstances, and excludes short-term leases (of less than 12 months) and leases where the leased property has low value.

When a contract is or contains a lease, each lease element is recognised separately from the non-lease elements of the contract, unless the Group opts, as appropriate, for the sake of simplification to apply uniform recognition as a practical solution.

The Group as lessee:

At the lease start date, the lessee recognises the asset with a right to use and a lease liability.

Initial measurement of the right to use the assets includes the lease liability, any rents paid on the rental period start date or prior to it, less any lease incentives collected, any initial direct costs incurred by the lessee and an estimate of the cost of returning the leased property to the state specified in the lease agreement.

The initial measurement of the lease liability includes the current value of rents discounted using the presumed lease interest rate. If that interest rate cannot be easily set, the lessee's differential borrowing rate is used.

Subsequently, the right to use the asset is reduced by the accumulated depreciation and impairment losses and any re-measurements of the lease liability is adjusted.

Subsequently the lease liability increases the interest on the lease liability, and is reduced by the payment of rental costs, and is re-measured when the leased property is revalued or the lease is amended.

The Group as lessor:

The Group classifies the lease either as an operating lease or finance lease. Leases where the Group does not in effect transfer all risks and rewards of ownership are classified as operating leases.

When the assets are leased in the context of operating leases, they are presented in the statement of financial position in accordance with the nature of each asset.

Rental costs under operating leases are recognised in the results using the straight-line method over the duration of the lease.

Initial direct costs incurred when signing an operating lease are added to the book value of the leased asset and are recognised in expenses over the term of the lease on the same basis of recognition as revenues from rental income.

Any rental income is recognised as revenues in the period in which they are generated.

4.4.6 *Stocks*

Inventories are valued at acquisition cost or net realisable value, whichever is lower.

Acquisition cost is calculated using the average weighted cost method. The cost of finished products and production under way consists of the cost of raw materials, direct labour costs, other direct costs and general industrial overheads associated with production (in accordance with normal production capacity). Net realisable value is the estimated sale price in the normal course of business, less the estimated selling and transaction costs.

Any loss resulting from measuring stocks/inventories at net realisable value, when it is below acquisition cost, is recognised in impairment losses and affects the cost of sales in the income statement. Where there are particularly high impairment losses for stocks/inventories, the relevant amounts are shown in the 'Asset impairment' account in the income statement to ensure fair presentation.

Appropriate provisions are made for impaired, obsolete and slow-moving inventories. Write-downs of inventories to net realisable value and other losses from inventories are recognised in the income statement in the period they occur.

4.4.7 *Trade receivables*

Trade receivables are the balances owed by customers from the sale of goods or provision of services in the context of the Group's normal operations. Trade receivables are initially recognised at their fair value and later valued at the carrying amount by using the effective interest rate method, less impairment losses. The Group shows any unreserved rights over the consideration from contracts with customers separately as a trade receivable.

4.4.8 *Cash and cash equivalents*

Cash includes cash on hand and sight deposits.

Cash equivalents in the cash flow statement include not just cash and sight deposits but also short-term highly liquid investments and bank overdrafts, when applicable.

Bank overdrafts are shown in liabilities under short-term loan liabilities. Cash and cash equivalents entail negligible risk of a change in their value.

4.4.9 *Share capital*

Ordinary and preference shares without voting rights are shown in the "share capital" account in Equity. The share capital shows the value of Company shares which have been issued and are in circulation.

4.4.10 *Loans and Borrowings*

Loan obligations are initially entered at the net amount received less direct loan costs (bank charges and bank or third-party commission). In subsequent periods, the loan obligations are shown at the carrying amount using the effective interest rate method.

Loan obligations are classified as short-term liabilities apart from cases where the Group has the unreserved right to defer settlement of its obligation for at least 12 months from the reporting date.

4.4.11 *Current and deferred income tax*

Tax for the period consists of current and deferred tax. Tax is recognised in the Income Statement apart from cases relating to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, as appropriate.

Current income tax is calculated based on the tax laws adopted or substantively adopted on the date the financial statements are prepared. Management periodically evaluates the positions taken in the tax returns when applicable tax laws are subject to interpretation and forms provisions, when needed, based on the amounts expected to be paid to the tax authorities.

Deferred income tax is calculated using the liability method, based on temporary differences between the tax base of assets and liabilities and the corresponding amounts shown in the financial statements.

Deferred tax assets are recognised to the extent that there will be a future taxable profit for use of the temporary difference generated by the deferred tax assets.

Deferred tax liabilities are recognised for all taxable temporary adjustments. A deferred tax asset is recognised for deductible temporary differences to the extent that it is expected that the temporary difference will be reversed in the future and there will be an adequate future taxable profit for use of the temporary difference.

4.4.12 *Employee benefits*

(a) Pension and other post-employment obligations

The Group does not participate in pension and other post-employment benefit plans or defined benefit or defined contribution plans with the exception of the statutory social security schemes which are mandatory by the laws.

(a.1) Defined Contribution Plans

Defined contribution plans mean pension plans where the Group pays fixed contributions to a separate entity. The Group has no legal or presumed obligation to pay additional contributions in the case where the fund's resources would not be adequate to pay employees benefits for their service, relating to the current period and past periods.

For defined contribution plans, the Group pays the mandatory contributions required by public social security funds. Once the contributions are paid, the Group is not obliged to pay any additional contributions. Regular contributions are recognised as a cost of employee benefits when they become payable.

Any prepaid contributions are recognised as an asset to the extent that prepayment would lead to a reduction in future payments or the return of cash.

(a.2) Defined Benefit Plans

Defined benefit plan means a pension plan or plan involving other post-employment benefits which is not a defined contribution plan. Post-employment benefit obligations at the end of the current period and previous period were calculated in line with an actuarial study using the projected credit unit method.

The obligation arising from defined benefit plans is the present value of the commitment to provide a defined benefit on the date the financial statements are prepared, less the fair value of any assets the plan has.

The present value of the commitment to provide a defined benefit is calculated using the discount rate for corporate bonds with a high credit rating in euro, whose term approximates the duration of the relevant pension obligation.

The cost of past service is recognised in the results, broken down into current cost of service and cost of past service, gains and losses from reductions and the cost of settling pay.

The net financial income or expenses are recognised in financial expenses.

Re-assessments, broken down into actuarial gains or losses and the difference between the estimated and actual performance of the plan's assets, are recognised in the statement of financial position in the "retained earnings" account through the statement of other comprehensive income for the period. The re-assessments are not reclassified in the income statement in subsequent periods.

(b) Employment termination benefits

Employment termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement date or when the employee agrees to voluntarily leave in return for these benefits.

The Group records these benefits on whichever of these dates is first: a) when the Group can no longer withdraw the offer of such benefits and b) when the Group recognises an expense from restructuring which is in the context of implementing IAS 37, which includes payment of employment termination benefits.

Where an offer to encourage voluntary redundancy is made, employment termination benefits are calculated based on the number of employees who are expected to accept the offer. Employment termination benefits due 12 months after the date on which the financial statements are prepared are discounted at present value.

(c) Employee profit sharing and bonus schemes

The obligation to provide benefits to employees in the form of profit sharing or performance bonuses is entered in the "other provisions" account when there is an official scheme and the amounts to be paid have been specified before the date on which the financial statements are published, or if previous Group practices have given rise to a strong expectation from employees that they will be paid a performance bonus / profit share-out and the amount can be estimated before the date on which the financial statements are approved.

4.4.13 Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all relevant conditions.

Government grants relating to expenses are recognised in the results as income in the period in which the subsidised expenses are input in to the results.

Government grants relating to the purchase of tangible assets are included long-term liabilities as deferred government grants, and are presented as income in the income statement using the straight-line method over the expected useful life of the relevant assets.

Subsequent to initial recognition, state grants are depreciated by transfer to Income Statement as expenses, in the same period and in a manner corresponding to the transfer to Income Statement of the book value of the asset subsidised.

Government grants relating to expenses are initially recognised as liabilities in the period in which they are collected or in the period when approval for them is finalised and it is certain that they will be collected. State grants concerning expenses are transferred to profit and loss as revenue for the period when the subsidised expenses are charged in profit and loss.

4.4.14 Provisions

Provisions are liabilities where the time or amount is uncertain.

Provisions are recognised when there is a present legal or presumed commitment as a result of past events; it is likely that an outflow of resources will be needed to settle the commitment and the amount required can be reliably estimated. When the Group expects to be compensated for a loss which it has suffered (as in the case of insurance contracts for example) and it is fully certain that the amount will be collected, the specific compensation is recognised as a separate receivable. The cost associated with each provision is presented in the income statement, net of any compensation.

Provisions are not recognised for future operating losses. The Group forms a provision for onerous contracts when the financial gain expected to flow from such contracts is less than the unavoidable cost of complying with contractual obligations.

Restructuring provisions include penalties for early termination of leases and payment of employment termination benefits and are recorded in the period in which the Group acquires the legal or presumed obligation to make payment. Costs associated with the Group's normal business activity are not entered in provisions before binding events occur.

When time affects the value of money in a significant way, provisions are measured at the present value of the expenditure expected to be required to settle the liability, using a pre-tax interest rate which reflects the current market estimates of the value of money over time and risks associated with the liability, as the discounting rate. An increase in the provision due to the passage of time is recognised as a financial expense.

4.4.15 Revenue recognition

The Group adopted IFRS 15 "Revenue from Contracts with Customers", which it applied with full retrospective effect.

The Group recognises the revenue in a manner that reflects the transfer of goods or services to customers at the amount which it anticipates itself to be entitled to in exchange for these goods or services.

Revenue is recognised to the extent that it is likely that the financial benefits will accrue to the Group and the relevant amounts can be reliably quantified. Revenues are valued at fair value of the consideration collected or to be collected, and represent the amounts due from the sale of goods or provision of services, net of VAT, returns and discounts.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer (usually upon their delivery and acceptance by him) and when the collection of the related amounts is reasonably assured.

Revenues are recognised using the following procedure:

- Recognise the contract primarily in relation to evaluation of the counterparty's creditworthiness.
- Identify the performance obligations. (Separating the delivery of goods from any other services, guarantees, benefits agreed)
- Identify the transaction price (taking into account any guarantees, penalties, incentives, etc.)
- Allocate the transaction price to the obligations (allocate based on individual sale prices for each good or service)
- Identify the revenue when (or as) the Group meets the delivery obligation

Revenue from the provision of services is recognised in the accounting period in which the services are rendered, on the basis of the stage in completion of the service compared to the overall service.

Revenues under operating leases are recognised using the straight-line method over the duration of the lease.

Income from interest is recognised using the effective interest method. Revenues from dividends are recognised in the income statement when the right to collect them has vested.

4.4.16 Dividend distribution

Dividends to Company shareholders are entered in the financial statements as a liability for the period in which Management's proposal for distribution is approved by the annual Ordinary General Meeting of Shareholders.

4.4.17 *Financial assets and liabilities*

Classification and initial measurement

At initial recognition financial assets are classed in two categories, one where valuation is done at the carrying amount and one where valuation is done at fair value. The criteria which must be taken into account in order to decide on how financial assets are to be initially categorised are as follows:

- (i) The business model used by the business to manage such assets. There are 3 types of business models:
 - The business model where the objective is to hold financial instruments to collect the contractual cash flows (hold to collect)
 - The business model where the goal is achieved either by collecting the contractual cash flow or by selling the financial assets (hold to collect and sell)
 - Other business models
- (ii) The characteristics of the instruments' contractual cash flows.

In order for a financial instrument to be classed as valued at the carrying amount, all the following criteria must be met:

- The instrument must be under a business model where the objective is to hold financial instruments to collect the contractual cash flows
- The contractual terms governing the asset must exclusively seek cash flows of principal and interest on the unpaid principal which must be paid on specific dates (known as Solely Payments of Principal and Interest- SPPI)

If an instrument meets such criteria but is held both for sale and to collection of contractual cash flows, it must be classed in the 'valued at fair value' category through other results entered directly in equity.

Instruments not falling into any of the two classification categories must be valued at fair value through profit and loss.

Subsequent measurement of financial assets

For measurement purposes the Group divides financial assets into the following categories:

- (a) financial assets valued at the carrying amount (primarily non-interest-bearing receivables from customers) and
- (b) financial assets valued at fair value through profit and loss (primarily investments in equity instruments for profit)

The following rules apply to these categories:

(a) Financial assets valued at the carrying amount (loans and receivables)

This category includes instruments which meet the following requirements:

- They are under a business model where the objective is to hold financial instruments to collect the contractual cash flows
- The contractual terms governing the asset must refer to the Solely Payments of Principal and Interest- SPPI, which must be paid on specific dates

This category is valued at the carrying amount using the effective interest rate model and is periodically examined for signs of expected impairment losses.

It includes current assets unless their effective term is over 12 months from the date on which the financial statements are prepared, and management's intention is to hold them for a longer period until they mature.

(b) Financial assets at fair value through profit and loss

This category includes financial assets:

- i. Which there is an intention to sell within a short period in order to capitalise on short-term market fluctuations (commercial portfolio). The Group places a limited number of shares in this category
- ii. Which do not meet the classification criteria for some other category
- iii. Which the Group chose at initial valuation to value at fair value by transferring the difference arising to the results. Such an irrevocable choice can be made when in doing so eliminates any accounting asymmetry which arises from valuation of such financial assets in a different way (such as carrying cost) compared to related financial instruments (such as derivatives, which are valued at fair value through profit and loss)

Assets in this category are classed as current assets.

Subsequent measurement of financial liabilities

To measure financial liabilities the Group values them at the carrying amount.

(a) Financial liabilities valued at the carrying amount

These liabilities bear interest using the effective interest rate method.

This category includes liabilities to credit institutions and customers, and bonds issued by the Group and other loan obligations.

Impairment of financial assets

When the financial statements are prepared, the Group recognises impairment for expected credit risk losses for customer receivables. Such investments are valued at fair value through profit and loss.

At the end of each period for which financial statements are prepared, the Group assesses whether there are signs that a financial asset or a group of financial assets has been impaired.

Signs of impairment can include the fact that debtors or a group of debtors face serious financial difficulties, an inability to pay interest or the principal, the probability that they will become bankrupt or engage in some other form of financial restructuring, and where there are observable data which indicate that there is a measurable reduction in the estimated future cash flows.

If in a subsequent period the impairment figure reduces and the reduction can be objectively correlated to an event after initial recognition of the impairment (such as an improvement in the debtor's creditworthiness) the reversal of the previously recognised impairment loss is recognised in the income statement.

Impairment is based on expected credit risk losses associated with the probability of default within the next 12 months, unless there is a major increase in credit risk from the time of initial recognition, where the expected credit risk losses are recognised over the instrument's entire life.

For impairment measurement purposes, the Group divides financial assets into the following categories based on credit risk:

(a) Stage 1: This includes performing credit facilities which have no major rise in credit risks compared to the date of initial recognition. In this stage the expected credit risk losses are recognised based on the probability of default over the next 12 months.

(b) Stage 2: This includes performing credit facilities where there has been a major increase in the credit risk since initial recognition. In this stage, expected credit risk losses are recognised over the instrument's entire life.

(c) Stage 3 includes non-performing/impaired credit facilities. In this stage, expected credit risk losses are recognised over the instrument's entire life.

A major increase in credit risk arises by comparing the risk of default on the reporting date against the risk of default on the initial recognition date for all performing credit facilities, including credit facilities which have no past-due days.

Derecognition of financial assets

Financial assets (or a part of a financial asset or part of a group of financial assets, as appropriate) cease to be recognised when:

- The rights to an inflow of cash resources have expired or
- The Group retains the right to an inflow of cash resources from a specific asset but has simultaneously undertaken an obligation to a third party to fully pay them without major delay, in the form of a transfer agreement or
- The Group has transferred the right to an inflow of cash from a specific asset and at the same time has: (a) either materially transferred all risks and rewards of ownership or (b) has not materially transferred all risk and rewards of ownership but has transferred control over the specific asset

Where the Group has transferred the rights to an inflow of cash resources from a specific asset but at the same time has not materially transferred all risks and rewards or control of the specific asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. A corresponding liability is also recognised.

Continuing involvement in the form of a guarantee over the transferred asset is valued at either the initial value of the asset and the maximum amount the Group may be called to pay, whichever is lower.

Derecognition of financial liabilities

A financial liability ceases to be recognised when the relevant obligation is cancelled or has expired. Where a financial liability is replaced by another one from the same lender with materially different terms, or where the terms of an existing obligation have materially changed, the swap or change is considered to be derecognition of the initial obligation and recognition of a new obligation. The difference with current values is recognised in the income statement.

4.4.18 *Borrowing cost*

General borrowing costs and the borrowing costs assumed specifically for the purchase, construction or production of an asset, which meet the conditions, are capitalised in the cost of the asset until the asset is in effect ready for use or sale.

An asset which meets the conditions is an asset which requires an extensive time period to be ready for intended use or sale. The Group considers that a time period of over 4 months is an extensive time period.

All other borrowing costs are expensed in the income statement as incurred. Borrowing costs consist of the interest and other costs that an entity incurs in connection with the borrowing of funds.

4.4.19 *Trade payables*

Trade payables are obligations to pay for goods or services acquired from suppliers in the normal course of the Group's business.

Trade payables are recorded as short-term liabilities where payment is made within 1 year (and/or more if the time period is part of the Group's normal operating cycle). If not, they are presented as long-term liabilities.

Trade payables are initially recognised at fair value and are subsequently measured at the carrying amount using the effective interest rate method.

4.4.20 *Functional and reporting currency*

Information in the Group's financial statements is measured in euro, the local currency used in the country which it primarily operates, and which is also its functional currency.

FX transactions are converted to the functional currency using exchange rates (current exchange rates) on the date of each transaction or the valuation date when assets are revalued.

Exchange rate differences (gains or losses) arising from settlement of such transactions and from conversion into monetary items at the end of the year from the foreign currency to the functional currency are entered in the Income Statement.

4.5 Significant accounting estimates and judgements

The preparation of financial statements requires the Management to make estimates and assumptions, which affect the disclosures in the financial statements.

The estimates and judgements are based on experience-based data and other factors, including the expectations of future events which are considered reasonable under specific circumstances.

These estimates and assumptions form the basis for taking decisions about the book values of assets and liabilities that are not readily available from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that entail a significant risk of causing significant changes in the amounts of assets and liabilities within the next fiscal year are presented below.

4.5.1 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in situations indicate that their book value may not be recoverable.

4.5.2 Income tax

In order to calculate the Group's income tax provision, subjective judgement is required. During the Group's normal course of business, transactions are entered into and calculations are made, meaning that tax calculations are not definite. Where the final tax resulting from tax audits is different from the amounts initially recorded, the differences will affect the income tax and deferred tax forecasts in the period when the calculation of the tax differences was made.

4.5.3 Deferred tax assets

Major management assessments are needed to determine the level of deferred tax assets which can be recognised, based on the likely time and level of future taxable profits, coupled with the Group's own tax planning. The Group has no unused tax losses.

4.5.4 Useful life of tangible assets and residual values

Tangible assets are depreciated over their estimated useful life. The actual useful life of assets is reassessed on an annual basis and may differ due to factors such as technological innovation or obsolescence, the commercial cycle of products, maintenance, i.e factors which, among others, are taken into account in reassessing the lifecycle of assets.

4.5.5 Estimate of the net realisable value of stocks/inventories

The level of the net realisable value of stocks/inventories is Management's best possible estimate based on historical sales trends and its view about the quality and volume of stocks/inventories to the extent that available stocks/inventories on the balance sheet date will be sold below cost.

4.5.6 Provision for doubtful debts

On each date the financial statements are prepared, the Group recognises impairment for expected credit risk losses for customer receivables.

To that end, it assesses whether there are signs of impairment, measures impairment based on the expected credit risk losses (likelihood of default within the next 12 months), assesses whether there is a major rise in credit risk from initial recognition and based on that information classifies the financial assets in one of three stages.

4.5.7 Provision for staff compensation

Obligations to compensate staff are calculated based using actuarial methods at the net value of the defined benefit obligation, the normal cost of current employment and, where appropriate, the cost of past service. This is done using the projected unit credit method (IAS 19).

That method requires management to assess specific factors such as the future increase in employee pay, the discounting rate for such obligations, the employee turnover rate, etc. Management reassesses such assumptions on each reporting date.

4.5.8 Contingent liabilities

The existence of contingent liabilities requires Management to constantly apply assumptions and make value judgements about the likelihood of future events occurring or not occurring and about the impact that such events could have on the Group's activities.

4.5.9 The going concern assumption

Management assesses the Group's financial position in relation to the risks the Group faces, its capital adequacy and any major uncertainties relating to the Group's ability to continue operating in the foreseeable future, and in particular for at least 12 months from the date on which the financial statements are approved.

Management considers that the financial statements can safely be prepared on the basis that it is a going concern, since there are no major uncertainties in relation to the Group's ability to continue to operate in the foreseeable future at least.

4.6 Financial risk management

4.6.1 Financial risk factors

The Group is exposed to financial risks primarily due to the nature and geographical spread of its markets and sales.

The Group's financial risk factors are managed by Management to minimise the potentially unfavourable impacts of market fluctuations on the Group's financial performance.

a) Liquidity risk

In addition to operating cash flows, the Group holds adequate cash reserves and other liquid assets such as credit facilities with banks in order to ensure it can discharge its financial obligations.

The table below summarises the maturity dates for financial obligations as at 31 December 2022 and 2021 based on payments deriving from the relevant contracts at non-discounted prices.

2021	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
Liabilities	€	€	€	€	€
Loans	8,922,898	-	6,239,797	1,300,306	16,463,001
Short-term portion of long-term loans	717,536	-	-	-	717,536
Lease liabilities	281,350	-	815,417	-	1,096,767
Trade payables	6,915,631	-	-	-	6,915,631
Income tax	4,296,230	-	-	-	4,296,230
Other taxes and duties	313,663	-	-	-	131,663
Social security providers	209,488	-	-	-	209,488
Other liabilities	7,719,684	-	-	-	7,719,684
Net Book Value on 31/12/2021	29,376,480	-	7,055,214	1,300,306	37,550,000

2022	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
Liabilities	€	€	€	€	€
Loans	30,217,270	-	2,450,000	625,002	33,292,272
Short-term portion of long-term loans	781,397	-	-	-	781,397
Lease liabilities	295,232	-	586,354	-	881,586
Trade payables	23,969,876	-	-	-	23,969,876
Income tax	6,121,779	-	-	-	6,121,779

2022	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
Other taxes and duties	188,597	-	-	-	188,597
Social security providers	288,486	-	-	-	288,486
Other liabilities	21,463,651	-	-	-	21,463,651
Net Book Value on 31/12/2022	83,326,088	-	3,036,354	625,002	86,987,444

Borrowing includes the balances of loans (unpaid principal) including interest at a fixed and variable rate to maturity.

The Group does not face liquidity risks since its working capital is sufficient to meet its needs.

b) Market risk

Market risk consists of 3 main risks, being FX risk, Price risk (such as the price of goods risk) and interest rate risk.

Group exposure to exchange rate risk derives primarily from existing or expected cash flows in foreign currency (imports/exports) and from foreign investments.

b.1) Exchange rate risk

The Group enters into transactions in foreign currencies both when selling and buying goods and so is exposed to such risk.

When purchasing from foreign firms, the main transactional currency is the USD. Although there are fluctuations in the EUR/USD exchange rate, this had no major impact on the results for the period. Moreover, the Group uses FX derivatives (options-forwards) to hedge the risk of changes in exchange rates.

FX changes sensitivity analysis

The table below shows changes to Group earnings before tax and equity in the case of potential changes in USD exchange rates since that is the currency in which the Group primarily does business other than the Euro, keeping all other variables unchanged.

Changes include monetary assets and liabilities – specifically "receivables and payables" - relevant to Euro - USD exchange rates.

The Group, based on the sales - collections it makes in Dollars, covers all its purchases in the same currency and therefore, any foreign exchange exposure is limited to the part of the collections. For excess cash available in dollars, the Company enters into forward contracts to hedge the exchange rate risk.

The exchange rates used during the year are as follows:

	Exch. Rate Euro at 31/12/2022	31/12/2021
USD	1.0666	1.1326
GBP	0.8945	0.8945
CHF	0.9847	1.0331

The table was prepared on the assumption that on 31 December 2022 the exchange rate would be 10% different from the actual one. The Impact on EBT and equity was as follows:

(Amounts in €)	Fluctuation		Fluctuation	
	+10%	-10%	+10%	-10%
	USD		USD	
	2022		2021	
Effect on "Earnings before taxes"	837,889	(837,889)	342,869	(342,869)
Effect on Equity	837,889	(837,889)	342,869	(342,869)

Financial assets/liabilities in FX

	2022	2021
Financial assets in FX	14,084,207	4,227,383
Financial liabilities in FX	5,782,828	2,437,312

b.2) Price risk - stocks/inventories / services purchase prices and selling prices

The Group is exposed to changes in the value of raw materials/merchandise to a limited degree. The risk to the Group from changes in the price of commodities is minimal.

The Group checks for any impairment of its stocks/inventories and other assets, and if there are signs and there are grounds for obsolescence, the Group applies the relevant impairments so that the value in the financial statements always matches the actual value.

As for selling prices, the Group enters into binding sales agreements at fixed prices, and so there is no price risk in relation to sales and receivables.

b.3) Interest rate risk

Due to the fact that the Group does not have significant interest-bearing assets, its operating income and cash flows are materially independent of changes in interest rates.

The Group has loan obligations. Where there are loans, the loan repayment terms, including the borrowing rates, are negotiated with banks. Consequently, the level of interest and the interest rate applied are not freely adjustable, but are negotiated.

The interest-bearing financial liabilities on 31/12/2022 and 31/12/2021 respectively are shown in the table below:

	2022 €	2021 €
Long term loans	3,075,002	7,540,103
Short term loans	30,217,270	8,922,898
Short-term portion of long-term loans	781,397	717,536
Bank loans	34,073,669	17,180,537
Long term lease liabilities		
Short term lease liabilities	586,354	815,417
Lease Liabilities	295,232	281,350
Total of interest-bearing liabilities	881,586	1,096,767
	34,955,255	18,277,304

Interest rate changes sensitivity analysis

The impacts of variations in interest rates on the Group's operating results and operating cash flows are limited as can be seen from the following sensitivity analysis:

Interest rate risk

	Fluctuation		Fluctuation	
	+100	-100	+100	-100
	Base units		Base units	
	2021		2020	
	€	€	€	€
Effect on Earnings before taxes	(88,552)	88,552	(101,035)	101,035
Effect on equity	(88,552)	88,552	(101,035)	101,035

c) Credit risk

The Group provides goods and services solely to recognised, solvent counterparties.

It is Group policy that all clients to whom goods and services are provided on credit must undergo credit checks. In addition, trade receivables are constantly monitored to minimise risk from bad debt.

As far as the credit risk from other financial assets of the Group is concerned (cash and cash equivalents), the risk derives from failure to comply with the counterparty's contractual terms, and maximum exposure to risk is equal to the book value of the instruments concerned.

Group exposure to credit risk is limited to the financial assets (instruments) which on the balance sheet date can be broken down as follows:

	2022	2021
	€	€
Cash and cash equivalents	24,035,135	26,096,448
Trade receivables	69,390,484	15,841,677
Other Receivables	3,698,383	2,709,585
Other financial assets	462,403	397,378
Net book value	97,586,405	45,045,088

In relation to trade and other receivables, the Group is not exposed to significant credit risks.

d) Capital risk - Capital management

The aim in managing capital risk is to ensure that the Group remains a going concern so that there are satisfactory returns for shareholders, to keep a satisfactory capital structure and to reduce the cost of capital.

The primary objective in managing the Group's capital is to maintain sound capital indicators to support its operations and maximise value for shareholders.

Management takes a conservative approach to managing the capital structure using the gearing ratio, as is clear from the total liabilities / total equity ratio.

Maintaining or adjusting the capital structure can be done by adjusting the size of dividends paid to shareholders, by returning share capital to shareholders, by issuing new shares or by selling off assets to reduce borrowing.

The Group's gearing ratio on 31 December 2022 and 2021 was as follows:

	2022	2021
	€	€
Long term loan obligations	3,661,356	8,355,520
Short term loan obligations	31,293,899	9,921,784
Total debt	34,955,255	18,277,304
Less: Cash and cash equivalents	(24,035,135)	(26,096,448)
Net borrowing	10,920,120	(7,819,144)
Equity	65,455,603	33,845,212
Total capital employed	76,375,723	26,026,068
Gearing ratio	14.30%	(30.04)%

Management monitors capital using the gearing ratio. This ratio is calculated by dividing net borrowing by total capital employed.

Net borrowing is calculated as total borrowing (short-term and long-term) less cash and cash equivalents.

Total capital employed is calculated as equity as shown in the statement of changes in equity plus net borrowing.

The Group is not exposed to capital risk since the key liquidity indicators for the last 2 periods have revealed it has high liquidity and adequate working capital despite the existence of loans.

4.7 Fair value measurement

The Group uses the following scale to determine and disclose the fair value of assets and liabilities for each valuation technique:

Level 1: Negotiable (non-adjusted) prices on active markets for similar assets or liabilities.

Level 2: Other techniques for which all data with a major impact on fair value is visible, either directly or indirectly, and includes valuation techniques employing negotiable prices on less active markets for similar or identical assets or liabilities.

Level 3: Techniques that use data with a major impact on fair value not based on observable market data.

The table below shows the fair value rankings of the Group's assets and liabilities on 31/12/2020 and 31/12/2021:

	2021	2021	Fair value Scale
Assets	€	€	
Other financial assets	462,403	397,378	Level1

During the year there were no transfers from within or outside level 3 when measuring fair value.

Other financial assets relate to investments in shares in companies listed on the Athens Exchange and in particular in shares of National Bank acquired for € 251,050, shares of Hellenic Petroleum acquired for € 102,312 and shares in the Piraeus Port Authority acquired for € 67,173. Cumulative impairments of € 86,927 have been made on these investments.

Management considers that the figures for the cash assets and short-term deposits, customers, suppliers, and other short-term liabilities accounts approximate their actual book value primarily because they mature in the short-term.

5.1 Turnover

	2022	2021
	€	€
Receivables from the sale of products & merchandise	141,677,869	79,925,145
Revenues from services rendered	5,708,310	632,675
Net Book Value	147,386,179	80,557,820

5.2 Cost of goods sold

	2022	2021
	€	€
Purchases consumption	81,084,524	36,139,105
Staff salaries and expenses	4,333,716	4,809,959
Third party fees and expenses	7,399,511	5,055,754
Subcontracting fees	377,233	240,074
Miscellaneous expenses	2,686,505	215,916
Depreciation	534,843	452,272
Net book value	96,416,332	46,913,079

5.3 Other Income

	2022	2021
	€	€
Rental income	136,023	100,054
Income from grants - subsidies	88,693	45,056
Reversal of overprovision of expenses	735,000	-
Miscellaneous other income	39,165	16,863
Net book value	998,881	161,973

5.4 **Administrative expenses**

	2022	2021
	€	€
Staff salaries and expenses	2,302,747	1,686,178
Third party fees and expenses	1,430,855	1,481,455
Auditors' remuneration	62,805	46,726
Charges for outside services	285,462	255,176
Taxes and duties	54,728	60,397
Miscellaneous Expenses	2,294,430	1,128,828
Depreciation	683,771	626,927
Net book value	7,114,798	5,286,284

5.5 **Selling expenses**

	2022	2021
	€	€
Staff salaries and expenses	529,232	406,681
Third party fees and expenses	381,494	165,392
Miscellaneous Expenses	1,054,578	919,526
Depreciation	43,087	39,284
Net book value	2,008,391	1,530,883

5.6 **Research & Development expenses**

	2022	2021
	€	€
Staff salaries and expenses	1,295,636	1,094,222
Third party fees and expenses	323,745	154,813
Miscellaneous Expenses	151,514	62,653
Depreciation	214,187	170,756
Net book value	1,985,082	1,482,444

5.7 **Other Expenses and Losses & Impairment of Assets**

	2022	2021
	€	€
Foreign exchange losses	34,299	184,199
Other expenses	67,434	149,658
Impairment of financial assets	249,598	129,678
Net book value	351,331	463,535

5.8 **Other income and profits**

	2022	2021
	€	€
Foreign exchange gains	363	74,138
Profits (losses) on disposal of non-current assets	53,817	39,888
Profits from unrealised bad debt provisions	-	100,358
Depreciation of asset grants	-	985
Profits (losses) fair value measurements	90,333	71,634
Miscellaneous Expenses	343,024	76,949
Net book value	487,535	363,952

5.9 **Financing (Expenses)/Income**

	2022	2021
	€	€
Credit interest and related income	16,765	170
Debit interest of bank loans	(809,832)	(481,077)
Interest on lease liabilities	(32,357)	(17,455)
Financial cost of discounting liability for post-employment benefits	(11,640)	(820)
Interest charges and related expenses	(197)	(17)
	(854,026)	(499,369)
Other banking charges unrelated to financing	(636,213)	(593,322)
Foreign exchange differences	962,308	-
Interest expense and related expenses	(1,598,521)	(1,092,691)
Net book value	(2,435,782)	(1,092,521)

5.10 Income tax

	2022	2021
	€	€
Corporation tax - Current year	8,418,301	5,304,286
Corporation tax - Previous year	(204,546)	(101,221)
Deferred tax – (Credit)/Debit (Note 5.15)	(249,559)	48,779
Effect of change in accounting policy (IAS19)	-	-
Provisions and other taxes	-	-
Net book value	7,964,196	5,251,844

	2022	2021
	€	€
Recognition of tax liability / (gain)		
In profit and loss statement	7,964,196	5,251,557
In other comprehensive income	3,520	287
Tax charge	7,967,716	5,251,844

Regarding the Greek Subsidiary "**Theon Sensors SA**":

The tax rate on profits from the business activity of legal persons in Greece for the year 2022 based on Article 120 of Law No. 4799/2021 amounts to 22% (2021: 22%).

The Greek Subsidiary has obtained tax compliance certificates with unqualified opinion by its certified auditor for each fiscal year from 2011 up to and including 2020 according to Greek tax laws (years 2011-2013 pursuant to the provisions of Article 82 of Law No. 2238/1994 and years 2014-2020 pursuant to the provisions of Article 65A of Law No. 4174/2013).

The Greek Subsidiary does not expect additional taxes and surcharges to occur in the context of the audit of the Greek tax authorities for the years 2016 up to 2021. Accordingly, based on risk analysis criteria and as part of the audits carried out on companies that have received tax compliance certificates with unqualified opinion by a certified auditor, the Company may be selected by the Greek tax authorities for a tax audit.

The company is audited by the Large Enterprises Audit Centre on the basis of an audit instruction served on it at the end of January 2023. This audit covers the 2017, 2018 and 2019 financial years. That audit is still under way (note 5.24) and the Company has not received any other audit instruction from the tax authorities for the 2020 to 2022 financial years.

It should be noted that on 31.12.2022 the financial years up to 31.12.2016 became statute-barred, in accordance with the provisions of Article 36(1) of Law 4174/2013.

For 2022 financial year, the tax audit done by Certified Public Accountants is under way and Management does not expect a material change in the tax liabilities for this financial year. The audit is expected to be completed after the financial statements for this period have been published. Upon completion of this tax audit, company Management team does not expect any tax liabilities other than those recorded and shown in the Financial Statements.

The company is in the final stage of taking a decision to submit a documentation folder for research and development expenditure incurred in 2022 to the General Secretariat for Research and Innovation. In this case there will be a reduction in income tax compared to the amount reported in the income statement, which at present cannot be accurately estimated.

The management of the company estimates that, in case of possible re-audits by the tax authorities, no additional tax disputes will arise with a significant impact on the financial statements.

5.11 Earnings per share

	2022	2021
Net profit for period	€30,596,683	€19,063,442
Average weighted no. of issued ordinary shares	200,000	200,000
Basic and diluted earnings per share	€152.98	€95.32

Basic earnings per share are calculated by dividing the net profits corresponding to ordinary shareholders by the average weighted number of ordinary shares in issue over the year.

The Company has not issued preference shares nor has it issued other financial instruments such as stock options or debentures convertible to ordinary shares.

Consequently, both the basic earnings per share and the diluted earnings per share are the same.

For the purposes of these consolidated financial statements the weighted average number of issued ordinary shares of 200,000 that were issued on 13 September 2021 was used for both years.

5.12 Tangible Assets

	Properties	Investment properties	Right to use properties	Mechanical equipment	Right to use cars	Other equipment	Total
	€	€	€	€	€	€	€
Acquisition cost							
Acquisition cost 1/1/2021	5,998,374	-	636,363	4,826,769	453,215	3,439,395	15,354,116
Additions	2,353,071	-	674,308	953,369	69,961	512,287	4,562,726
Transfers	(1,491,328)	1,491,328	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Reductions	-	-	(156,619)	(135,729)	(18,339)	(84,669)	(395,356)
Acquisition cost 31/12/2021	6,860,117	1,491,328	1,154,052	5,644,409	504,567	3,867,013	19,521,486
Additions	1,711,453	18,400	-	771,550	73,859	1,234,332	3,809,594
Disposals	-	-	-	-	-	(232,622)	(232,622)
Reductions	-	-	-	-	-	-	-
Transfers to development	-	-	-	(30,450)	(111,041)	-	(141,491)
Acquisition cost 31/12/2022	8,571,570	1,509,728	1,154,052	6,385,509	467,385	4,868,723	22,956,967
Depreciation / Impairment							
Depreciation 1/1/2021	(2,211,607)	-	(354,191)	(2,934,515)	(131,623)	(2,460,444)	(8,092,380)
Depreciation for the year	(245,222)	-	(174,555)	(370,458)	(106,519)	(225,598)	(1,122,352)
On disposals	-	-	-	-	-	-	-
Reductions	-	-	156,619	123,186	18,339	71,846	369,990
Depreciation on 31/12/2021 / 1/1/2022	(2,456,830)	-	(372,126)	(3,181,787)	(219,803)	(2,614,196)	(8,844,742)
Depreciation for the year	(209,182)	(63,289)	(186,513)	(434,613)	(109,385)	(289,652)	(1,292,634)
Transfers to investment property	34,085	(34,085)	-	-	-	-	-
On disposals	-	-	-	-	-	74,440	74,440
Reductions	-	-	-	-	-	-	-
Depreciation on 31/12/2022	(2,631,927)	(97,374)	(558,639)	(3,616,400)	(329,188)	(2,829,408)	(10,028,851)
Net book value 31/12/2021	4,403,287	1,491,328	781,926	2,462,622	284,764	1,252,817	10,676,744
Net book value 31/12/2022	5,939,643	1,412,354	595,413	2,769,109	138,197	2,039,315	12,894,039

During 2021, part of the property on 62 Ioanni Metaxa St., worth € 1,491,328 was transferred to investment property, which the company leases to related parties.

The following encumbrances have been registered on the Group's assets:

The following security interest has been registered in favour of Piraeus Bank:

A first mortgage prenotation on the plot situated at 62 Ioannou Metaxa St., Koropi, Attica and the industrial building thereon for EUR 2,000,000 to secure bank loan whose total outstanding balance was EUR 1,945,000 on 31.12.2022.

5.13 Intangible assets

	Development Costs	Other Intangibles	Total
	€	€	€
Acquisition cost			
Acquisition cost 1/1/2021	2,378,666	1,260,933	3,639,599
Additions	-	106,527	106,527
Disposals	-	-	-
Acquisition cost 31/12/2021	2,378,666	1,443,146	3,821,812
Additions	408,570	75,542	484,112
Disposals	-	-	-
Acquisition cost 31/12/2022	2,787,236	1,518,688	4,305,924
Depreciation / Impairment			
Balance 1/1/2021	(2,131,200)	(1,000,267)	(3,131,467)
Amortisation for the year	(55,123)	(111,764)	(166,887)
Cumulative amortisation 1/1/2021	-	-	-
Impairment for the year	-	-	-
Total amortisation / impairment 31/12/2021	(2,186,323)	(1,112,031)	(3,298,354)
Amortisation for the year	(52,052)	(131,201)	(183,253)
Cumulative amortisation 1/1/2022	-	-	-
Impairment for the year	-	-	-
Total amortisation / impairment 31/12/2022	(2,238,375)	(1,243,232)	(3,481,607)
Net book value 31/12/2021	192,343	331,115	523,458
Net book value 31/12/2022	548,861	275,456	824,317

5.14 Other long-term Receivables

	2022 €	2021 €
Guarantees granted	105,716	103,922
Net book value	105,716	103,922

5.15 Deferred Tax Asset

	2022 €	2021 €
Asset / (liability) on 1/1	54,047	221,000
Tax Income / (Charge): In income statement:	253,079	(48,779)
In other comprehensive income	(3,520)	(287)
Asset / (Liability) on 31/12	303,606	54,047

5.16 Stocks/inventories

	Finished/ work in progress	Raw materials	Down payments & other inventories	Total
2021				
Inventories on 31/12/2021	4,765,886	8,459,104	2,871,060	16,096,050
Accumulated impairment on 1/1/2021	(390,191)	(140,710)	-	(530,901)
Impairment for the period	(66,817)	(101,459)	-	(34,642)
Net book value on 31/12/2021	4,442,512	8,216,935	2,871,060	15,530,507

	Finished/ work in progress	Raw materials	Down payments & other inventories	Total
2022				
Inventories on 31/12/2021	8,110,030	19,083,305	6,610,220	33,809,555
Accumulated impairment on 1/1/2021	(323,374)	(242,169)	-	(565,543)
Impairment for the period	209,663	53,575	-	263,238
Net book value on 31/12/2021	7,996,319	18,900,711	6,610,220	33,507,250

5.17 **Financial assets and prepayments**

2021	Trade receivables	Other receivables	Other financial assets	Total
	€	€	€	€
Receivables on 31/12/2021	16,258,374	2,709,585	432,558	19,400,517
Accumulated impairment on 1/1/2021	(407,268)	-	(86,927)	(494,195)
Change in impairment during the year	(9,429)	-	51,747	42,318
	(416,697)	-	(35,180)	(451,877)
Net book value on 31/12/2021	15,841,677	2,709,585	397,378	18,948,640

2022	Trade receivables	Other receivables	Other financial assets	Total
	€	€	€	€
Receivables on 31/12/2021	69,911,174	3,698,983	422,135	74,032,292
Accumulated impairment on 1/1/2021	(416,697)	-	(35,180)	(451,877)
Change in impairment during the year	(103,993)	-	(5,660)	(109,653)
Reversal of impairment / profit on revaluation	-	-	81,108	81,108
	(520,690)	-	40,268	(480,422)
Net book value on 31/12/2021	69,390,484	3,698,983	462,403	73,551,870

The "Other Receivables" account includes amounts relating to income tax credit, VAT credit, amounts blocked for imports (cash guarantees) and various amounts from "Other debtors" in euro.

The "Other Financial Assets" account relates to the investment participations in the Greek organisations PPA, HELPE and National Bank of Greece, which were valued at their fair value € 462,403 (2021: €385,355).

The overall impairment of trade receivables on 31/12/2022 amounted at € 520,690 (31/12/2021: €416,697) and relates to additional provisions for customers whose balance of receivables was past due by more than 360 days.

The trade receivables account does not bear interest and is normally settled within a period of 0 to 120 days. Provisions for impairment have been formed for customer balances not in arrears for more than 1 year from the contractual payment date and such provisions are considered adequate.

5.18 **Cash and cash equivalents**

	2022	2021
	€	€
Cash in hand	19,068	10,359
Sight deposits in euro	22,074,827	25,177,070
Sight deposits in foreign currency	1,941,239	909,018
Net book value	24,035,135	26,096,448

Cash and cash equivalents meet the Group's needs.

5.19 **Paid-up capital & reserves**

	2022	2021
	€	€
Share Capital	200,000	200,000
Reserves mandated by law or the articles of association	3,603,943	3,603,943
Statutory reserve	2,666,034	1,781,154
Rounding differences	-	184
Other comprehensive income	6,052,026	4,408,342
Retained earnings	86,265,466	55,156,162
Consolidation reserve	(33,331,866)	(31,304,573)
Net book value	65,455,603	33,845,212

The authorised and issued share capital of the company amounts to €200,000 and is comprised of 200,000 ordinary shares with nominal value of €1,00 each. All issued shares are fully settled.

Developments in the share capital

a) On 13 September 2021 the Extraordinary General Meeting of the Company unanimously resolved to issue 199,000 ordinary shares of nominal value €1,00 each which were subsequently exchanged for the acquisition of Theon Sensors AG. More specifically 199,000 ordinary shares were offered to the shareholders of Theon Sensors AG for the acquisition of 100% of the issued share capital i.e., 204,082 shares issued and fully paid shares.

5.20 Provisions for Employee Benefits

	2022	2021
	€	€
Defined benefit liability on 1/1	<u>162,035</u>	<u>136,744</u>
Statement of financial position		
Benefits paid	<u>(14,826)</u>	<u>(12,830)</u>
	<u>(14,826)</u>	<u>(12,830)</u>
Statement of Profit and Loss		
Current employment costs	29,724	38,606
Interest expense	1,094	820
	<u>30,818</u>	<u>39,426</u>
Statement of Other Comprehensive Income		
Actuarial losses / (gains)	<u>(16,001)</u>	<u>(1,305)</u>
	<u>(16,001)</u>	<u>(1,305)</u>
Defined benefit liability on 31/12	<u>162,026</u>	<u>162,035</u>

The actuarial estimate of obligations has been prepared in accordance with the relevant legislation in Greece and relates to the Greek Subsidiary as it arises from the requirements of the Laws 2112/1920 and 3026/1954 and amended by Laws 4093/2012, 4336/2015 and 4194/2013.

They are pension benefits specified in the relevant legislation paid once the employee retires. Greek labour law provides for compensation when one retires from work. The amount is based on length of service at the company, taking into account the pay on the date of departure.

Compensation for retirement is not funded from special funds.

The company has not developed a special benefits plan for employees other than those specified in the relevant legislation, which must be paid to all employees who leave the company.

The present value of the defined benefit obligation, the normal cost of current employee and, where appropriate, the cost of past service are calculated using the projected unit credit method (IAS 19).

During 2021 and based on a decision of the International Financial Reporting Standards Interpretations Committee (IFRIC) on the application of IAS 19 to this actuarial liability, the actuarial liability was allocated in such a way that it is now recognised only in relation to the last 16 years of service before retirement. Before the Board of Director's decision was issued, the Company applied IAS 19 attributing the benefits under Article 8 of Law No. 3198/1955, and Law No. 2112/1920, as amended by Law No. 4093/2012, to the period from the hire date to the retirement date of employees.

The effect of the IFRIC decision was recognised as a Change in Accounting Policy in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and was recognised retrospectively in accordance with the provisions of paragraphs 19-22 of IAS 8. The change in accounting policy was applied retrospectively as of 1/1/2020. As such, the starting balance of each affected equity for the older of the presented periods and the other comparative amounts for each previous period presented as if the new accounting policy had always been in use were adjusted accordingly.

Assumptions

That method requires Management to assess specific factors such as the future increase in employee pay, discounting rate for such liabilities, employee turnover rate, etc. Management reassesses those assumptions on each reporting date.

Financial assumptions

	2022	2021
Discount rate	3.53%	0.750%
Expected future salary increases	2.40%	2.00%
Inflation	2.20%	1.80%

Demographic assumptions

The basic assumption was that the turnover rate in the period between the end of the year and the time of retirement would be zero, and for other demographic assumptions the actuarial tables in the EVK 2000 framework were used.

On 31.12.2022 the Greek subsidiary employed 231 persons in total (31.12.2021: 175). The Group employed 247 persons in total (31.12.2021: 183).

Cash outflow timing

Calculation of the timing of outflows of expected nominal cash flows (without using discounting) in the years to come is presented in the table below:

	Payment of liability
	€
From 0-1 years	77,253
From 1-5 years	59,522
From 5-10 years	83,085
10 years or more	2,302,660
	2,522,520

Sensitivity analysis

We examined the sensitivity of the actuarial present value of the defined benefit obligation (DBO) and the forecast of normal cost (NC) of service for the following year, by changing the basic assumptions which were used.

Use of a 0.5% higher discount rate would result in the present value of the actuarial obligation being 2% lower while, the exact opposite, use of a 0.5% lower discount rate would result in the present value of the actuarial obligation being 2% higher.

The relevant sensitivity tests for the expected pay rise, namely a pay rise of 0.5% higher than expected would result in an actuarial obligation 2% higher, and the exact opposite, use of an expected pay rise 0.5% lower than expected would result in an actuarial obligation 2% lower.

	Actuarial Liability	Percentage change	Normal cost of next year	Percentage change
0.5% increase in the discount rate	148,122	(2.0%)	22,163	(5.0%)
0.5% increase in the discount rate	153,216	2.0%	24,561	5.0%
0.5% increase in expected pay rise	153,232	2.0%	24,569	5.0%
0.5% Decrease in expected pay rise	148,083	(2.0%)	22,145	(5.0%)

5.21 Loans

	Long term loans	Short term loans	Short term portion of long-term loans	Total Bank loans	Long term lease liabilities.	Short term lease liabilities.	Total loan obligations
	€	€	€	€	€	€	€
2021							
Amounts due on 1/1/2021	1,705,883	10,936,288	106,587	12,748,758	360,014	273,382	13,382,154
New lease liabilities	-	-	-	-	559,486	184,514	744,000
Disbursements	6,600,000	30,871,883	-	37,471,883	-	-	37,471,883
		(32,881,68)		(33,067,72)			(33,348,35)
Capital repayments	(91,926)	6)	(94,116)	8)		(280,629)	7)
Interest charges	94,848	324,948	61,281	481,077	-	17,455	498,532
Interest repayments	(86,254)	(328,535)	(38,664)	(453,453)	-	(17,455)	(470,908)
Transfers between accounts	(682,448)	-	682,448	-	(104,083)	104,083	-
Amounts due on 31/12/2021	7,540,103	8,922,898	717,536	17,180,537	815,417	281,350	18,277,304

5.22 Loans (continued)

	Long term loans	Short term loans	Short term portion of long-term loans	Total Bank loans	Long term lease liabilities.	Short term lease liabilities.	Total loan obligations
	€	€	€	€	€	€	€
2022							
Amounts due on 1/1/2021	7,540,103	8,922,898	717,536	17,180,537	815,417	281,350	18,277,304
New lease liabilities	-	-	-	-	54,143	19,716	73,859
Disbursements	-	42,919,990	-	42,919,990	-	-	42,919,990
		(23,837,15)		(26,231,37)			(26,520,41)
Capital repayments	(1,711,768)	8)	(682,448)	4)		(289,040)	4)
Interest charges	84,617	676,728	48,487	809,832	-	32,357	842,189
Interest repayments	(84,617)	(465,188)	(55,511)	(605,316)	-	(32,357)	(637,673)
Transfers between accounts	(2,753,333)	2,000,000	753,333	-	(283,206)	283,206	-
Amounts due on 31/12/2022	3,075,002	30,217,270	781,297	34,073,669	586,354	295,232	34,955,255

The Group presents interest of € 842,189 in the 2022 profit and loss statement (2021: €498,532) (see note 5.9).

The lease liability as at 31 December 2022 amounting to €881.586 (2021: €1.096.767) comprises of €257.118 (2021: €291,789) relating to obligations under a car hire agreement whereas the remainder of €624.467 (2021: €804,978) relates to the rental of properties.

It is noted that, up to the date of the financial statements of the year 2022, the Group has settled the long-term loans that are presented on the table of the comparative year 2021.

The lease liability using discounted figures (principal owed) is analysed as follows:

	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
	€	€	€	€
2021				
Car lease liabilities	100,839	190,950	-	291,789
Property lease liabilities	180,511	624,467	-	804,978
Total principal due	281,350	815,417	-	1,096,767

	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
	€	€	€	€
2022				
Car lease liabilities	108,634	186,598	-	295,232
Property lease liabilities	186,598	399,756	-	586,354
Total principal due	295,232	586,354	-	881,586

The long-term loans are analysed into discounted amounts (capital due):

	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
	€	€	€	€
2021				
Long term loans	717,536	6,239,797	1,300,306	8,257,639
Total loan capital	717,536	6,239,797	1,300,306	8,257,639

	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
	€	€	€	€
2022				
Long term loans	781,397	2,450,000	625,002	3,856,399
Total loan capital	781,397	2,450,000	625,002	3,856,399

The Group has already made, within the year 2022, an early repayment of long-term loans amounting to €3,782,355.

5.22 Government Grants

	2022	2021
	€	€
EU Grants	133,041	221,734
"Quality Modernisation" Grant	152,667	152,667
Other Government Grants - Unamortised	(97,281)	3,984
Net book value	188,427	378,385

5.23 Trade and other payables

	2022	2021
	€	€
EU suppliers	13,901,872	3,946,744
Third country suppliers	10,068,004	2,968,887
	23,969,876	6,915,631

5.24 Tax liabilities

	2022	2021
	€	€
Liability on 1/1	4,225,018	2,093,644
Receivable on 1/1	-	-
Net liability 1/1	4,225,018	2,093,644
Prior period tax prepayment liability	3,867,202	1,826,502
Prior period advance payment	(3,739,735)	(1,687,319)
Offset against other debts	(2,686,038)	(1,239,771)
Other taxes	189,997	1,600
Withholding tax in current period	-	(1,901,204)
Current year tax expense	4,469,880	5,303,999
Prior year tax expense	(101,221)	(101,221)
Movement for the year	1,896,761	2,202,586
Liability on 31/12	6,121,779	4,296,230
Receivable on 31/12	-	-
Net liability / (receivable) 31/12	6,121,779	4,296,230

The tax rates on the profits of the main subsidiaries of the Group, based on their country of tax residence are as follows:

1. Theon International PLC, Cyprus: 12,5%
2. Theon Sensors AG, Switzerland: 11,9%
3. Theon Sensors SA, Greece: From year 2021 onwards will be 22%, based on article 120 of law 4799/2021 (17 May 2021).
4. Theon Sensors MEA FZC, United Arab Emirates: 0%
5. Theon Sensors Far East Ltd, Singapore: 16%
6. T Industries DK ApS, Denmark – 23,5%
7. T Industries Inc, USA – 35%

5.25 Other taxes - Duties

	2022	2021
	€	€
Other withholding taxes and duties	188,397	131,663
Net book value	188,397	131,663

5.26 Other liabilities

	2022	2021
	€	€
Customer prepayments	20,456,991	4,329,348
Various creditors	1,006,660	3,390,336
Net book value	21,463,651	7,719,684

5.27 Contingent Liabilities & Commitments

The Group has no significant outstanding liabilities to third parties or third parties. The guarantee letters which have been issued are shown in the table below:

	2022	2021
	€	€
Guarantee letters for customs office	12,154,000	7,040,500
Performance guarantees	145,409	348,879
Guarantee letters for goods standing	817,750	1,162,855
Guarantee letters for in favor customer prepayments	16,367,199	1,895,280
Guarantee letters for in favor of 3 rd parties	191,744	191,744
Guarantee letters for participation	509,200	220,842
	30,185,302	10,860,100

5.28 Operating environment of the Group

Projected developments in 2023

The Group's Management team has positively assessed those current developments that will contribute to the further development of our sector and mainly in the field of night vision systems. This is expected to have a positive impact on our overall financials for the 2023 financial year.

In particular, the Group considers that the projected increase in defence and security expenditure worldwide will have a positive impact on the Company's financial results in both 2023 and 2024.

The Group 's Management team continuously assesses the trends in our sector and by evaluating the new conditions that are emerging plans measures designed to optimise its financials.

In 2023, Management will make every effort to enhance the company's profitability, strengthen its presence in foreign markets, while also improving its financial indicators. The Group 's high credit rating contributes to easy access to financing from banks, to partnerships with suppliers offering competitive terms, ensuring our smooth operation.

Impact of the energy crisis

The ongoing war in Ukraine following the Russian invasion in early 2022 and the severe economic sanctions imposed on Russia have significantly affected the energy market and subsequently the global market. The Company is not directly exposed, so there is no direct impact on financial performance from the latest developments. Any impact is only indirect, related to the high energy costs and inflationary pressures caused by this geopolitical crisis that has caused a general climate of uncertainty and instability.

Management is monitoring developments on a daily basis and already plans to install 2 net-metering photovoltaic systems at the two privately owned buildings of Greek Theon Sensors SA in 2023, with a total capacity of 184.2kWp.

Objectives and prospects – Projected performance

The Group seeks to achieve balanced growth, to operate with respect for the environment and to bolster the local -and by extension the national- economy while retaining existing jobs and creating new ones.

One specific objective is to constantly strive to improve its products / merchandise / services for our clients.

Values such as sound management, preventing potential risks or problems, reducing costs without imperilling high quality levels and being consistent to customers and other partners have long been key for the Group and its management team.

As a result of our long-standing commitment to quality products / services / merchandise and sound partnerships, the Group has become firmly established in the field as a reliable partner for clients and our goal, in the current competitive economic environment, is to retain our current position in the night vision systems manufacturing sector.

Given the increased challenges we have to face, investment in even better-quality technical characteristics for end products, merchandise and services offered to clients will be our key strategic focus for the years to come.

5.29 Transactions with related parties

The principal shareholder and ultimate beneficial owner of the group is Mr. Christian Hadjiminias who owns 79.19% of the share capital. The other shareholders with ownership percentage over 5% are Mr. Nikolaos Papatsas who owns 14.04% and other group employees that own 6.77%.

5.29.1 Remuneration of senior management and Board members

Remuneration of senior management and Board members were as follows:

	2022	2021
	€	€
Salaries	369,039	285,348
Social security costs	30,104	25,949
	399,143	311,297

5.29.2 Balance with related parties

Receivable from related parties

	2022	2021
	€	€
Hensoldt -Theon GBR	12,222,026	-
Aerospace Ventures AG	4,517,771	-
Christian Hadjiminias – shareholder	3,008,378	-
ESS - European Sensor Systems	165,039	102,089
Ucadrone	41,922	19,861
EFA Holdings	1,689	-
	19,956,825	121,950

Payables to related parties

	2022	2021
	€	€
EFA – European Investments	11,126	-
	11,126	-

The balance due to Aerospace Ventures AG bears interest 1.9% and 2.25%. All the other balances are interest free and are payable on demand.

5.29.3 Transactions with related parties

Sale of products

	2022	2021
	€	€
Hensoldt -Theon GBR	28,297,453	-
ESS – European Sensor Systems	90,587	75,852
Skytalis	200	400
Ucadrone	49,524	24,202
EFA – European Ventures	3,662	-
	28,441,426	100,454

Purchases of products and services

	2022	2021
	€	€
ESS – European sensor systems	200,000	350,000
EFA – European investments	28,549	224,000
Defender LLC	128,984	-
	357,533	574,000

Sales of financial assets

	2022	2021
	€	€
ESS – European sensor systems	-	16,253
Chre Investments SM PC	-	49,000
	<u>-</u>	<u>65,253</u>

Interest income

	2022	2021
	€	€
Aerospace Ventures AG	5,143	-
ESS – European sensor systems	25	-
Christian Hadjiminas – shareholder	11,471	-
	<u>16,639</u>	<u>-</u>

5.29.4 Key management personnel

Key management personnel mean persons who have the power and responsibility for planning, managing and controlling the activities of an economic entity, whether directly or indirectly.

No loans have been provided to members of the Board or other Group management executives (or their families) and there are no receivables/liabilities involving Board members.

There were no changes in transactions between the Group and related parties which could have material impacts on the Group's financial position and performance for the period ended.

5.30 Shareholders holding more than 5% for the issued share capital of the Group

On 31 December 2022 and upto the date of approval of these financial statements, the following shareholders owned, directly or indirectly more that 5% of the nominal value of the issued share capital of the Group:

	2022	
	Directly	Indirectly
Christian Hadjiminas	79.19%	-
Nikolaos Papatsas	13.5%	-

5.31 Participation of Management in the share capital of the Group

The percentage of direct and indirect participation of the Board of Directors in the share capital of the Group Company (according to the article (4) (b) of the Directive OΔ 190-2007-04) on 31 December 2022 and upto the date of approval of these financial statements were as follows:

	2022	
	Directly	Indirectly
Christian Hadjiminas	79.19%	-

5.32 Significant agreements with Management

As at the year-end date of 31 December 2022 there were no material agreements between the Group and its Management.

5.33 Going Concern

The Group's financial statements have been prepared on the basis that the Group remains a going concern.

5.34 Subsequent events

A) During the International Defence Equipment Expo (IDEX 2023) held in Abu Dhabi on 20-24 February, the Company signed a strategic partnership agreement with the International Golden Group (IGG), a leading defence and construction Company and supplier to the UAE Armed Forces; this is an agreement that made a special impression as it followed similar important agreements signed by giants of the European defence industry for cooperation with the UAE, such as Safran (France) and Escribano (Spain).

The new agreement concerns the Company's most advanced products (with joint participation in their design by the Company's international partners) production of which will begin towards the end of 2023.

This agreement is a continuation of previous agreements and concludes the new phase of the company's relations with the UAE. In order to respond to the new needs of the UAE, but also due to the increased global demand for its products, alongside the construction of a second factory in Koropi, the Group is proceeding with the construction of a new factory in the UAE, specifically in Abu Dhabi, through a joint company with IGG.

B) In February 2023 THEON SENSORS USA Inc. based in the USA, has completed all the required procedures for technology transfer and related trainings in the framework of cooperation with EO TECH for a production line in Plymouth, Michigan, USA that will serve the increased needs of the American market in night vision systems.

C) Within the 2nd quarter of 2023, our co-production units will also be completed in Wetzlar (Germany) through a joint company with Hensoldt, while similar units will exist in South Korea, as well as a second industrial collaboration in the Middle East. These units will complete our industrial international expansion and facilitate our new products and the activities of the other Group companies.

D) the Greek company Theon Sensors S.A. has been subject to rules set out in Circular No. ΠΟΛ.1103/2017 (Expediting the refund of VAT credit balance), which will accelerate VAT refunds, reduce the burden on its administrative services in terms of audits, and also enhance its liquidity.

E) In mid-March, the Greek company Theon Sensors S.A. completed the expansion of its existing building facilities by 3,344 m² in order to house the production units for its products as part of an expansion of its operations.

F) On 27 March, the Greek company Theon Sensors S.A. received an assurance report from an independent auditor that the information in its Investment Plan, already submitted for approval, and amounting to EUR 9,888,591, as well as the information posted to the Electronic Platform for the Submission of Applications of Investment Plans for RRF Loan Financing, meets in all material respects the requirements set out in Article 9 of the relevant Decision. The report itself was also communicated to the credit institution that will undertake to provide co-financing for the investment. The relevant loan agreement is expected to be signed in May 2023.

There is no other event, in addition to the above, that could significantly affect the financial standing and course of the company.

Nicosia, 4 May 2023

The Managing Director

The Vice President of the Board

Christian Hadjiminias

Petros Christou

THEON INTERNATIONAL PLC

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

In according with the IFRS

1. **Board of Directors and Other Principal Officers**

Board of Directors:	Christian Hadjiminias (Managing Director) Petros Christou (Vice President) Stelios Anastasiou
Company Secretary:	Petros Christou
Independent Auditors:	PKF abas limited Certified Public Accountants and Registered Auditors 67 Limassol Avenue Vision Tower 5th Floor 2121 Nicosia, Cyprus
Registered office:	5 Agiou Antoniou Muskita Building 2, 1 st Floor, Office 102 2002 Nicosia Cyprus
Registration number:	HE 424549

1.1 Independent Auditor's Report

To the Members of THEON INTERNATIONAL PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of THEON INTERNATIONAL PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 11 - 47 and comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

To the Members of THEON INTERNATIONAL PLC

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

To the Members of THEON INTERNATIONAL PLC

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

Other Matter

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

George Koukoumas
Certified Public Accountant and Registered Auditor
for and on behalf of
PKF abas limited
Certified Public Accountants and Registered Auditors
67 Limassol Avenue
Vision Tower
5th Floor
2121 Nicosia, Cyprus
Nicosia, 12 May 2022

2. Financial Statements

2.1 Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2021 €	2020 €
Turnover (net)	5.1	80,557,820	54,219,581
Cost of sales	5.2	(46,913,079)	(36,791,048)
Gross profit		33,644,741	17,428,533
Other income	5.3	161,973	48,254
Administrative expenses	5.4	33,806,714	17,476,787
Selling expenses	5.5	(5,286,284)	(3,864,322)
Research & Development expenses	5.6	(1,530,883)	(1,255,788)
Research & Development expenses	5.6	(1,482,444)	(1,095,239)
Other expenses, losses and impairments	5.7	(463,535)	(966,742)
Other income and gains	5.8	363,952	841,387
Ea Profit rnings before interest and tax		25,407,520	11,136,083
Interest income and related income	5.9	170	192,341
Interest charges and related expenses	5.9	(1,092,691)	(1,156,739)
Profit before tax		24,314,999	10,171,685
Income tax	5.10	(5,251,557)	(2,742,039)
Profit for the year before tax		19,063,442	7,429,646
Earnings per share		2021	2020
Basic earnings per share net of tax (in €)	5.11	<u>95.32</u>	<u>37.15</u>
Diluted earnings per share net of tax (in €)	5.11	<u>95.32</u>	<u>37.15</u>
		2021	2020
		€	€
Profit for the year net of tax		19,063,442	7,429,646
Unrealised exchange profits		-	69,743
Unrealised exchange losses		-	(78,043)
Re-measurement of defined benefit plans	5.20	1,305	(1,446)
Corresponding income tax	5.10	(287)	347
Other comprehensive income / (losses) after tax		1,018	(9,399)
Total comprehensive income after tax		19,064,460	7,420,247

The notes on pages 16 to 47 form an integral part of the financial statements.

2.2 Consolidated Statement of Financial Position

	Note	2021 €	2020 €
Non-current assets			
Tangible assets			
Own-use properties	5.12	5,185,213	4,068,939
Investment properties	5.12	1,491,327	-
Machinery & equipment	5.12	2,462,622	1,892,254
Other equipment	5.12	1,537,581	1,300,543
Total		10,676,743	7,261,736
Intangible assets			
Development costs	5.13	192,343	247,466
Other intangible assets	5.13	331,115	336,352
Total		523,458	583,818
Financial assets			
Other non-current receivables	5.14	103,922	97,347
Total		103,922	97,347
Deferred tax asset	5.15	54,047	221,000
Total non-current assets		11,358,170	8,163,901
Current assets			
Stocks			
Finished goods and work in progress	5.16	4,442,512	3,720,990
Raw material and various materials	5.16	8,216,935	9,572,476
Down payments for inventories	5.16	2,871,060	53,820
Total		15,530,507	13,347,286
Financial assets and receivables			
Trade receivables	5.17	15,841,677	6,779,237
Other receivables	5.17	2,709,585	2,889,362
Other financial assets	5.17	397,378	333,608
Cash and cash equivalents	5.18	26,096,448	14,632,284
Total		45,045,088	24,634,491
Total current assets		60,575,595	37,981,777
Total assets		71,935,632	45,145,678

The notes on pages 16 to 47 form an integral part of the financial statements.

2.2 Consolidated Statement of Financial Position (continued)

Equity	Note	2021	2020
		€	€
<i>Net assets</i>			
Paid up capital			
Share capital	5.19	200,000	200,000
Total		200,000	200,000
<i>Reserves</i>			
Reserves	5.19	64,949,785	43,772,361
Consolidation reserve	5.19	(31,304,573)	(29,353,878)
Total		33,645,212	14,418,483
Total net assets		33,845,212	14,618,483
<i>Provisions</i>			
Provisions for employee benefits	5.20	162,035	136,744
Deferred tax liabilities		-	116,242
Total		162,035	252,986
Liabilities			
<i>Long-term liabilities</i>			
Loans	5.21	7,540,103	1,705,883
Lease liabilities	5.21	815,417	360,014
Loans from shareholders	5.29.2	-	6,960,887
Government grants	5.22	378,385	4,969
Total Long-term liabilities		8,733,905	9,031,753
<i>Short term liabilities</i>			
Loans	5.21	8,922,898	10,936,288
Short term portion of long-term loans	5.21	717,536	106,587
Lease liabilities	5.21	281,350	273,382
Trade payables	5.23	6,915,631	6,641,250
Tax liabilities	5.24	4,296,230	2,093,644
Other taxes and duties	5.25	131,663	121,956
Social security providers		209,488	219,797
Other liabilities	5.26	7,719,684	1,849,552
Total Short term liabilities		29,194,480	22,242,456
Total liabilities		37,928,385	31,527,195
Total net assets, provisions and liabilities		71,935,632	45,145,678

The notes on pages 16 to 47 form an integral part of the financial statements.

2.3 Statement of changes in equity

	Share capital	Reserves mandated by law or the articles of association	Statutory reserve	Retained Profit / (losses)	Other comprehensive income	Consolidation reserve *	Total
	€	€	€	€	€	€	€
Balance 1/1/2020	200,000	2,783,356	1,319,156	29,376,863	1,954,235	(29,320,775)	6,312,835
Effect of change in accounting policy (IAS 19)	-	-	-	128,435	-	-	128,435
Restated balance 1/1/2020	200,000	2,783,356	1,319,156	29,505,298	1,954,235	(29,320,775)	6,441,270
Profit/(loss) for the year	-	-	-	7,384,921	193,835	-	7,578,756
Effect of change in accounting policy (IAS 19)	-	-	-	14,017	-	-	14,017
Other comprehensive income/(loss)	-	-	-	(9,399)	-	-	(9,399)
Effect of change in accounting policy (IAS 19)	-	-	-	30,888	-	-	30,888
Total comprehensive income				7,420,927	193,835		7,614,262
<u>Changes during the year:</u>							
Capitalisation of other reserves	-	820,587	72,485	(299,422)	-	(33,103)	560,547
Other rounding differences	-	-	-	2,404	-	-	2,404
Balance on 31/12/2020 and 1/1/2021	200,000	3,603,943	1,391,641	36,628,707	2,148,070	(29,353,878)	14,618,483
Profits/(losses) for the year	-	-	-	19,063,442	2,260,272	-	21,323,714
Other comprehensive income/(loss)	-	-	-	1,018	-	-	1,018
Total comprehensive income				19,064,460	2,260,272		21,324,732
<u>Changes during the year:</u>							
Capitalisation of other reserves	-	-	389,513	(537,005)	-	(1,950,695)	(2,098,187)
Other rounding differences	-	-	-	184	-	-	184
Balance on 31/12/2021	200,000	3,603,943	1,781,154	55,156,346	4,408,342	(31,304,573)	33,845,212

* Note: Consolidation reserve represents the difference between the consideration paid for the acquisition of a subsidiary and the book value of its net assets.

The notes on pages 16 to 47 form an integral part of the financial statements.

2.4 Cash Flow Statement

	Note	2021 €	2020 €
Profit before tax		24,314,999	10,171,685
Plus / minus adjustments for:			
Depreciation	5.12, 5.13	1,289,239	1,186,775
Credit interest, exchange differences and related income	5.8, 5.9	(74,308)	(944,880)
Assets subsidies		(45,332)	-
(Reversal of impairment)/impairment of investments	5.17	(51,747)	38,449
Impairment of receivables	5.17	9,429	120,239
Impairment of inventory	5.16	34,642	530,901
Profit from the sale of assets		(39,888)	-
Income from dividends		(3,348)	(2,040)
Provisions		9,125	36,343
Other non-cash transactions		189,000	-
Interest charges, exchange differences and related expenses	5.7, 5.9	1,276,891	1,843,983
		26,908,702	12,981,455
Add / minus:			
Decrease/ (increase) in inventories	5.16	(2,217,863)	(2,174,742)
Decrease/ (increase) in receivables	5.14, 5.17	(8,797,351)	4,422,004
(Decrease) / increase in liabilities		6,012,832	(4,534,489)
		21,906,321	10,694,228
Less:			
Payments for income tax		(3,026,293)	(1,936,672)
Inflows / outflows from operating activities (a)		18,880,027	8,757,556
Investing activities			
(Acquisition) / sale of investments		-	(102,312)
(Acquisition) / sale of tangible and intangible assets		(4,603,999)	(921,516)
Interest received		170	1,832
Dividends received		3,348	2,040
Receipts from grants		418,748	189,524
Inflows / outflows from investing activities (b)		(4,181,733)	(830,432)
Financing activities			
Receipts from loans	5.21	37,471,883	19,933,120
Repayment of loan principal	5.21	(33,067,728)	(17,011,880)
Repayment of loan interest	5.21	(453,453)	(356,948)
Net inflows / (outflows) of lease liabilities	5.21	(280,629)	(241,463)
Interest on lease liabilities	5.21	(17,455)	(15,774)
Repayment of shareholder loans		(6,960,887)	(2,719,709)
Inflows / outflows from financing activities (c)		(3,308,269)	(412,654)
Net increase / (decrease) in cash and cash equivalents for the year (a)+(b)+(c)		11,390,025	7,514,470
Cash and cash equivalents at beginning of year		14,632,284	7,054,462
Foreign exchange differences		74,139	63,352
Cash and cash equivalents at end of year		26,096,448	14,632,284

The notes on pages 16 to 47 form an integral part of the financial statements.

Notes on the Financial Statements

3. General information about the Group

Theon International PLC ("The Company") was incorporated in Cyprus on 10 August 2021 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113 and was converted to a Public Limited Liability Company on 13 September 2021. Its registered office is at 5 Agios Antonios Street, 1st floor, Office 102, 2002 Nicosia, Cyprus.

The company was incorporated with the purpose to acquire the 100% of the issued share capital of Theon Sensors AG, a company incorporated in Switzerland. The acquisition agreements were concluded on 27 August 2021. Theon Sensors AG is the 100% owner of the following companies:

- Theon Sensors Single Member SA, Greece,
- Theon Sensors MEA FZC, United Arab Emirates
- Theon Deutschland GmbH, Germany,
- Theon Sensors Far East Ltd., Singapore and
- Theon Sensors USA Inc. USA

For the acquisition of the share capital of Theon Sensors AG, the Company issued on 13 September 2021, 199,000 ordinary shares of €1.00 each in exchange of 204,082 issued and fully paid shares in Theon Sensors AG.

Theon International PLC together with its subsidiaries form the Group "Theon Sensors" ("The Group").

The Group is engaged in the production and trade of a large range of sensors, and in particular night vision systems, thermal systems (thermal sights) and other innovative electro-optical equipment and equipment for application to Defense and Security.

4. Summary of main accounting policies

The main accounting policies implemented in preparing these consolidated financial statements are set out below:

4.1 Basis of preparation of the financial statements

Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2021 consist of the financial statements of the parent Company and its subsidiaries in accordance with international financial reporting standards (IFRS) and the Interpretations issued by the IFRS Interpretations Committee as adopted by the European Union.

The consolidated financial statements have been prepared in accordance with the historical cost or deemed cost principle, keeping each year separate, ensuring uniform presentation, taking into account the materiality of the information and applying the accrued revenues and expenses principle. The financial statements have also been prepared on the basis that the Group remains a going concern.

Preparation of the financial statements in accordance with the IFRS requires the use of certain important accounting estimates and the exercise of judgement by Management in applying the accounting policies. The financial statements areas where estimates are particularly important are outlined in note 4.5.

Consolidated financial statements

The consolidated Balance Sheet (Statement of financial position) at 31 December 2021 and the Profit or Loss and Other Comprehensive income ("Income Statements and Statement" or "comprehensive income") for the respective year include the financial statements of Theon International PLC and its subsidiaries and were prepared on the assumption that were a Group since 1 January 2020.

For the purposes of preparing the consolidated financial statements, the method of Business Combinations under Common Control was followed, where the book value method ("book-value accounting" or "Predecessor Value method") is applied. The assets and liabilities of the acquired company were recognised based on their current book values instead of fair values. The Management has adopted this method of business combination since the new business structure does not affect the shareholding structure and minority interests. Furthermore, no resources were spent outside the group as a result of this restructuring.

Therefore, the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income at 31 December 2021 are presented as the sum of the respective financial statements of the parent and its subsidiaries as if they had been combined during the accounting periods included in these financial statements. The difference between the acquisition price of a company and the book value of the corresponding net assets is presented as "consolidation reserve" in the reserves.

The balances and transactions between the Group companies were eliminated during the consolidation in accordance with IFRS 10 "Consolidated Financial Statements".

4.2 New standards, interpretations, reviews and amendments to standards which are in effect and have been adopted by the European Union

The following amendments and interpretations of IFRS have been issued by the International Accounting Standards Board (IASB) and their application is mandatory for periods beginning on or after 1st January 2021.

The most important standards and interpretations are listed below:

Mandatory standards and interpretations for the current fiscal year

IAS / IFRS	Effective date
IFRS 9, IAS 39 and IFRS 7, IFRS 4& IFRS16 amendments:	
Interest rate benchmark reform – Phase 2	1 st January 2021
IFRS 4 amendment: postponement of IFRS 9	1 st January 2021
IFRS 16 amendment: Covid-19-related rent concessions	1 st April 2021

From the aforementioned amendments, only changes in IFRS 16 regarding Covid-19-related rent concessions have resulted in changes in accounting policies. The other amendments either have little effect on the financial statements or are not relevant to the Group.

IFRS 16 amendment: Covid-19-related rent concessions

Since June 1 2020, IFRS 16 was amended in order to provide lessees with a practical expedient in relation to the accounting treatment of rent concessions and changes that are related to the Covid-19 pandemic. In order to make use of this accounting treatment, all of the following conditions must be met:

- a. The change in lease payments results in a revised total consideration that is substantially the same as, or less than, the consideration prior the amendment in the lease payments.
- b. Reduction in lease payments affects only payments originally due on or before 30 June 2021 and
- c. There is no substantive change to other terms of the lease agreement.

Rent concessions that meet the above conditions do not need to be assessed and treated as lease modifications in accordance with IFRS 16, recalculating the lease obligations so that they present the total consideration of the lease using a revised interest rate.

The Group applied this practical expedient of IFRS 16 for all rent concessions for the period between March and December 2020, using the initial interest rate of the lease contracts and the change in lease obligations

was recognized in the income statement. This accounting treatment had no effect in the financial statements for the year ended 31/12/2020.

4.3 New accounting standards, amendments to standards and interpretations that will become mandatory in subsequent periods

IAS / IFRS	Effective date
Annual improvements to IFRS: 2018-2020	1 January 2022
IAS 16 amendment: Proceeds before intended use	1 January 2022
IAS 37 amendment: Onerous contracts – Cost of fulfilling a contract	1 January 2022
Amendments to IFRS 3: Conceptual Framework for Financial Reporting	1 January 2022
Amendments to IAS 1 and IAS 8: Classification of liabilities as Long term or short term.	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1 και IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
New IFRS 17 Insurance Contracts	1 January 2023

The amendments above that will become mandatory in subsequent periods are not expected to have a significant effect on the Group's financial statements.

4.4 Group Accounting Policies

4.4.1. Tangible assets

Tangible assets are measured at acquisition cost less accumulated depreciation and any impairment loss, apart from the plots/lots category which is measured at acquisition cost less any impairment losses.

The cost of acquisition of tangible assets includes all expenses directly associated with acquisition of the tangible assets. Subsequent expenditure is added to the book value of the tangible asset or recorded as a separate tangible asset, only if there is a high likelihood that the specific tangible asset will generate future financial gains for the economic entity and the cost can be reliably assessed.

The carried cost of a part of a tangible asset which is replaced ceases to be recognised. Repairs and maintenance are charged to the income statement when incurred.

Subsequent expenditure is depreciated either over the remaining useful life of the asset or the period up to the next planned improvement to the tangible asset, whichever is shorter.

Depreciation of all tangible assets is computed using the straight-line method over the useful life of the assets. The estimated useful life of the most important categories of tangible assets coincides with the depreciation rates in the tax laws, since in the view of the Group management team, they correctly reflect the estimated useful economic life of the assets.

Such rates are as follows:

Buildings	4% per year	(25 years)
Machinery and technical installations	10% per year	(10 years)
Means of transport	12% to 16% per year	(6.2 to 8.3 years)

Furniture and other equipment	10% per year	(10 years)
Computers	20% per year	(5 years)
Assets of lesser value (below € 1,500)	100% per year	(1 year)

The residual values and useful lives of tangible assets are re-examined and adjusted at the end of each period, if that is considered necessary.

Where the carrying amount of an asset is greater than its recoverable amount, the value of the asset is adjusted to the recoverable amount.

Each tangible asset and each important part thereof initially recognised is derecognised upon sale or when no future economic gain is expected from use or sale thereof.

Gains and losses which arise from the sale of tangible assets are calculated as the difference arising between the revenue from sale and the carrying amount, as shown in the accounting books and included in the operating results.

Interest from loans taken out specifically or generally to finance the construction of tangible assets is capitalised in the year in which it arises, during the tangible asset construction period, where the recognition criteria are met.

4.4.2. Investment property

Investment property is investments that relate to all those properties (including land, buildings or parts of buildings or both) that are held by the Company either to earn rentals or for capital appreciation or both, and are not used in commercial or other activities of the Company. Investment property is measured at acquisition cost less accumulated depreciation and impairment.

4.4.3. Intangible assets

Intangible assets acquired separately are recorded at historical cost. After initial recognition, intangible assets continue to be measured at historical cost less the accumulated depreciation and accumulated impairment losses.

Intangible assets generated in-house are capitalised if the relevant expenditure is associated with an intention on Management's part, and a technical capability, to complete the intangible asset (for use or sale), if there is a strong likelihood that there will be future financial gains and that there is a reliable system for measuring such costs.

In all other cases, the relevant cost is recognised as an expense.

The Group's intangible assets have a limited useful life and are depreciated over their useful life. They are tested for impairment when there are signs that some intangible assets may have suffered impairment. Intangible assets whose usage period is contractually specified are depreciated over that period. Such assets without a usage period specified in contract are depreciated based on estimated useful economic life.

The useful life and depreciation method for intangible assets with a specific useful life are re-examined at least in each year in which financial statements are prepared. Changes to the expected useful life or expected method by which future financial gains accrue for each intangible asset are treated as a change in an accounting estimate. The cost of depreciating intangible assets is recognised in the income statement.

Depreciation of all intangible assets is computed using the straight-line method over the useful life of the assets. The estimated useful life of the most important categories of intangible assets coincides with the depreciation rates in the tax laws, since in the view of the Group management team, they correctly reflect the estimated useful economic life of the assets. Such rates are as follows:

Other intangibles	10% per year (10 years)
R&D – Internally Generated intangibles	10% per year (10 years)
Contractually specified useful life	1 / contractual years

4.4.4. Impairment of tangible & intangible assets

Tangible assets with an unlimited life (such as land) are not depreciated or tested annually for impairment.

Tangible and intangible assets which can be depreciated are tested for impairment in case events or changes in the circumstances suggest that the book value may no longer be recoverable. When the carrying amount for tangible and intangible assets exceeds the recoverable value, then the impairment loss amount is entered directly in the results as an expense.

For the purposes of impairment testing, assets are grouped together in the lowest category where cash flows allow them to be individually identified. Non-financial assets, other than goodwill, which have been impaired are re-assessed for any possible reversal in impairment on each date the financial statements are prepared.

The recoverable value of assets is either the fair value of asset less sale costs or the value in use, whichever is higher.

4.4.5. Leases

The Group adopted IFRS 16 "Leases" with full retrospective effect, for both properties and cars.

When recognising a contract as a lease, the Group examines all relevant facts and circumstances, and excludes short-term leases (of less than 12 months) and leases where the leased property has low value.

When a contract is or contains a lease, each lease element is recognised separately from the non-lease elements of the contract, unless the Group opts, as appropriate, for the sake of simplification to apply uniform recognition as a practical solution.

The Group as lessee:

At the lease start date, the lessee recognises the asset with a right to use and a lease liability.

Initial measurement of the right to use the assets includes the lease liability, any rents paid on the rental period start date or prior to it, less any lease incentives collected, any initial direct costs incurred by the lessee and an estimate of the cost of returning the leased property to the state specified in the lease agreement.

The initial measurement of the lease liability includes the current value of rents discounted using the presumed lease interest rate. If that interest rate cannot be easily set, the lessee's differential borrowing rate is used.

Subsequently, the right to use the asset is reduced by the accumulated depreciation and impairment losses and any re-measurements of the lease liability is adjusted.

Subsequently the lease liability increases the interest on the lease liability, and is reduced by the payment of rental costs, and is re-measured when the leased property is revalued or the lease is amended.

The Group as lessor:

The Group classifies the lease either as an operating lease or finance lease. Leases where the Group does not in effect transfer all risks and rewards of ownership are classified as operating leases.

When the assets are leased in the context of operating leases, they are presented in the statement of financial position in accordance with the nature of each asset.

Rental costs under operating leases are recognised in the results using the straight-line method over the duration of the lease.

Initial direct costs incurred when signing an operating lease are added to the book value of the leased asset and are recognised in expenses over the term of the lease on the same basis of recognition as revenues from rental income.

Any rental income is recognised as revenues in the period in which they are generated.

4.4.6. Stocks

Inventories are valued at acquisition cost or net realisable value, whichever is lower.

Acquisition cost is calculated using the average weighted cost method. The cost of finished products and production under way consists of the cost of raw materials, direct labour costs, other direct costs and general industrial overheads associated with production (in accordance with normal production capacity). Net realisable value is the estimated sale price in the normal course of business, less the estimated selling and transaction costs.

Any loss resulting from measuring stocks/inventories at net realisable value, when it is below acquisition cost, is recognised in impairment losses and affects the cost of sales in the income statement. Where there are particularly high impairment losses for stocks/inventories, the relevant amounts are shown in the 'Asset impairment' account in the income statement to ensure fair presentation.

Appropriate provisions are made for impaired, obsolete and slow-moving inventories. Write-downs of inventories to net realisable value and other losses from inventories are recognised in the income statement in the period they occur.

4.4.7. Trade receivables

Trade receivables are the balances owed by customers from the sale of goods or provision of services in the context of the Group's normal operations. Trade receivables are initially recognised at their fair value and later valued at the carrying amount by using the effective interest rate method, less impairment losses. The Group shows any unreserved rights over the consideration from contracts with customers separately as a trade receivable.

4.4.8. Cash and cash equivalents

Cash includes cash on hand and sight deposits.

Cash equivalents in the cash flow statement include not just cash and sight deposits but also short-term highly liquid investments and bank overdrafts, when applicable.

Bank overdrafts are shown in liabilities under short-term loan liabilities. Cash and cash equivalents entail negligible risk of a change in their value.

4.4.9. Share capital

Ordinary and preference shares without voting rights are shown in the "share capital" account in Equity. The share capital shows the value of Company shares which have been issued and are in circulation.

4.4.10. Loans and Borrowings

Loan obligations are initially entered at the net amount received less direct loan costs (bank charges and bank or third-party commission). In subsequent periods, the loan obligations are shown at the carrying amount using the effective interest rate method.

Loan obligations are classified as short-term liabilities apart from cases where the Group has the unreserved right to defer settlement of its obligation for at least 12 months from the reporting date.

4.4.11. Current and deferred income tax

Tax for the period consists of current and deferred tax. Tax is recognised in the Income Statement apart from cases relating to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, as appropriate.

Current income tax is calculated based on the tax laws adopted or substantively adopted on the date the financial statements are prepared. Management periodically evaluates the positions taken in the tax returns

when applicable tax laws are subject to interpretation and forms provisions, when needed, based on the amounts expected to be paid to the tax authorities.

Deferred income tax is calculated using the liability method, based on temporary differences between the tax base of assets and liabilities and the corresponding amounts shown in the financial statements.

Deferred tax assets are recognised to the extent that there will be a future taxable profit for use of the temporary difference generated by the deferred tax assets.

Deferred tax liabilities are recognised for all taxable temporary adjustments. A deferred tax asset is recognised for deductible temporary differences to the extent that it is expected that the temporary difference will be reversed in the future and there will be an adequate future taxable profit for use of the temporary difference.

4.4.12. Employee benefits

(a) Pension and other post-employment obligations

The Group does not participate in pension and other post-employment benefit plans or defined benefit or defined contribution plans with the exception of the statutory social security schemes which are mandatory by the laws.

(a.1) Defined Contribution Plans

Defined contribution plans mean pension plans where the Group pays fixed contributions to a separate entity. The Group has no legal or presumed obligation to pay additional contributions in the case where the fund's resources would not be adequate to pay employees benefits for their service, relating to the current period and past periods.

For defined contribution plans, the Group pays the mandatory contributions required by public social security funds. Once the contributions are paid, the Group is not obliged to pay any additional contributions. Regular contributions are recognised as a cost of employee benefits when they become payable.

Any prepaid contributions are recognised as an asset to the extent that prepayment would lead to a reduction in future payments or the return of cash.

(a.2) Defined Benefit Plans

Defined benefit plan means a pension plan or plan involving other post-employment benefits which is not a defined contribution plan. Post-employment benefit obligations at the end of the current period and previous period were calculated in line with an actuarial study using the projected credit unit method.

The obligation arising from defined benefit plans is the present value of the commitment to provide a defined benefit on the date the financial statements are prepared, less the fair value of any assets the plan has.

The present value of the commitment to provide a defined benefit is calculated using the discount rate for corporate bonds with a high credit rating in euro, whose term approximates the duration of the relevant pension obligation.

The cost of past service is recognised in the results, broken down into current cost of service and cost of past service, gains and losses from reductions and the cost of settling pay.

The net financial income or expenses are recognised in financial expenses.

Re-assessments, broken down into actuarial gains or losses and the difference between the estimated and actual performance of the plan's assets, are recognised in the statement of financial position in the "retained earnings" account through the statement of other comprehensive income for the period. The re-assessments are not reclassified in the income statement in subsequent periods.

(b) Employment termination benefits

Employment termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement date or when the employee agrees to voluntarily leave in return for these benefits.

The Group records these benefits on whichever of these dates is first: a) when the Group can no longer withdraw the offer of such benefits and b) when the Group recognises an expense from restructuring which is in the context of implementing IAS 37, which includes payment of employment termination benefits.

Where an offer to encourage voluntary redundancy is made, employment termination benefits are calculated based on the number of employees who are expected to accept the offer. Employment termination benefits due 12 months after the date on which the financial statements are prepared are discounted at present value.

(c) Employee profit sharing and bonus schemes

The obligation to provide benefits to employees in the form of profit sharing or performance bonuses is entered in the "other provisions" account when there is an official scheme and the amounts to be paid have been specified before the date on which the financial statements are published, or if previous Group practices have given rise to a strong expectation from employees that they will be paid a performance bonus / profit share-out and the amount can be estimated before the date on which the financial statements are approved.

4.4.13. Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all relevant conditions.

Government grants relating to expenses are recognised in the results as income in the period in which the subsidised expenses are input in to the results.

Government grants relating to the purchase of tangible assets are included long-term liabilities as deferred government grants, and are presented as income in the income statement using the straight-line method over the expected useful life of the relevant assets.

Subsequent to initial recognition, state grants are depreciated by transfer to Income Statement as expenses, in the same period and in a manner corresponding to the transfer to Income Statement of the book value of the asset subsidised.

Government grants relating to expenses are initially recognised as liabilities in the period in which they are collected or in the period when approval for them is finalised and it is certain that they will be collected. State grants concerning expenses are transferred to profit and loss as revenue for the period when the subsidised expenses are charged in profit and loss.

4.4.14. Provisions

Provisions are liabilities where the time or amount is uncertain.

Provisions are recognised when there is a present legal or presumed commitment as a result of past events; it is likely that an outflow of resources will be needed to settle the commitment and the amount required can be reliably estimated. When the Group expects to be compensated for a loss which it has suffered (as in the case of insurance contracts for example) and it is fully certain that the amount will be collected, the specific compensation is recognised as a separate receivable. The cost associated with each provision is presented in the income statement, net of any compensation.

Provisions are not recognised for future operating losses. The Group forms a provision for onerous contracts when the financial gain expected to flow from such contracts is less than the unavoidable cost of complying with contractual obligations.

Restructuring provisions include penalties for early termination of leases and payment of employment termination benefits and are recorded in the period in which the Group acquires the legal or presumed

obligation to make payment. Costs associated with the Group's normal business activity are not entered in provisions before binding events occur.

When time affects the value of money in a significant way, provisions are measured at the present value of the expenditure expected to be required to settle the liability, using a pre-tax interest rate which reflects the current market estimates of the value of money over time and risks associated with the liability, as the discounting rate. An increase in the provision due to the passage of time is recognised as a financial expense.

4.4.15. Revenue recognition

The Group adopted IFRS 15 "Revenue from Contracts with Customers", which it applied with full retrospective effect.

The Group recognises the revenue in a manner that reflects the transfer of goods or services to customers at the amount which it anticipates itself to be entitled to in exchange for these goods or services.

Revenue is recognised to the extent that it is likely that the financial benefits will accrue to the Group and the relevant amounts can be reliably quantified. Revenues are valued at fair value of the consideration collected or to be collected, and represent the amounts due from the sale of goods or provision of services, net of VAT, returns and discounts.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer (usually upon their delivery and acceptance by him) and when the collection of the related amounts is reasonably assured.

Revenues are recognised using the following procedure:

- Recognise the contract primarily in relation to evaluation of the counterparty's creditworthiness.
- Identify the performance obligations. (Separating the delivery of goods from any other services, guarantees, benefits agreed)
- Identify the transaction price (taking into account any guarantees, penalties, incentives, etc.)
- Allocate the transaction price to the obligations (allocate based on individual sale prices for each good or service)
- Identify the revenue when (or as) the Group meets the delivery obligation

Revenue from the provision of services is recognised in the accounting period in which the services are rendered, on the basis of the stage in completion of the service compared to the overall service.

Revenues under operating leases are recognised using the straight-line method over the duration of the lease.

Income from interest is recognised using the effective interest method. Revenues from dividends are recognised in the income statement when the right to collect them has vested.

4.4.16. Dividend distribution

Dividends to Company shareholders are entered in the financial statements as a liability for the period in which Management's proposal for distribution is approved by the annual Ordinary General Meeting of Shareholders.

4.4.17. Financial assets and liabilities

Classification and initial measurement

At initial recognition financial assets are classed in two categories, one where valuation is done at the carrying amount and one where valuation is done at fair value. The criteria which must be taken into account in order to decide on how financial assets are to be initially categorised are as follows:

- i. The business model used by the business to manage such assets. There are 3 types of business models:
 - The business model where the objective is to hold financial instruments to collect the contractual cash flows (hold to collect)
 - The business model where the goal is achieved either by collecting the contractual cash flow or by selling the financial assets (hold to collect and sell)
 - Other business models
- ii. The characteristics of the instruments' contractual cash flows.

In order for a financial instrument to be classed as valued at the carrying amount, all the following criteria must be met:

- The instrument must be under a business model where the objective is to hold financial instruments to collect the contractual cash flows
- The contractual terms governing the asset must exclusively seek cash flows of principal and interest on the unpaid principal which must be paid on specific dates (known as Solely Payments of Principal and Interest- SPPI)

If an instrument meets such criteria but is held both for sale and to collection of contractual cash flows, it must be classed in the 'valued at fair value' category through other results entered directly in equity.

Instruments not falling into any of the two classification categories must be valued at fair value through profit and loss.

Subsequent measurement of financial assets

For measurement purposes the Group divides financial assets into the following categories:

- (a) financial assets valued at the carrying amount (primarily non-interest-bearing receivables from customers) and
- (b) financial assets valued at fair value through profit and loss (primarily investments in equity instruments for profit)

The following rules apply to these categories:

(a) Financial assets valued at the carrying amount (loans and receivables)

This category includes instruments which meet the following requirements:

- They are under a business model where the objective is to hold financial instruments to collect the contractual cash flows
- The contractual terms governing the asset must refer to the Solely Payments of Principal and Interest- SPPI, which must be paid on specific dates

This category is valued at the carrying amount using the effective interest rate model and is periodically examined for signs of expected impairment losses.

It includes current assets unless their effective term is over 12 months from the date on which the financial statements are prepared, and management's intention is to hold them for a longer period until they mature.

(b) Financial assets at fair value through profit and loss

This category includes financial assets:

- i. Which there is an intention to sell within a short period in order to capitalise on short-term market fluctuations (commercial portfolio). The Group places a limited number of shares in this category
- ii. Which do not meet the classification criteria for some other category
- iii. Which the Group chose at initial valuation to value at fair value by transferring the difference arising to the results. Such an irrevocable choice can be made when in doing so eliminates any accounting asymmetry which arises from valuation of such financial assets in a different way (such as carrying cost) compared to related financial instruments (such as derivatives, which are valued at fair value through profit and loss)

Assets in this category are classed as current assets.

Subsequent measurement of financial liabilities

To measure financial liabilities the Group values them at the carrying amount.

(a) Financial liabilities valued at the carrying amount

These liabilities bear interest using the effective interest rate method.

This category includes liabilities to credit institutions and customers, and bonds issued by the Group and other loan obligations.

Impairment of financial assets

When the financial statements are prepared, the Group recognises impairment for expected credit risk losses for customer receivables. Such investments are valued at fair value through profit and loss.

At the end of each period for which financial statements are prepared, the Group assesses whether there are signs that a financial asset or a group of financial assets has been impaired.

Signs of impairment can include the fact that debtors or a group of debtors face serious financial difficulties, an inability to pay interest or the principal, the probability that they will become bankrupt or engage in some other form of financial restructuring, and where there are observable data which indicate that there is a measurable reduction in the estimated future cash flows.

If in a subsequent period the impairment figure reduces and the reduction can be objectively correlated to an event after initial recognition of the impairment (such as an improvement in the debtor's creditworthiness) the reversal of the previously recognised impairment loss is recognised in the income statement.

Impairment is based on expected credit risk losses associated with the probability of default within the next 12 months, unless there is a major increase in credit risk from the time of initial recognition, where the expected credit risk losses are recognised over the instrument's entire life.

For impairment measurement purposes, the Group divides financial assets into the following categories based on credit risk:

- (a) Stage 1:** This includes performing credit facilities which have no major rise in credit risks compared to the date of initial recognition. In this stage the expected credit risk losses are recognised based on the probability of default over the next 12 months.
- (b) Stage 2:** This includes performing credit facilities where there has been a major increase in the credit risk since initial recognition. In this stage, expected credit risk losses are recognised over the instrument's entire life.

- (c) **Stage 3** includes non-performing/impaired credit facilities. In this stage, expected credit risk losses are recognised over the instrument's entire life.

A major increase in credit risk arises by comparing the risk of default on the reporting date against the risk of default on the initial recognition date for all performing credit facilities, including credit facilities which have no past-due days.

Derecognition of financial assets

Financial assets (or a part of a financial asset or part of a group of financial assets, as appropriate) cease to be recognised when:

- The rights to an inflow of cash resources have expired or
- The Group retains the right to an inflow of cash resources from a specific asset but has simultaneously undertaken an obligation to a third party to fully pay them without major delay, in the form of a transfer agreement or
- The Group has transferred the right to an inflow of cash from a specific asset and at the same time has: (a) either materially transferred all risks and rewards of ownership or (b) has not materially transferred all risk and rewards of ownership but has transferred control over the specific asset

Where the Group has transferred the rights to an inflow of cash resources from a specific asset but at the same time has not materially transferred all risks and rewards or control of the specific asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. A corresponding liability is also recognised.

Continuing involvement in the form of a guarantee over the transferred asset is valued at either the initial value of the asset and the maximum amount the Group may be called to pay, whichever is lower.

Derecognition of financial liabilities

A financial liability ceases to be recognised when the relevant obligation is cancelled or has expired. Where a financial liability is replaced by another one from the same lender with materially different terms, or where the terms of an existing obligation have materially changed, the swap or change is considered to be derecognition of the initial obligation and recognition of a new obligation. The difference with current values is recognised in the income statement.

4.4.18. Borrowing cost

General borrowing costs and the borrowing costs assumed specifically for the purchase, construction or production of an asset, which meet the conditions, are capitalised in the cost of the asset until the asset is in effect ready for use or sale.

An asset which meets the conditions is an asset which requires an extensive time period to be ready for intended use or sale. The Group considers that a time period of over 4 months is an extensive time period.

All other borrowing costs are expensed in the income statement as incurred. Borrowing costs consist of the interest and other costs that an entity incurs in connection with the borrowing of funds.

4.4.19. Trade payables

Trade payables are obligations to pay for goods or services acquired from suppliers in the normal course of the Group's business.

Trade payables are recorded as short-term liabilities where payment is made within 1 year (and/or more if the time period is part of the Group's normal operating cycle). If not, they are presented as long-term liabilities.

Trade payables are initially recognised at fair value and are subsequently measured at the carrying amount using the effective interest rate method.

4.4.20. Functional and reporting currency

Information in the Group's financial statements is measured in euro, the local currency used in the country which it primarily operates, and which is also its functional currency.

FX transactions are converted to the functional currency using exchange rates (current exchange rates) on the date of each transaction or the valuation date when assets are revalued.

Exchange rate differences (gains or losses) arising from settlement of such transactions and from conversion into monetary items at the end of the year from the foreign currency to the functional currency are entered in the Income Statement.

4.5 Important accounting estimates and judgements

The preparation of financial statements requires the Management to make estimates and assumptions, which affect the disclosures in the financial statements.

The estimates and judgements are based on experience-based data and other factors, including the expectations of future events which are considered reasonable under specific circumstances.

These estimates and assumptions form the basis for taking decisions about the book values of assets and liabilities that are not readily available from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that entail a significant risk of causing significant changes in the amounts of assets and liabilities within the next fiscal year are presented below.

4.5.1. Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in situations indicate that their book value may not be recoverable.

4.5.2. Income tax

In order to calculate the Group's income tax provision, subjective judgement is required. During the Group's normal course of business, transactions are entered into and calculations are made, meaning that tax calculations are not definite. Where the final tax resulting from tax audits is different from the amounts initially recorded, the differences will affect the income tax and deferred tax forecasts in the period when the calculation of the tax differences was made.

4.5.3. Deferred tax assets

Major management assessments are needed to determine the level of deferred tax assets which can be recognised, based on the likely time and level of future taxable profits, coupled with the Group's own tax planning. The Group has no unused tax losses.

4.5.4. Useful life of tangible assets and residual values

Tangible assets are depreciated over their estimated useful life. The actual useful life of assets is reassessed on an annual basis and may differ due to factors such as technological innovation or obsolescence, the commercial cycle of products, maintenance, i.e factors which, among others, are taken into account in reassessing the lifecycle of assets.

4.5.5. Estimate of the net realisable value of stocks/inventories

The level of the net realisable value of stocks/inventories is Management's best possible estimate based on historical sales trends and its view about the quality and volume of stocks/inventories to the extent that available stocks/inventories on the balance sheet date will be sold below cost.

4.5.6. Provision for doubtful debts

On each date the financial statements are prepared, the Group recognises impairment for expected credit risk losses for customer receivables.

To that end, it assesses whether there are signs of impairment, measures impairment based on the expected credit risk losses (likelihood of default within the next 12 months), assesses whether there is a major rise in credit risk from initial recognition and based on that information classifies the financial assets in one of three stages.

4.5.7. Provision for staff compensation

Obligations to compensate staff are calculated based using actuarial methods at the net value of the defined benefit obligation, the normal cost of current employment and, where appropriate, the cost of past service. This is done using the projected unit credit method (IAS 19).

That method requires management to assess specific factors such as the future increase in employee pay, the discounting rate for such obligations, the employee turnover rate, etc. Management reassesses such assumptions on each reporting date.

4.5.8. Contingent liabilities

The existence of contingent liabilities requires Management to constantly apply assumptions and make value judgements about the likelihood of future events occurring or not occurring and about the impact that such events could have on the Group's activities.

4.5.9. The going concern assumption

Management assesses the Group's financial position in relation to the risks the Group faces, its capital adequacy and any major uncertainties relating to the Group's ability to continue operating in the foreseeable future, and in particular for at least 12 months from the date on which the financial statements are approved.

Management considers that the financial statements can safely be prepared on the basis that it is a going concern, since there are no major uncertainties in relation to the Group's ability to continue to operate in the foreseeable future at least.

4.6 Financial risk management

4.6.1 Financial risk factors

The Group is exposed to financial risks primarily due to the nature and geographical spread of its markets and sales.

The Group's financial risk factors are managed by Management to minimise the potentially unfavourable impacts of market fluctuations on the Group's financial performance.

(a) Liquidity risk

In addition to operating cash flows, the Group holds adequate cash reserves and other liquid assets such as credit facilities with banks in order to ensure it can discharge its financial obligations.

The table below summarises the maturity dates for financial obligations as at 31 December 2021 and 2020 based on payments deriving from the relevant contracts at non-discounted prices.

2020	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
<i>Liabilities</i>	€	€	€	€	€
Loans	10,936,288	-	1,705,883	-	12,642,171
Loans from shareholders	-	-	6,960,887	-	6,960,887
Short-term portion of long-term loans	106,587	-	-	-	106,587
Lease liabilities	273,382	-	360,014	-	633,396
Trade payables	6,641,250	-	-	-	6,641,250
Income tax	2,093,644	-	-	-	2,093,644
Other taxes and duties	121,956	-	-	-	121,956

	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
2020					
<i>Liabilities</i>	€	€	€	€	€
Social security providers	219,797	-	-	-	219,797
Other liabilities	1,849,552	-	-	-	1,849,552
Net Book Value on 31/12/2020	22,242,457	-	9,026,784	-	31,269,241

	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
2021					
<i>Liabilities</i>	€	€	€	€	€
Loans	8,922,898	-	6,239,797	1,300,306	16,463,001
Short-term portion of long-term loans	717,536	-	-	-	717,536
Lease liabilities	281,350	-	815,417	-	1,096,767
Trade payables	6,915,631	-	-	-	6,915,631
Income tax	4,296,230	-	-	-	4,296,230
Other taxes and duties	313,663	-	-	-	131,663
Social security providers	209,488	-	-	-	209,488
Other liabilities	7,719,684	-	-	-	7,719,684
Net Book Value on 31/12/2021	29,376,480	-	7,055,214	1,300,306	37,550,000

Borrowing includes the balances of loans (unpaid principal) including interest at a fixed and variable rate to maturity.

The Group does not face liquidity risks since its working capital is sufficient to meet its needs.

(b) Market risk

Market risk consists of 3 main risks, being FX risk, Price risk (such as the price of goods risk) and interest rate risk.

Group exposure to exchange rate risk derives primarily from existing or expected cash flows in foreign currency (imports/exports) and from foreign investments.

(b.1) Exchange rate risk

The Group enters into transactions in foreign currencies both when selling and buying goods and so is exposed to such risk.

When purchasing from foreign firms, the main transactional currency is the USD. Although there are fluctuations in the EUR/USD exchange rate, this had no major impact on the results for the period. Moreover, the Group uses FX derivatives (options-forwards) to hedge the risk of changes in exchange rates.

FX changes sensitivity analysis

The table below shows changes to Group earnings before tax and equity in the case of potential changes in USD exchange rates since that is the currency in which the Group primarily does business other than the Euro, keeping all other variables unchanged.

Changes include monetary assets and liabilities relevant to Euro - USD exchange rates.

The table was prepared on the assumption that on 31 December 2021 the exchange rate would be 10% different from the actual one. The Impact on EBT and equity was as follows:

(Amounts in €)	Fluctuation		Fluctuation	
	+10% -10%		+10% -10%	
	USD		USD	
	2021		2020	
Effect on EBT	342,869	(342,869)	148,575	148,575
Effect on Equity	342,869	(342,869)	148,575	148,575

Financial assets/liabilities in FX

	2021	2020
Financial assets in FX	9,275,662	4,227,383
Financial liabilities in FX	5,331,732	2,437,312

(B.2) Price risk - stocks/inventories / services purchase prices and selling prices

The Group is exposed to changes in the value of raw materials/merchandise to a limited degree. The risk to the Group from changes in the price of commodities is minimal.

The Group checks for any impairment of its stocks/inventories and other assets, and if there are signs and there are grounds for obsolescence, the Group applies the relevant impairments so that the value in the financial statements always matches the actual value.

As for selling prices, the Group enters into binding sales agreements at fixed prices, and so there is no price risk in relation to sales and receivables.

(b.3) Interest rate risk

Due to the fact that the Group does not have significant interest-bearing assets, its operating income and cash flows are materially independent of changes in interest rates.

The Group has loan obligations. Where there are loans, the loan repayment terms, including the borrowing rates, are negotiated with banks. Consequently, the level of interest and the interest rate applied are not freely adjustable, but are negotiated.

The interest-bearing financial liabilities on 31/12/2020 and 31/12/2021 respectively are shown in the table below:

	2021	2020
	€	€
Long term loans	7,540,103	1,705,883
Short term loans	8,922,898	10,936,288
Short-term portion of long-term loans	717,536	106,587
Bank loans	17,180,537	12,748,758
Long term lease liabilities	815,417	360,014
Short term lease liabilities	281,350	273,382
Lease Liabilities	1,096,767	633,396
Total of interest-bearing liabilities	18,277,304	13,382,154

Interest rate changes sensitivity analysis

The impacts of variations in interest rates on the Group's operating results and operating cash flows are limited as can be seen from the following sensitivity analysis:

Interest rate risk

	Fluctuation		Fluctuation	
	+100	-100	+100	-100
	Base units		Base units	
	2021		2020	
	€	€	€	€
Effect on Earnings before taxes	(101,035)	101,035	(45,834)	45,834
Effect on equity	(101,035)	101,035	(45,834)	45,834

(c) Credit risk

The Group provides goods and services solely to recognised, solvent counterparties.

It is Group policy that all clients to whom goods and services are provided on credit must undergo credit checks. In addition, trade receivables are constantly monitored to minimise risk from bad debt.

As far as the credit risk from other financial assets of the Group is concerned (cash and cash equivalents), the risk derives from failure to comply with the counterparty's contractual terms, and maximum exposure to risk is equal to the book value of the instruments concerned.

Group exposure to credit risk is limited to the financial assets (instruments) which on the balance sheet date can be broken down as follows:

	2021	2020
	€	€
Cash and cash equivalents	26,096,448	14,632,284
Trade receivables	15,841,677	6,779,237
Other Receivables	2,709,585	2,889,362
Other financial assets	397,378	333,608
Net book value	<u>45,045,088</u>	<u>24,634,491</u>

In relation to trade and other receivables, the Group is not exposed to significant credit risks.

(d) Capital risk - Capital management

The aim in managing capital risk is to ensure that the Group remains a going concern so that there are satisfactory returns for shareholders, to keep a satisfactory capital structure and to reduce the cost of capital.

The primary objective in managing the Group's capital is to maintain sound capital indicators to support its operations and maximise value for shareholders.

Management takes a conservative approach to managing the capital structure using the gearing ratio, as is clear from the total liabilities / total equity ratio.

Maintaining or adjusting the capital structure can be done by adjusting the size of dividends paid to shareholders, by returning share capital to shareholders, by issuing new shares or by selling off assets to reduce borrowing.

The Group's gearing ratio on 31 December 2020 and 2021 was as follows:

	2021	2020
	€	€
Long term loan obligations	8,355,520	9,026,784
Short term loan obligations	9,921,784	11,316,257
Total debt	<u>18,277,304</u>	<u>20,343,041</u>
Less: Cash and cash equivalents	(26,096,448)	(14,632,285)
Net borrowing	<u>(7,819,144)</u>	<u>5,710,756</u>
Equity	33,845,212	14,618,483
Total capital employed	<u>26,026,068</u>	<u>20,329,239</u>
Gearing ratio	<u>(30.04)%</u>	<u>28.3%</u>

Management monitors capital using the gearing ratio. This ratio is calculated by dividing net borrowing by total capital employed.

Net borrowing is calculated as total borrowing (short-term and long-term) less cash and cash equivalents.

Total capital employed is calculated as equity as shown in the statement of changes in equity plus net borrowing.

The Group is not exposed to capital risk since the key liquidity indicators for the last 2 periods have revealed it has high liquidity and adequate working capital despite the existence of loans.

4.7 Fair value measurement

The Group uses the following scale to determine and disclose the fair value of assets and liabilities for each valuation technique:

Level 1: Negotiable (non-adjusted) prices on active markets for similar assets or liabilities.

Level 2: Other techniques for which all data with a major impact on fair value is visible, either directly or indirectly, and includes valuation techniques employing negotiable prices on less active markets for similar or identical assets or liabilities.

Level 3: Techniques that use data with a major impact on fair value not based on observable market data.

The table below shows the fair value rankings of the Group's assets and liabilities on 31/12/2020 and 31/12/2021:

	2021	2020	Fair value
Assets	€	€	Scale
Other financial assets	397,378	333,608	Level1

During the year there were no transfers from within or outside level 3 when measuring fair value.

Other financial assets relate to investments in shares in companies listed on the Athens Exchange and in particular in shares of National Bank acquired for € 251,050, shares of Hellenic Petroleum acquired for € 102,312 and shares in the Piraeus Port Authority acquired for € 67,173. Cumulative impairments of € 86,927 have been made on these investments.

Management considers that the figures for the cash assets and short-term deposits, customers, suppliers, and other short-term liabilities accounts approximate their actual book value primarily because they mature in the short-term.

5.1 Turnover

	2021	2020
	€	€
Receivables from the sale of products & merchandise	79,925,145	53,917,671
Revenues from services rendered	632,675	301,910
Net Book Value	80,557,820	54,219,581

5.2 Cost of goods sold

	2021	2020
	€	€
Purchases consumption	36,139,105	28,951,453
Staff salaries and expenses	4,809,959	2,071,230
Third party fees and expenses	5,055,754	4,551,950
Subcontracting fees	240,074	123,115
Miscellaneous expenses	215,916	489,861
Depreciation	452,272	603,439
Net book value	46,913,079	36,791,048

5.3 Other Revenues

	2021	2020
	€	€
Rental income	100,054	20,165
Income from grants - subsidies	45,056	-
Miscellaneous other income	16,863	28,089
Net book value	161,973	48,254

5.4 **Administrative expenses**

	2021	2020
	€	€
Staff salaries and expenses	1,686,178	1,301,328
Third party fees and expenses	1,481,455	775,749
Charges for outside services	301,902	263,875
Taxes and duties	60,397	134,963
Miscellaneous Expenses	1,128,828	911,932
Depreciation	626,927	476,475
Net book value	5,286,284	3,864,322

5.5 **Selling expenses**

	2021	2020
	€	€
Staff salaries and expenses	406,681	499,329
Third party fees and expenses	165,392	166,080
Miscellaneous Expenses	919,526	590,379
Depreciation	39,284	-
Net book value	1,530,883	1,255,788

5.6 **Research & Development expenses**

	2021	2020
	€	€
Staff salaries and expenses	1,094,222	851,881
Third party fees and expenses	154,813	129,314
Miscellaneous Expenses	62,653	76,979
Depreciation	170,756	37,065
Net book value	1,482,444	1,095,239

5.7 **Other Expenses and Losses & Impairment of Assets**

	2021	2020
	€	€
Foreign exchange losses	184,199	689,187
Other expenses	149,658	64,167
Impairment of financial assets	129,678	213,388
Net book value	463,535	966,742

5.8 **Other income and profits**

	2021	2020
	€	€
Foreign exchange gains	74,138	752,539
Profits (losses) on disposal of non-current assets	39,888	-
Profits from unrealised bad debt provisions	100,358	3,856
Depreciation of asset grants	985	985
Profits (losses) fair value measurements	71,634	-
Miscellaneous Expenses	76,949	84,007
Net book value	363,952	841,387

5.9 **Financing (Expenses)/Income**

	2021	2020
	€	€
Credit interest and related income	170	1,832
Debit interest of bank loans	(481,077)	(487,847)
Interest on lease liabilities	(17,455)	(15,774)
Financial cost of discounting liability for post-employment benefits	(820)	(3,330)
Effect of change in accounting policy (IAS19)	-	(1,943)
Interest charges and related expenses	(17)	-
	(499,369)	(508,894)
Other banking charges unrelated to financing	(593,322)	(625,414)

	2021	2020
	€	€
Related finance expenses	-	(22,431)
Interest expense and related expenses	(1,092,691)	(1,156,739)
Interest grants due to Covid 19	-	190,509
Net book value	(1,092,521)	(964,398)

5.10 **Income tax**

	2021	2020
	€	€
Corporation tax - Current year	5,304,286	2,857,861
Corporation tax - Previous year	(101,221)	-
Deferred tax – (Credit)/Debit (Note 5.15)	48,779	(131,950)
Effect of change in accounting policy (IAS19)	-	14,181
Provisions and other taxes	-	1,600
Net book value	5,251,844	2,741,692
	2021	2020
	€	€
Recognition of tax liability / (gain)		
In profit and loss statement	5,251,557	2,742,039
In other comprehensive income	287	(347)
Tax charge	5,251,844	2,741,692

Regarding the Greek Subsidiary "Theon Sensors – Single Member SA":

The tax rate on profits from the business activity of legal persons in Greece for the year 2021 based on Article 120 of Law No. 4799/2021 amounts to 22% (17 May 2021) (2020: 24%).

The Greek Subsidiary has obtained tax compliance certificates with unqualified opinion by its certified auditor for each fiscal year from 2011 up to and including 2020 according to Greek tax laws (years 2011-2013 pursuant to the provisions of Article 82 of Law No. 2238/1994 and years 2014-2020 pursuant to the provisions of Article 65A of Law No. 4174/2013).

The Greek Subsidiary does not expect additional taxes and surcharges to occur in the context of the audit of the Greek tax authorities for the years 2016 up to 2021. Accordingly, based on risk analysis criteria and as part of the audits carried out on companies that have received tax compliance certificates with unqualified opinion by a certified auditor, the Company may be selected by the Greek tax authorities for a tax audit.

The Greek Subsidiary was audited by the tax authority (Large Enterprises Audit Centre) for the 2014, 2015 and 2016 accounting periods, following audit instructions sent to it at the end of May 2018. That audit is still under way (note 5.23) and the Company has not received any other audit instruction from the tax authorities for the fiscal years 2017 to 2021.

It is noted that on 31.12.2021 the fiscal years up to 31.12.2015 were written off, in accordance with the provisions of Article 36(1) of Law No. 4174/2013.

The tax audit for the year 2021 is currently in progress, and the Management does not expect a substantial change in the tax liabilities for this year. The audit is expected to be completed after the financial statements for this period have been published. Upon completion of this tax audit, the Subsidiary's Management does not expect to incur any tax liabilities other than those entered and reflected in the Financial Statements.

The management considers that should tax authorities re-audit the Company, there will be no additional tax adjustments which significantly impact the financial statements.

5.11 **Earnings per share**

	2021	2020
Net profit for period	€19,063,442	€7,429,646
Average weighted no. of issued ordinary shares	200,000	200,000
Basic and diluted earnings per share	€95.32	€37.15

Basic earnings per share are calculated by dividing the net profits corresponding to ordinary shareholders by the average weighted number of ordinary shares in issue over the year.

The Company has not issued preference shares nor has it issued other financial instruments such as stock options or debentures convertible to ordinary shares.

Consequently, both the basic earnings per share and the diluted earnings per share are the same.

For the purposes of these consolidated financial statements the weighted average number of issued ordinary shares of 200,000 that were issued on 13 September 2021 was used for both years.

5.12 Tangible Assets

	Properties	Right to use properties	Mechanical equipment	Right to use cars	Other equipment	Total
	€	€	€	€	€	€
Acquisition cost						
Acquisition cost /1/2020	5,809,235	995,614	4,296,395	357,583	3,175,051	14,633,878
Additions	189,139	156,619	530,374	95,632	264,344	1,236,108
Disposals	-	-	-	-	-	-
Reductions	-	(515,870)	-	-	-	(515,870)
Acquisition cost 31/12/2020 – 1/1/2021	5,998,374	636,363	4,826,769	453,215	3,439,395	15,354,116
Additions	2,353,071	674,308	953,369	69,961	512,287	4,562,726
Disposals	-	-	-	-	-	-
Reductions	-	(156,619)	(135,729)	(18,339)	(84,669)	(395,356)
Acquisition cost 31/12/2021	6,860,117	1,154,052	5,644,409	504,567	3,867,013	18,030,158
Depreciation / Impairment						
Depreciation 1/1/2020	(1,985,830)	(702,963)	(2,636,599)	(127,855)	(2,270,353)	(7,723,600)
Depreciation for the year	(308,878)	(113,599)	(292,289)	(64,098)	(246,026)	(1,024,890)
On sales	-	-	-	-	-	-
Reductions	-	-	-	20,280	-	20,280
Depreciation 1/1/2021	(2,211,607)	(354,191)	(2,934,515)	(131,623)	(2,460,444)	(8,092,380)
Depreciation for the year	(245,222)	(174,555)	(370,458)	(106,519)	(225,598)	(1,122,352)
On sales	-	-	-	-	-	-
Reductions	-	156,619	123,186	18,339	71,846	369,990
Depreciation on 31/12/2021	(2,456,830)	(372,126)	(3,181,787)	(219,803)	(2,614,196)	(8,844,742)
Net book value 31/12/2020	3,786,767	282,172	1,892,254	321,592	978,951	7,261,736
Net book value 31/12/2021	4,403,287	781,926	2,462,622	284,764	1,252,817	9,185,416

During 2021, part of the property on 62 Ioanni Metaxa St., worth € 1,491,328 was transferred to investment property, which the company leases to related parties.

The following encumbrances have been registered on the Company's assets:

The following collateral has been registered in favour of National Bank of Greece:

A first mortgage prenotation on the plot situated at 57 Ioannou Metaxa St., Koropi, Attica and the industrial building thereon for € 960,000.00, to secure bank loan whose total outstanding balance as at 31 December 2021 was € 705,884. The loan was be fully repaid at the end of March and all the necessary actions were taken to release the mortgage prenotation.

The following collateral has been registered in favour of Piraeus Bank:

A first mortgage prenotation on the plot situated at 62 Ioannou Metaxa St., Koropi, Attica and the industrial building thereon for € 2,000,000 to secure bank loan whose total outstanding balance as at 31 December 2021 was € 2,000,000.

5.13 Intangible assets

	Development Costs	Other Intangibles	Total
<i>Acquisition cost</i>	€	€	€
Acquisition cost 1/1/2020	2,378,666	1,260,933	3,639,599
Additions	-	75,686	75,686
Disposals	-	-	-
Acquisition cost 31/12/2020	2,378,666	1,336,619	3,715,285
Additions	-	106,527	106,527
Disposals	-	-	-
Acquisition cost 31/12/2021	2,378,666	1,443,146	3,821,812
Depreciation / Impairment			
Total amortisation / impairment	(2,082,299)	(887,283)	(2,969,582)
Amortisation for the year	(48,901)	(112,984)	(161,885)
Cumulative impairment on 1/1/2020	-	-	-
Impairment for the year	-	-	-
Total amortisation / impairment	(2,131,200)	(1,000,267)	(3,131,467)
Amortisation for the year	(55,123)	(111,764)	(166,887)
Cumulative amortisation 1/1/2021	-	-	-
Impairment for the year	-	-	-
Total amortisation / impairment	(2,186,323)	(1,112,031)	(3,298,354)
Net book value 31/12/2020	247,466	336,352	583,818
Net book value 31/12/2021	192,343	331,115	523,458

5.14 Other long-term Receivables

	2021	2020
	€	€
Investment in "Hellenic Photonics"	-	1,000
Guarantees granted	103,922	96,347
Net book value	103,922	97,347

5.15 Deferred Tax Asset

	2021	2020
	€	€
Asset / (liability) on 1/1	221,000	143,789
Effect in change of accounting policy (IAS19)	-	(40,558)
	221,000	103,231
Tax Income / (Charge):		
In income statement:	(48,779)	121,849
Effect in change of accounting policy (IAS19)	-	(4,427)
In other comprehensive income	(287)	10,101
Effect in change of accounting policy (IAS19)	-	(9,754)
Asset / (Liability) on 31/12	54,047	221,000

5.16 Stocks/inventories

	Finished/ work in progress	Raw materials	Down payments & other inventories	Total
2020				
Inventories on 31/12/2020	4,111,181	9,713,186	53,820	13,878,187
Accumulated impairment on 1/1/2020	-	-	-	-
Impairment for the period	(390,191)	(140,710)	-	(530,901)
Net book value on 31/12/2020	3,720,990	9,572,476	53,820	13,347,286

	Finished/ work in progress	Raw materials	Down payments & other inventories	Total
2021				
Inventories on 31/12/2021	4,765,886	8,459,104	2,871,060	16,096,050

	Finished/ work in progress	Raw materials	Down payments & other inventories	Total
2021				
Accumulated impairment on 1/1/2021	(390,191)	(140,710)	-	(530,901)
Impairment for the period	(66,817)	(101,459)	-	(34,642)
Net book value on 31/12/2021	4,442,512	8,216,935	2,871,060	15,530,507

5.17 Financial assets and prepayments

	Trade receivables	Other receivables	Other financial assets	Total
2020				
	€	€	€	€
Receivables on 31/12/2020	7,186,505	2,889,362	420,535	10,496,402
Accumulated impairment on 1/1/2020	(287,028)	-	(48,478)	(335,506)
Change in impairment during the year	(120,240)	-	(38,449)	(158,689)
	(407,268)	-	(86,927)	(494,195)
Net book value on 31/12/2020	6,779,237	2,889,362	333,608	10,002,207

	Trade receivables	Other receivables	Other financial assets	Total
2021				
	€	€	€	€
Receivables on 31/12/2021	16,258,374	2,709,585	432,558	19,400,517
Accumulated impairment on 1/1/2021	(407,268)	-	(86,927)	(494,195)
Change in impairment during the year	(9,429)	-	51,747	42,318
	(416,697)	-	(35,180)	(451,877)
Net book value on 31/12/2021	15,841,677	2,709,585	397,378	18,948,640

The "Other Receivables" account includes amounts relating to income tax credit, VAT credit, amounts blocked for imports (cash guarantees) and various amounts from "Other debtors" in euro.

The "Other Financial Assets" account relates to the investment participations in the Greek organisations PPA, HELPE and National Bank of Greece, which were valued at their fair value.

The overall impairment of trade receivables on 31/12/2021 amounted at € 416,697 (31/12/2020: €407,266) and relates to additional provisions for customers whose balance of receivables was past due by more than 360 days.

The trade receivables account does not bear interest and is normally settled within a period of 0 to 120 days. Provisions for impairment have been formed for customer balances not in arrears for more than 1 year from the contractual payment date and such provisions are considered adequate.

5.18 Cash and cash equivalents

	2021	2020
	€	€
Cash in hand	10,359	300,633
Sight deposits in euro	25,177,070	13,456,221
Sight deposits in foreign currency	909,018	875,430
Net book value	26,096,448	14,632,284

Cash and cash equivalents meet the Group's needs.

5.19 Paid-up capital & reserves

	2021	2020
	€	€
Share Capital	200,000	200,000
Reserves mandated by law or the articles of association	3,603,943	3,603,943
Statutory reserve	1,781,154	1,391,641
Rounding differences	184	2,404
Other comprehensive income	4,408,342	2,148,070
Retained earnings	55,156,162	36,626,303

THEON INTERNATIONAL PLC

	2021	2020
	€	€
Consolidation reserve	(31,304,573)	(29,353,878)
Net book value	33,845,212	14,618,483

The authorised and issued share capital of the company amounts to €200,000 and is comprised of 200,000 ordinary shares with nominal value of €1,00 each. All issued shares are fully settled.

Developments in the share capital

a) On 13 September 2021 the Extraordinary General Meeting of the Company unanimously resolved to issue 199,000 ordinary shares of nominal value €1,00 each which were subsequently exchanged for the acquisition of Theon Sensors AG. More specifically 199,000 ordinary shares were offered to the shareholders of Theon Sensors AG for the acquisition of 100% of the issued share capital i.e., 204,082 shares issued and fully paid shares.

5.20 Provisions for Employee Benefits

	2021	2020
	€	€
Defined benefit liability on 1/1	136,744	289,586
Effect in change of accounting policy (IAS19)	-	(168,994)
Defined benefit liability on 31/12	136,744	120,592
Statement of financial position		
Benefits paid	(12,830)	(9,913)
	(12,830)	(9,913)
Statement of Profit and Loss		
Current employment costs	38,606	39,732
Effect in change of accounting policy (IAS19)	-	(16,500)
Interest expense	820	3,330
Effect in change of accounting policy (IAS19)	-	(1,943)
	39,426	24,619
Statement of Other Comprehensive Income		
Actuarial losses / (gains)	(1,305)	42,088
Effect in change of accounting policy (IAS19)	-	(40,642)
	(1,305)	1,446
Defined benefit liability on 31/12	162,035	136,744

The actuarial estimate of obligations has been prepared in accordance with the relevant legislation in Greece and relates to the Greek Subsidiary as it arises from the requirements of the Laws 2112/1920 and 3026/1954 and amended by Laws 4093/2012, 4336/2015 and 4194/2013.

They are pension benefits specified in the relevant legislation paid once the employee retires. Greek labour law provides for compensation when one retires from work. The amount is based on length of service at the company, taking into account the pay on the date of departure.

Compensation for retirement is not funded from special funds.

The company has not developed a special benefits plan for employees other than those specified in the relevant legislation, which must be paid to all employees who leave the company.

The present value of the defined benefit obligation, the normal cost of current employee and, where appropriate, the cost of past service are calculated using the projected unit credit method (IAS 19).

During 2021 and based on a decision of the International Financial Reporting Standards Interpretations Committee (IFRIC) on the application of IAS 19 to this actuarial liability, the actuarial liability was allocated in such a way that it is now recognised only in relation to the last 16 years of service before retirement. Before the Board of Director's decision was issued, the Company applied IAS 19 attributing the

benefits under Article 8 of Law No. 3198/1955, and Law No. 2112/1920, as amended by Law No. 4093/2012, to the period from the hire date to the retirement date of employees.

The effect of the IFRIC decision was recognised as a Change in Accounting Policy in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and was recognised retrospectively in accordance with the provisions of paragraphs 19-22 of IAS 8. The change in accounting policy was applied retrospectively as of 1/1/2020. As such, the starting balance of each affected equity for the older of the presented periods and the other comparative amounts for each previous period presented as if the new accounting policy had always been in use were adjusted accordingly.

Assumptions

That method requires Management to assess specific factors such as the future increase in employee pay, discounting rate for such liabilities, employee turnover rate, etc. Management reassesses those assumptions on each reporting date.

Financial assumptions

	2021	2020
Discount rate	0.750%	0.60%
Expected future salary increases	2.00%	2.00%
Inflation	1.80%	1.50%

Demographic assumptions

The basic assumption was that the turnover rate in the period between the end of the year and the time of retirement would be zero, and for other demographic assumptions the actuarial tables in the EVK 2000 framework were used.

On 31.12.2021 the Group employed a staff of 183 persons (31.12.2020: 135)

Cash outflow timing

Calculation of the timing of outflows of expected nominal cash flows (without using discounting) in the years to come is presented in the table below:

	Payment of liability
	€
From 0-1 years	70,966
From 1-5 years	46,599
From 5-10 years	88,199
10 years or more	1,445,615
	1.651,379

Sensitivity analysis

We examined the sensitivity of the actuarial present value of the defined benefit obligation (DBO) and the forecast of normal cost (NC) of service for the following year, by changing the basic assumptions which were used.

Use of a 0.5% higher discount rate would result in the present value of the actuarial obligation being 2% lower while, the exact opposite, use of a 0.5% lower discount rate would result in the present value of the actuarial obligation being 2% higher.

The relevant sensitivity tests for the expected pay rise, namely a pay rise of 0.5% higher than expected would result in an actuarial obligation 2% higher, and the exact opposite, use of an expected pay rise 0.5% lower than expected would result in an actuarial obligation 2% lower.

	Actuarial Liability	Percentage change	Normal cost of next year	Percentage change
0.5% increase in the discount rate	143,248	2.0%)	20,561	(5.0%)
0.5% increase in the discount rate	148,608	2.0%	22,720	5.0%
0.5% increase in expected pay rise	148,560	2.0%	22,700	5.0%
0.5% Decrease in expected pay rise	143,267	(2.0%)	20,568	(5.0%)

5.21 Loans

	Long term loans	Short term loans	Short term portion of long-term loans	Total Bank loans	Long term lease liabilities.	Short term lease liabilities.	Total loan obligations.
	€	€	€	€	€	€	€
2020							
Amounts due on 1/1/2020	2,512,955	7,058,200	125,464	9,696,619	317,763	233,059	10,247,441
New lease liabilities	-	-	-	-	167,418	156,619	324,037
Disbursements	1,000,000	18,939,233	-	19,939,233	-	-	19,939,233
Capital repayments	(1,694,261)	(15,034,474)	(125,464)	(16,854,199)	-	(241,463)	(17,095,662)
Interest charges	58,532	433,862	-	492,394	-	15,774	508,168
Interest repayments	(45,563)	(311,386)	-	(356,949)	-	(15,774)	(372,723)
Interest subsidies	(19,193)	(149,147)	-	(168,340)	-	-	(168,340)
Transfers between accounts	(106,587)	-	106,587	-	(125,167)	125,167	-
Amounts due on 31/12/2020	1,705,883	10,936,288	106,587	12,748,758	360,014	273,382	13,382,154
2021							
Amounts due on 1/1/2021	1,705,883	10,936,288	106,587	12,748,758	360,014	273,382	13,382,154
New lease liabilities	-	-	-	-	559,486	184,514	744,000
Disbursements	6,600,000	30,871,883	-	37,471,883	-	-	37,471,883
Capital repayments	(91,926)	(32,881,686)	(94,116)	(33,067,728)	-	(280,629)	(33,348,357)
Interest charges	94,848	324,948	61,281	481,077	-	17,455	498,532
Interest repayments	(86,254)	(328,535)	(38,664)	(453,453)	-	(17,455)	(470,908)
Transfers between accounts	(682,448)	-	682,448	-	(104,083)	104,083	-
Amounts due on 31/12/2021	7,540,103	8,922,898	717,536	17,180,537	815,417	281,350	18,277,304

The Group presents interest of € 498,532 in the 2021 profit and loss statement (2020: €503,621) (see note 5.9).

The lease liability as at 31 December 2021 amounting to €1,096,767 comprises of €291,789 (2020: €332,893) relating to obligations under a car hire agreement whereas the remainder of €804,978 (2020: €306,698) relates to the rental of properties.

It should also be noted that at the end of the year the Group had a claim of € zero (2020: € 22,169) for an interest subsidy, which has not been depicted in the above table.

The lease liability using discounted figures (principal owed) can be broken down as follows:

	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
	€	€	€	€
2020				
Car lease liabilities	97,353	229,345	-	326,698
Property lease liabilities	176,029	107,086	23,583	306,698
Total principal due	273,382	336,431	23,583	633,396
2021				
Car lease liabilities	100,839	190,950	-	291,789
Property lease liabilities	180,511	624,467	-	804,978
Total principal due	281,350	815,417	-	1,096,767

The long-term loans are also broken down into discounted amounts (capital due):

2021	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
	€	€	€	€
Long term loans	717,536	6,239,797	1,300,306	8,257,639
Total loan capital	717,536	6,239,797	1,300,306	8,257,639

It is noted that, in 2022, the Group has already prepaid long-term loans of €3,782,355.

5.22 Government Grants

	2021	2020
	€	€
EU Grants	221,734	-
"Quality Modernisation" Grant	152,667	-
Other Government Grants - Unamortised	3,984	4,969
Net book value	378,385	4,969

5.23 Trade and other payables

	2021	2020
	€	€
EU suppliers	3,946,744	4,712,825
Third country suppliers	2,968,887	1,928,425
	6,915,631	6,641,250

5.24 Tax liabilities

	2021	2020
	€	€
Liability on 1/1	2,093,644	156,972
Receivable on 1 /1	-	-
Net liability 1/1	2,093,644	156,972
Prior period tax prepayment liability	1,826,502	-
Prior period advance payment	(1,687,319)	(824,849)
Offset against other debts	(1,239,771)	(54,248)
Other taxes	1,600	1,600
Withholding tax in current period	(1,901,204)	-
Current year tax expense	5,303,999	2,814,169
Prior year tax expense	(101,221)	-
Movement for the year	2,202,586	1,936,672
Liability on 31/12	4,296,230	2,093,644
Receivable on 31/12	-	-
Net liability / (receivable) 31/12	4,296,230	2,093,644

The tax rates on the profits of the main subsidiaries of the Group, based on their country of tax residence are as follows:

- Theon International PLC, Cyprus: 12,5%
- Theon Sensors AG, Switzerland: 11,9%
- Theon Sensors SA, Greece: From year 2021 onwards: 22% following article 120 of law 4799/2021 (17 May 2021).
- Theon Sensors MEA FZC, United Arab Emirates: 0%
- Theon Sensors Far East Ltd, Singapore: 16%

5.25 Other taxes - Duties

	2021	2020
	€	€
Other withholding taxes and duties	131,663	121,956
Net book value	131,663	121,956

5.26 Other liabilities

	2021	2020
	€	€
Customer prepayments	4,329,348	1,663,834
Various creditors	3,390,336	185,718
Net book value	7,719,684	1,849,552

5.27 Contingent Liabilities & Commitments

The Group has no significant outstanding liabilities to third parties or third parties. The guarantee letters which have been issued are shown in the table below:

	2021	2020
	€	€
Guarantee letters for customs office	7,040,500	4,962,000
Performance guarantees	348,879	946,831
Guarantee letters for goods standing	1,162,855	11,164
Guarantee letters for in favor customer prepayments	1,895,280	3,001,744
Guarantee letters for in favor of 3 rd parties	191,744	-
Guarantee letters for participation	220,842	484,521
	10,860,100	9,406,260

5.28 Operating environment of the Group

During the year ended 31 December 2021, the spread of the COVID-19 pandemic was taking place, both in our country and globally. Although the peak of this pandemic is now behind us and it is currently impossible to safely estimate the extent of the financial and other consequences in Cyprus, the countries in which the Group operates as well as internationally, it is anticipated that they will be significant.

Given the above, the Management of the Group is currently unable to estimate the extent of the long-term impact of the pandemic on the financials and course of the Group. Management's current expectations and estimates could differ from actual results. Management has considered the unique circumstances that had a material impact on the business operations and the risk exposures of the Group and has concluded that the main impacts on the Group's profitability/liquidity position have arisen from:

- interruption of productivity,
- supply chain disruptions,
- reduction in sales due to closure of facilities and stores,
- increase in expected credit losses from trade receivables

Management has assessed and is in the process of reassessing the trading and relevant cash flows using revised assumptions and incorporating downside scenarios in assessing actual and potential financing needs, taking into consideration the main impacts identified above.

It will continue to monitor the situation closely and assess/seek additional measures/committed facilities as a fall-back plan in case the period of disruption becomes prolonged. As soon as safe forecasts can be made, management shall assess said impact on the financials and course of the Group and shall accordingly notify its partners.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty though, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

5.29 Transactions with related parties

The principal shareholder and ultimate beneficial owner of the group is Mr. Christian Hadjiminias who owns 79.19% of the share capital. The other shareholders with ownership percentage over 5% are Mr. Nikolaos Papatsas who owns 14.04% and other group employees that own 6.77%.

5.29.1 Remuneration of senior management and Board members

Remuneration of senior management and Board members were as follows:

	2021	2020
	€	€
Salaries	285,348	372,263
Social security costs	25,949	32,002
	<u>311,297</u>	<u>404,265</u>

5.29.2 Balance with related parties

Receivable from related parties

	2021	2020
	€	€
ESS - European Sensor Systems	102,089	18,875
Ucadrone	19,861	-
Nikolaos Papatsas – shareholder	-	71
	<u>121,950</u>	<u>18,946</u>

5.29 Transactions with related parties (continued)

5.29.1 Remuneration of senior management and Board members (continued)

Payables to related parties

	2021	2020
	€	€
ESS - European Sensor Systems	-	93,000
EFA – European investments	-	248,000
Paty Hadjiminias	-	71,460
Christian Hadjiminias – shareholder	-	5,500,764
Nikolaos Papatsas– shareholder	-	669,403
Thomas Ntakos – shareholder	-	436,712
Vassilios Savvaidis – shareholder	-	282,548
Evangelos Boutlas – shareholder	-	708
	<u>-</u>	<u>7,209,595</u>

The balance due to Aerospace Ventures AG bears interest 1.9% and 2.25%. All the other balances are interest free and are payable on demand.

5.29.3 Transactions with related parties

Sale of products

	2021	2020
	€	€
ESS - European sensor systems	75,852	20,165
Skytalis	400	-
Ucadrone	24,202	-
	<u>100,454</u>	<u>20,165</u>

Purchases of products and services

	2021	2020
	€	€
ESS – European sensor systems	350,000	300,000

	2021	2020
	€	€
EFA – European investments	224,000	224,000
	574,000	524,000

Sales of financial assets

	2021	2020
	€	€
ESS – European sensor systems	16,253	-
Chre Investments SM PC	49,000	-
	65,253	-

5.29.4 Key management personnel

Key management personnel mean persons who have the power and responsibility for planning, managing and controlling the activities of an economic entity, whether directly or indirectly.

No loans have been provided to members of the Board or other Group management executives (or their families) and there are no receivables/liabilities involving Board members.

There were no changes in transactions between the Group and related parties which could have material impacts on the Group's financial position and performance for the period ended.

5.30 Shareholders holding more than 5% for the issued share capital of the Group

On 31 December 2021 and upto the date of approval of these financial statements, the following shareholders owned, directly or indirectly more that 5% of the nominal value of the issued share capital of the Group:

	2021	
	<i>Directly</i>	<i>Indirectly</i>
Christian Hadjiminias	79,19%	-
Nikolaos Papatsas	14,04%	-

5.31 Participation of Management in the share capital of the Group

The percentage of direct and indirect participation of the Board of Directors in the share capital of the Group Company (according to the article (4) (b) of the Directive OΔ 190-2007-04) on 31 December 2021 and upto the date of approval of these financial statements were as follows:

	2021	
	<i>Directly</i>	<i>Indirectly</i>
Christian Hadjiminias	79,19%	-

5.32 Significant agreements with Management

As at the year-end date of 31 December 2021 there were no material agreements between the Group and its Management.

5.33 Going Concern

The Group's financial statements have been prepared on the basis that the Group remains a going concern.

5.34 Subsequent events

a) The recent geopolitical events in Ukraine with the Russian military activities and the imposition of a series of restrictive measures (sanctions) against Russia could affect the world markets for goods, energy and the economic developments in general. Management continues to monitor the situation closely and will assess the need for relative actions.

It is anticipated that the Ukraine crisis, will positively affect the financial results of the Group as it will allow the sector, especially in night vision systems to develop further.

More specifically, the Group considers that the anticipated increase in defence and security spending worldwide and in particular in the European Union, as a result of the Ukraine crisis will positively affect the Group both in 2022 and 2023.

The key factors which will affect the Company's performance and turnover and results in 2022 include, among others, the willingness to spend on defence equipment (including that for security services), the state of the global economy and the intensity of competition.

The management of the Group assess the above factors on a continued basis and plans for necessary actions for the optimisation of Group performance on the basis of the developments as they arise.

Management considers the geopolitical events in Ukraine as non-adjusting post balance sheet events and their impact cannot be assessed at this point in time.

(b) It is noted that, in early 2022, the Group has already prepaid long-term loans of € 3,711,768. Therefore, the Long-Term Loans is as follows:

	Balance 31/12/2021	Incurred Early repayments of loans	New balance
	€	€	€
Long-term loans	8,257,639	(3,711,768)	4,545,871

Except from the matters mentioned above, there were no other material events after the end of the financial year, which have a bearing on the understanding of the consolidated financial statements.

Nicosia, 12 May 2022

The Managing Director

The Vice President of the Board

Christian Hadjiminias

Petros Christou

THEON INTERNATIONAL PLC

CONSOLIDATED PROFORMA ANNUAL FINANCIAL STATEMENTS

31 December 2020

31 December 2019

31 December 2018

According with the IFRS

1. **Report of The Independent Accountant - Auditor**

AUDITOR'S REPORT ON THE CONSOLIDATED PROFORMA FINANCIAL STATEMENTS OF THE COMPANY THEON INTERNATIONAL PLC FOR THE YEARS ENDED 31 DECEMBER 2020, 31 DECEMBER 2019, 31 DECEMBER 2018

To the Board of Directors of THEON INTERNATIONAL PLC

We have audited the attached proforma consolidated financial statements which consist of the consolidated balance sheet, at 31 December 2018, 31 December 2019 and 31 December 2020, the consolidated income statement, Statement of Cash Flows and explanatory notes of parent company Theon International PLC and its subsidiaries acquired on 13 September 2021.

Responsibilities of the auditor

It is our responsibility to express our opinion on whether these proforma consolidated financial statements have been compiled, in all material respects, in accordance with the IFRS and to issue a report in accordance with our findings.

In accordance with our terms of reference, we are not responsible for updating or republishing any reports or opinions on any historical financial information used to compile proforma financial information, nor have we performed any audit on the financial information used in preparing our work.

The primary purpose of the proforma financial information contained in this listing document is to explain the effect of the acquisition of Theon Sensors AG by Theon International PLC on the consolidated financial statements of the Group, as if the event had occurred since 1 January 2018 as required by the listing rules of the Emerging Capital Market ("ECM") of the Cyprus Stock Exchange.

Therefore, we do not provide any assurance that the actual results, events or transactions would be as presented in these financial statements. We also do not provide any assurance on all other information contained in the listing document.

Management responsibilities for the indicative proforma consolidated financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Group'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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Purpose and basis of preparation

These proforma consolidated financial statements have been prepared by the Group, with the sole purpose of incorporating them in the listing document for the purpose of listing the Company's shares on the ECM market of the CSE. The main assumptions used for the preparation of these financial statements are set out in our report below as well as in the general information about the Group and the "Basis of preparation" in the notes to these financial statements.

In order make it possible to prepare and present these proforma consolidated financial statements and to provide satisfactory information in this listing document, the following important assumptions and basic principles were followed:

1. The proforma consolidated Balance Sheet (Statement of financial position) at 31 December 2018, 31 December 2019 and 31 December 2020 and the Statement of Profit or Loss and Other Comprehensive Income (Income Statements) for the respective years include the financial statements of Theon International PLC and its subsidiaries and were prepared on the assumption that were a Group as of 1 January 2018.
2. For the purposes of preparing the consolidated financial statements, the method of Business Combination under Common Control was followed, where the book value method ("book-value accounting" or "Predecessor Value method") is applied. The assets and liabilities of the acquired company were recognised based on their current book values instead of fair values.
3. Therefore, the consolidated Balance Sheets and Statement of Profit or Loss and Other Comprehensive Income at 31 December 2018, 2019 and 2020 are presented as the sum of the respective financial assets of the parent and its subsidiaries as if they had been combined during the accounting periods included in these financial statements. The difference between the acquisition price of a subsidiary and the book values of the corresponding net assets is presented in the reserves.
4. The balances and transactions between the Group companies were eliminated during the consolidation in accordance with IFRS 10 "Consolidated Financial Statements".
5. The consolidated balance sheet at 31 December 2018, 2019 and 2020 includes the total share capital issued by the parent company Theon International PLC on 13 September 2021, including the shares issued under the share capital acquisition agreements of Theon Sensors AG.
6. The consolidated accounts were based on information obtained from the audited financial statements of the Group companies for the periods mentioned below. The respective auditors' reports to these financial statements were without qualification.

<i>Company</i>	<i>Period</i>	<i>Auditors</i>
Theon Sensors AG	31.12. 2018 - 31.12.2020	SRG Swiss Audit Corp. Ltd
Theon Sensors SA, Greece	31.12. 2018 - 31.12.2020	PKF Euroauditing, Greece
Theon Sensors MEA FZC, United Arab Emirates, Abu Dhabi	31.12. 2018 - 31.12.2020	MBK Auditing
Theon Sensors Far East Ltd, Singapore	31.12. 2018 - 31.12.2020	ECOVIS ASSURANCE LLP

7. For the preparation of the consolidated financial statements, uniform accounting policies were followed as mentioned in note 4, "Summary of main accounting policies".

Unqualified opinion

In our opinion, the attached proforma consolidated financial statements have been prepared, in all material respects, by the Group in accordance with International Financial Reporting Standards - IFRS.

George Koukoumas FCA
Certified Public Accountant and Registered Auditor for and on behalf of
PKF abas limited
Certified Public Accountants and Registered Auditors

67 Limassol Avenue
Vision Tower
5th floor
2121 Nicosia, Cyprus

24 / 9 / 2021

2. Consolidated Financial Statements

2.1 Statement of Profit or Loss and Other Comprehensive Income

	Note.	2020 €	2019 €	2018 €
Turnover (net)	5.1	54,219,581	37,530,263	30,618,165
Cost of sales	5.2	(36,791,048)	(27,861,155)	(21,773,989)
Gross profit		17,428,533	9,669,108	8,844,176
Other income	5.3	48,254	11,129	24,835
		17,476,787	9,680,237	8,869,011
Administrative expenses	5.4	(3,083,693)	(3,363,213)	(2,774,600)
Business Development and Marketing	5.5	(2,036,417)	(1,914,617)	(2,716,333)
Research & Development expenses	5.6	(1,095,239)	(922,950)	(759,732)
Other expenses and losses	5.7	(1,824)	(4,149)	(13,621)
Impairment of assets	5.7	(964,918)	(930,756)	(592,688)
Fair value losses	5.17	-	-	(143,542)
Other income and gains	5.8	841,387	264,266	362,232
Earnings before interest and tax		11,136,083	2,808,818	2,230,727
Interest and related income	5.9	192,341	1,980	623
Interest charges and related expenses	5.9	(1,154,796)	(946,691)	(547,276)
Earnings before tax		10,173,628	1,864,107	1,684,074
Income tax	5.10	(2,737,612)	(690,004)	(771,037)
Profit for the year before tax		7,436,016	1,174,103	913,037
Earnings per share		2020	2019	2018
Basic earnings per share net of tax (in €)	5.11	<u>37.18</u>	<u>5.87</u>	<u>4.57</u>
Diluted earnings per share net of tax (in €)	5.11	<u>37.18</u>	<u>5.87</u>	<u>4.57</u>
		2020	2019	2018
		€	€	€
Profit for the year net of tax		7,436,016	1,174,103	913,037
Unrealised exchange profits		69,743	388,461	443,771
Unrealised exchange losses		(78,043)	(151,945)	(122,303)
Re-measurement of defined benefit plans	5.20	(42,088)	(35,754)	(7,544)
corresponding income tax	5.10	49,944	(39,583)	(47,154)
Other comprehensive income / (losses) after tax		(444)	161,179	266,770
Total comprehensive income / (losses) after tax		7,435,572	1,335,282	1,179,807
Earnings before interest, tax, depreciation and amortisation (EBITDA)		12,254,404	3,965,952	3,444,264

2.2 Statement of Financial Position

Non-current assets	Note	2020 €	2019 €	2018 €
Tangible assets				
Properties	5.12	4,068,939	4,116,056	3,536,346
Machinery & equipment	5.12	1,892,254	1,659,796	1,452,690
Other equipment	5.12	1,300,543	1,134,426	1,090,692
		7,261,736	6,910,278	6,079,728
Intangible assets				
Development costs	5.13	247,466	296,367	351,790
Other intangible assets	5.13	336,352	373,650	152,715
		583,818	670,017	504,505
Financial assets				
Loans and receivables	5.14	97,347	95,523	90,166
		97,347	95,523	90,166
Deferred taxes	5.15	275,739	155,947	169,710
		8,218,640	7,831,765	6,844,109
Total non-current assets				
Current assets				
Stocks				
Finished goods and work in progress	5.16	3,720,990	6,471,068	6,867,663
Raw material and various materials	5.16	9,572,476	5,111,142	2,524,617
Down payments for inventories	5.16	53,820	121,235	361,232
Other inventories	5.16	-	-	149,983
		13,347,286	11,703,445	9,903,495
Financial assets and receivables				
Trade receivables	5.17	6,779,237	9,433,212	10,672,272
Other receivables	5.17	2,889,362	4,779,454	1,867,083
Other financial assets	5.17	333,608	269,745	132,219
Tax refundable	5.23	-	-	511,260
Cash and cash equivalents	5.18	14,632,284	7,054,462	2,491,093
		24,634,491	21,536,873	15,673,927
		37,981,777	33,240,318	25,577,422
Total current assets				
Total assets		46,200,417	41,072,083	32,421,531

2.2 Statement of Financial Position (continued)

	Note	2020 €	2019 €	2018 €
Equity				
<i>Net assets</i>				
Paid up capital				
Share capital	5.19	200,000	200,000	200,000
		<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
<i>Reserves</i>				
Reserves	5.19	43,599,021	36,254,197	33,874,058
Consolidation reserve	5.19	(29,353,878)	(29,320,775)	(28,042,242)
		<u>14,245,143</u>	<u>6,933,422</u>	<u>5,831,816</u>
Total net assets		14,445,143	7,133,422	6,031,816
<i>Provisions</i>				
Provisions for employee benefits	5.20	364,823	289,586	230,550
Deferred tax liabilities		116,242	155,136	197,519
		<u>481,065</u>	<u>444,722</u>	<u>428,069</u>
Liabilities				
<i>Long-term liabilities</i>				
Loans	5.21	1,705,883	2,512,955	1,646,386
Lease liabilities	5.21	360,014	317,763	243,588
Loans from shareholders		6,960,887	9,680,596	11,357,849
Government grants		4,969	5,954	7,054
		<u>9,031,753</u>	<u>12,517,268</u>	<u>13,254,877</u>
<i>Short term liabilities</i>				
Loans	5.21	10,936,288	7,058,200	2,402,127
Short term portion of long-term loans	5.21	106,587	125,464	541,264
Lease liabilities	5.21	273,382	233,059	199,048
Trade payables	5.22	6,641,250	9,271,723	8,321,131
Income tax	5.23	2,093,644	156,972	-
Other taxes and duties	5.24	121,956	79,551	109,695
Social security providers		219,797	161,262	128,777
Other liabilities	5.25	1,849,552	3,890,440	1,004,727
		<u>22,242,456</u>	<u>20,976,671</u>	<u>12,706,769</u>
Total liabilities		31,755,274	33,938,661	26,389,715
Total net assets, provisions and liabilities		46,200,417	41,072,083	32,421,531

2.3 Statement of changes in equity

	Share capital	Reserves mandated by law or the articles of association	Tactical reserve	Retained Profit / (losses)	Other Comprehensive income	Consolidation reserve*	Total
	€	€	€	€	€	€	€
Balance 1/1/2018	200,000	1,355,640	3,041,718	27,334,189	-	-	31,931,547
Profit for the year	-	-	-	913,037	963,540	-	1,876,577
Other comprehensive income	-	-	-	266,770	-	-	266,770
Total income	200,000	1,355,640	3,041,718	28,513,996	963,540	-	34,074,894
<u>Changes during the year:</u>							
Capitalisation of other reserves	-	-	-	-	-	(28,042,242)	(28,042,242)
Other rounding differences	-	-	-	(836)	-	-	(836)
Balance 31/12/2018 and 1/1/2019	200,000	1,355,640	3,041,718	28,513,160	963,540	(28,042,242)	6,031,816
Profit /(losses) for the year	-	-	-	1,174,103	990,695	-	2,164,798
Other comprehensive income	-	-	-	161,179	-	-	161,179
Total income	200,000	1,355,640	3,041,718	29,848,442	1,954,235	(28,042,242)	8,357,793
<u>Changes during the year:</u>							
Capitalisation of other reserves	-	50,784	(345,630)	349,567	-	(1,278,533)	(1,223,812)
Other rounding differences	-	-	-	(559)	-	-	(559)
Balance 31/12/2019 and 1/1/2020	200,000	1,406,424	2,696,088	30,197,450	1,954,235	(29,320,775)	7,133,422
Profit /(losses) for the year	-	-	-	7,436,016	193,835	-	7,629,851
Other comprehensive income	-	-	-	(444)	-	-	(444)
Total income	200,000	1,406,424	2,696,088	37,633,022	2,148,070	(29,320,775)	14,762,829
<u>Changes during the year:</u>							
Capitalisation of other reserves	-	72,485	-	(359,472)	-	(33,103)	(320,090)
Other rounding differences	-	-	-	2,404	-	-	2,404
Balance 31/12/2019 and 1/1/2020	200,000	1,478,909	2,696,088	37,275,954	2,148,070	(29,353,878)	14,445,143

* Note: Consolidation reserve represents the amount recognised in equity, of the difference between the consideration paid for the acquisition of Theon Sensors AG and its subsidiary undertakings and the book values of the assets and liabilities received.

2.4 Cash Flow Statement

	Note	2020 €	2019 €	2018 €
Profit before tax		10,173,629	1,864,108	1,684,075
Plus / minus adjustments for: Depreciation	5.12, 5.13	1,046,536	1,143,617	1,213,533
Credit interest, exchange differences and related income		(195,902)	(1,980)	(624)
Assets subsidies	5.8			(1,509)
Investment impairment	5.17	38,449		143,542
Impairment of receivables	5.7, 5.8	120,239	33,195	31,315
Impairment of inventory	5.12, 5.13	530,901	-	-
Profit from the sale of assets		-	(1,521)	(29,702)
Income from dividends		(2,040)	-	(580)
Provisions		36,343	16,653	-
Other non-cash transactions				50,568
Interest charges and related expenses	5.9	1,158,357	946,693	225,808
		<u>12,906,512</u>	<u>4,000,765</u>	<u>3,316,426</u>
Add / minus:				
Decrease/ (increase) inventories	5.16	(2,174,742)	(1,799,950)	3,767,683
Decrease/ (increase) receivables	5.17	4,238,352	(1,835,628)	(4,411,036)
(Increase) / decrease liabilities		(4,612,827)	3,868,793	(6,086,149)
		<u>10,357,295</u>	<u>4,233,980</u>	<u>(3,413,076)</u>
Less:				
Payments for income tax	5.23	(758,535)	(51,916)	(1,314,080)
<i>Inflows / outflows from operating activities(a)</i>		<u>9,598,760</u>	<u>4,182,064</u>	<u>(4,727,156)</u>
Investing activities				
Acquisition / sale of tangible and intangible assets	5.12, 5.13	(1,311,794)	(2,166,714)	(904,521)
Interest received		195,902	1,980	624
Dividends received		2,040	1,521	580
<i>Inflows / outflows from investing activities (b)</i>		<u>(1,113,852)</u>	<u>(2,163,213)</u>	<u>(903,317)</u>
Financing activities	5.21			
Net proceeds / (repayments) of loans		332,430	3,599,397	(2,546,953)
Interest on loans	5.21	(1,142,583)	(932,408)	(529,676)
Net inflows / (outflows) of capital of lease liabilities	5.21	(81,159)	(108,186)	(536,794)
Interest on lease liabilities	5.21	(15,774)	(14,285)	(17,600)
<i>Inflows / outflows from financing activities (c)</i>		<u>(907,086)</u>	<u>2,544,518</u>	<u>(3,631,023)</u>
Net increase / decrease in cash and cash equivalents for the year (a)+(b)+(c)		7,577,822	4,563,369	(9,261,496)
Cash and cash equivalents at beginning of year		7,054,462	2,491,093	11,752,589
Cash and cash equivalents at end of year		14,632,284	7,054,462	2,491,093

3. General information about the Group

Theon International PLC ("The Company") was incorporated in Cyprus on 10 August 2021 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113 and was converted to a Public Limited Liability Company on 13 September 2021. Its registered office is at 5 Agios Antonios Street, office 102, 2002 Strovolos Nicosia Cyprus.

The company was incorporated with the objective to acquire the 100% of the issued share capital of Theon Sensors AG, a company incorporated in Switzerland. The acquisition agreements were concluded on 27 August 2021. Theon Sensors AG is the 100% owner of the following companies:

- Theon Sensors SA, Greece,
- Theon Sensors MEA FZC, UAE
- Theon Deutschland GmbH, Germany,
- Theon Sensors Far East Ltd., Singapore
- Theon Sensors USA Inc. USA

For the acquisition of the share capital of Theon Sensors AG the Company issued on 13 September 2021, 199,000 ordinary shares of €1.00 each in exchange of 204,082 issued and fully paid shares in Theon Sensors AG.

Theon International PLC together with its subsidiaries form the Group "Theon Sensors" ("The Group").

The Group is engaged in the production and trade of a large range of sensors, and in particular night vision systems, thermal systems (thermal sights) and other innovative electro-optical equipment and equipment with defence and security applications.

4. Summary of main accounting policies

The main accounting policies implemented in preparing these financial statements are set out below:

4.1 Basis of preparation of the financial statements

Basis of preparation

The Proforma consolidated financial statements of the Group for the years ended 31 December 2018, 31 December 2019, 31 December 2020 consist of the financial statements of the parent Company and its subsidiaries in accordance with international financial reporting standards (IFRS) and the Interpretations issued by the IFRS Interpretations Committee as adopted by the European Union.

The financial statements have been prepared in accordance with the historical cost or deemed cost principle, keeping each year separate, ensuring uniform presentation, taking into account the materiality of the information and applying the accrued revenues and expenses principle. The financial statements have also been prepared on the basis that the Group remains a going concern.

Preparation of the financial statements in accordance with the IFRS requires the use of certain important accounting estimates and the exercise of judgement by Management in applying the accounting policies. The financial statements areas where estimates are particularly important are outlined in note 4.5.

Proforma consolidated financial statements

The proforma consolidated Balance Sheet (Statement of financial position) at 31 December 2018, 31 December 2019 and 31 December 2020 and the Profit or Loss and Other Comprehensive income ("Income Statements and Statement" or "comprehensive income") for the respective years include the financial statements of Theon International PLC and its subsidiaries and were prepared on the assumption that were a Group since 1 January 2018.

For the purposes of preparing the proforma consolidated financial statements, the method of Business Combinations under Common Control was followed, where the book value method ("book-value accounting" or "Predecessor Value method") is applied. The assets and liabilities of the acquired company were recognised based on their current book values instead of fair values.

Therefore, the balance sheets and profit and loss accounts at 31 December 2018, 2019 and 2020 are presented as the sum of the respective financial statements of the parent and its subsidiaries as if they had been combined during the accounting periods included in these financial statements. The difference between the acquisition price of a company and the book value of the corresponding net assets is presented as "consolidation reserve" in the reserves.

The balances and transactions between the Group companies were eliminated during the consolidation in accordance with IFRS 10 "Consolidated Financial Statements".

4.2 **New standards, interpretations, reviews and amendments to standards which are in effect and have been adopted by the European Union**

The following amendments and interpretations of IFRS have been issued by the International Accounting Standards Board (IASB) and their application is mandatory for periods beginning on or after 01/01/2020.

The most important standards and interpretations are listed below:

Mandatory standards and interpretations for the current fiscal year

IAS / IFRS	Effective date
IAS 1 and IAS 8 amendments: Definition of material	01/01/2020
IFRS 3 amendment: Business combinations	01/01/2020
Amendments to references to the Conceptual Framework in IFRS Standards	01/01/2020
IFRS 9, IAS 39 and IFRS 7 amendments: Interest rate benchmark reform – Phase 1	01/01/2020
IFRS 16 amendment: Covid-19-related rent concessions	01/06/2020

From the aforementioned amendments, only changes in IFRS 16 regarding Covid-19-related rent concessions have resulted in changes in accounting policies. The other amendments either have little effect on the financial statements or are not relevant to the Group.

IFRS 16 amendment: Covid-19-related rent concessions

Since June 1 2020, IFRS 16 was amended in order to provide lessees with a practical expedient in relation to the accounting treatment of rent concessions and changes that are related to the Covid-19 pandemic. In order to make use of this accounting treatment, all of the following conditions must be met:

- (a) The change in lease payments results in a revised total consideration that is substantially the same as, or less than, the consideration prior the amendment in the lease payments.
- (b) Reduction in lease payments affects only payments originally due on or before 30 June 2021 and
- (c) There is no substantive change to other terms of the lease agreement.

Rent concessions that meet the above conditions do not need to be assessed and treated as lease modifications in accordance with IFRS 16, recalculating the lease obligations so that they present the total consideration of the lease using a revised interest rate.

The Group applied this practical expedient of IFRS 16 for all rent concessions for the period between March and December 2020, using the initial interest rate of the lease contracts and the change in lease obligations was recognized in the income statement. This accounting treatment had no effect in the financial statements for the year ended 31/12/2020.

4.3 **New accounting standards, amendments to standards and interpretations that will become mandatory in subsequent periods**

IAS / IFRS	Effective date
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amendments: Interest rate benchmark reform – Phase 2	01/01/2021

IAS / IFRS	Effective date
IFRS 4 amendment: Deferral of effective date of IFRS 9	01/01/2021
Annual improvements to IFRS 2018-2020	01/01/2022
IAS 16 amendment: Proceeds before intended use	01/01/2022
IAS 37 amendment: Onerous contracts – Cost of fulfilling a contract	01/01/2022

The amendments above that will become mandatory in subsequent periods are not expected to have a significant effect on the Group's financial statements.

4.4 Group Accounting Policies

4.4.1. Tangible assets

Tangible assets are measured at acquisition cost less accumulated depreciation and any impairment loss, apart from the plots/lots category which is measured at acquisition cost less any impairment losses.

The cost of acquisition of tangible assets includes all expenses directly associated with acquisition of the tangible assets. Subsequent expenditure is added to the book value of the tangible asset or recorded as a separate tangible asset, only if there is a high likelihood that the specific tangible asset will generate future financial gains for the economic entity and the cost can be reliably assessed.

The carried cost of a part of a tangible asset which is replaced ceases to be recognised. Repairs and maintenance are charged to the income statement when incurred.

Subsequent expenditure is depreciated either over the remaining useful life of the asset or the period up to the next planned improvement to the tangible asset, whichever is shorter.

Depreciation of all tangible assets is computed using the straight-line method over the useful life of the assets. The estimated useful life of the most important categories of tangible assets coincides with the depreciation rates in the tax laws, since in the view of the Group management team, they correctly reflect the estimated useful economic life of the assets.

Such rates are as follows:

Buildings	4% per year	(25 years)
Machinery and technical installations	10% per year	(10 years)
Means of transport	12% to 16% per year	(6.2 to 8.3 years)
Furniture and other equipment	10% per year	(10 years)
Computers	20% per year	(5 years)
Assets of lesser value (below € 1,500)	100% per year	(1 year)

The residual values and useful lives of tangible assets are re-examined and adjusted at the end of each period, if that is considered necessary.

Where the carrying amount of an asset is greater than its recoverable amount, the value of the asset is adjusted to the recoverable amount.

Each tangible asset and each important part thereof initially recognised is derecognised upon sale or when no future economic gain is expected from use or sale thereof.

Gains and losses which arise from the sale of tangible assets are calculated as the difference arising between the revenue from sale and the carrying amount, as shown in the accounting books and included in the operating results.

Interest from loans taken out specifically or generally to finance the construction of tangible assets is capitalised in the year in which it arises, during the tangible asset construction period, where the recognition criteria are met.

4.4.2. Intangible assets and goodwill

Intangible assets acquired separately are recorded at historical cost. After initial recognition, intangible assets continue to be measured at historical cost less the accumulated depreciation and accumulated impairment losses.

Intangible assets generated in-house are capitalised if the relevant expenditure is associated with an intention on Management's part, and a technical capability, to complete the intangible asset (for use or sale), if there is a strong likelihood that there will be future financial gains and that there is a reliable system for measuring such costs.

In all other cases, the relevant cost is recognised as an expense.

The Group's intangible assets have a limited useful life and are depreciated over their useful life. They are tested for impairment when there are signs that some intangible assets may have suffered impairment. Intangible assets whose usage period is contractually specified are depreciated over that period. Such assets without a usage period specified in contract are depreciated based on estimated useful economic life.

The useful life and depreciation method for intangible assets with a specific useful life are re-examined at least in each year in which financial statements are prepared. Changes to the expected useful life or expected method by which future financial gains accrue for each intangible asset are treated as a change in an accounting estimate. The cost of depreciating intangible assets is recognised in the income statement.

Depreciation of all intangible assets is computed using the straight-line method over the useful life of the assets. The estimated useful life of the most important categories of intangible assets coincides with the depreciation rates in the tax laws, since in the view of the Group management team, they correctly reflect the estimated useful economic life of the assets. Such rates are as follows:

Other intangibles	10% per year (10 years)
R&D – Internally Generated intangibles	10% per year (10 years)
Contractually specified useful life	1 / contractual years

4.4.3. Impairment of tangible & intangible assets

Tangible assets with an unlimited life (such as land) are not depreciated or tested annually for impairment.

Tangible and intangible assets which can be depreciated are tested for impairment in case events or changes in the circumstances suggest that the book value may no longer be recoverable. When the carrying amount for tangible and intangible assets exceeds the recoverable value, then the impairment loss amount is entered directly in the results as an expense.

For the purposes of impairment testing, assets are grouped together in the lowest category where cash flows allow them to be individually identified. Non-financial assets, other than goodwill, which have been impaired are re-assessed for any possible reversal in impairment on each date the financial statements are prepared.

The recoverable value of assets is either the fair value of asset less sale costs or the value in use, whichever is higher.

4.4.4. Leases

The Group adopted IFRS 16 "Leases" with full retrospective effect, for both properties and cars.

When recognising a contract as a lease, the Group examines all relevant facts and circumstances, and excludes short-term leases (of less than 12 months) and leases where the leased property has low value.

When a contract is or contains a lease, each lease element is recognised separately from the non-lease elements of the contract, unless the Group opts, as appropriate, for the sake of simplification to apply uniform recognition as a practical solution.

The Group as lessee:

At the lease start date, the lessee recognises the asset with a right to use and a lease liability. Initial measurement of the right to use the assets includes the lease liability, any rents paid on the rental period start date or prior to it, less any lease incentives collected, any initial direct costs incurred by the lessee and an estimate of the cost of returning the leased property to the state specified in the lease agreement.

The initial measurement of the lease liability includes the current value of rents discounted using the presumed lease interest rate. If that interest rate cannot be easily set, the lessee's differential borrowing rate is used.

Subsequently, the right to use the asset is reduced by the accumulated depreciation and impairment losses and any re-measurements of the lease liability is adjusted.

Subsequently the lease liability increases the interest on the lease liability, and is reduced by the payment of rental costs, and is re-measured when the leased property is revalued or the lease is amended.

The Group as lessor:

The Group classifies the lease either as an operating lease or finance lease. Leases where the Group does not in effect transfer all risks and rewards of ownership are classified as operating leases.

When the assets are leased in the context of operating leases, they are presented in the statement of financial position in accordance with the nature of each asset.

Rental costs under operating leases are recognised in the results using the straight-line method over the duration of the lease.

Initial direct costs incurred when signing an operating lease are added to the book value of the leased asset and are recognised in expenses over the term of the lease on the same basis of recognition as revenues from rental income.

Any rental income is recognised as revenues in the period in which they are generated.

4.4.5. Stocks

Inventories are valued at acquisition cost or net realisable value, whichever is lower. Acquisition cost is calculated using the average weighted cost method. The cost of finished products and production under way consists of the cost of raw materials, direct labour costs, other direct costs and general industrial overheads associated with production (in accordance with normal production capacity). Net realisable value is the estimated sale price in the normal course of business, less the estimated selling and transaction costs.

Any loss resulting from measuring stocks/inventories at net realisable value, when it is below acquisition cost, is recognised in impairment losses and affects the cost of sales in the income statement. Where there are particularly high impairment losses for stocks/inventories, the relevant amounts are shown in the 'Asset impairment' account in the income statement to ensure fair presentation.

Appropriate provisions are made for impaired, obsolete and slow-moving inventories. Write-downs of inventories to net realisable value and other losses from inventories are recognised in the income statement in the period they occur.

4.4.6. Trade receivables

Trade receivables are the balances owed by customers from the sale of goods or provision of services in the context of the Group's normal operations. Trade receivables are initially recognised at their fair value and later valued at the carrying amount by using the effective interest rate method, less impairment losses. The Group shows any unreserved rights over the consideration from contracts with customers separately as a trade receivable.

4.4.7. Cash and cash equivalents

Cash includes cash on hand and sight deposits.

Cash equivalents in the cash flow statement include not just cash and sight deposits but also short-term highly liquid investments and bank overdrafts, when applicable.

Bank overdrafts are shown in liabilities under short-term loan liabilities. Cash and cash equivalents entail negligible risk of a change in their value.

4.4.8. Share capital

Ordinary and preference shares without voting rights are shown in the "share capital" account in Equity. The share capital shows the value of Company shares which have been issued and are in circulation. The price paid plus the nominal value of each share is entered in the "premium on capital stock" account in Equity.

4.4.9. Loans and Borrowings

Loan obligations are initially entered at the net amount received less direct loan costs (bank charges and bank or third-party commission). In subsequent periods, the loan obligations are shown at the carrying amount using the effective interest rate method.

Loan obligations are classified as short-term liabilities apart from cases where the Group has the unreserved right to defer settlement of its obligation for at least 12 months from the reporting date.

4.4.10. Current and deferred income tax

Tax for the period consists of current and deferred tax. Tax is recognised in the Income Statement apart from cases relating to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, as appropriate.

Current income tax is calculated based on the tax laws adopted or substantively adopted on the date the financial statements are prepared. Management periodically evaluates the positions taken in the tax returns when applicable tax laws are subject to interpretation and forms provisions, when needed, based on the amounts expected to be paid to the tax authorities.

Deferred income tax is calculated using the liability method, based on temporary differences between the tax base of assets and liabilities and the corresponding amounts shown in the financial statements.

Deferred tax assets are recognised to the extent that there will be a future taxable profit for use of the temporary difference generated by the deferred tax assets.

Deferred tax liabilities are recognised for all taxable temporary adjustments. A deferred tax asset is recognised for deductible temporary differences to the extent that it is expected that the temporary difference will be reversed in the future and there will be an adequate future taxable profit for use of the temporary difference.

4.4.11. Employee benefits

(a) Pension and other post-employment obligations

The Group does not participate in pension and other post-employment benefit plans or defined benefit or defined contribution plans with the exception of the statutory social security schemes which are mandatory by the laws.

(a.1) Defined Contribution Plans

Defined contribution plans mean pension plans where the Group pays fixed contributions to a separate entity. The Group has no legal or presumed obligation to pay additional contributions in the case where the fund's resources would not be adequate to pay employees benefits for their service, relating to the current period and past periods.

For defined contribution plans, the Group pays the mandatory contributions required by public social security funds. Once the contributions are paid, the Group is not obliged to pay any additional contributions. Regular contributions are recognised as a cost of employee benefits when they become payable.

Any prepaid contributions are recognised as an asset to the extent that prepayment would lead to a reduction in future payments or the return of cash.

(a.2) Defined Benefit Plans

Defined benefit plan means a pension plan or plan involving other post-employment benefits which is not a defined contribution plan. Post-employment benefit obligations at the end of the current period and previous period were calculated in line with an actuarial study using the projected credit unit method.

The obligation arising from defined benefit plans is the present value of the commitment to provide a defined benefit on the date the financial statements are prepared, less the fair value of any assets the plan has.

The present value of the commitment to provide a defined benefit is calculated using the discount rate for corporate bonds with a high credit rating in euro, whose term approximates the duration of the relevant pension obligation.

The cost of past service is recognised in the results, broken down into current cost of service and cost of past service, gains and losses from reductions and the cost of settling.

The net financial income or expenses are recognised in financial expenses.

Re-assessments, broken down into actuarial gains or losses and the difference between the estimated and actual performance of the plan's assets, are recognised in the statement of financial position in the "retained earnings" account through the statement of other comprehensive income for the period. The re-assessments are not reclassified in the income statement in subsequent periods.

(b) Employment termination benefits

Employment termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement date or when the employee agrees to voluntarily leave in return for these benefits.

The Group records these benefits on whichever of these dates is first: a) when the Group can no longer withdraw the offer of such benefits and b) when the Group recognises an expense from restructuring which is in the context of implementing IAS 37, which includes payment of employment termination benefits.

Where an offer to encourage voluntary redundancy is made, employment termination benefits are calculated based on the number of employees who are expected to accept the offer. Employment termination benefits due 12 months after the date on which the financial statements are prepared are discounted at present value.

(c) Employee profit sharing and bonus schemes

The obligation to provide benefits to employees in the form of profit sharing or performance bonuses is entered in the "other provisions" account when there is an official scheme and the amounts to be paid have been specified before the date on which the financial statements are published, or if previous Group practices have given rise to a strong expectation from employees that they will be paid a performance bonus / profit share-out and the amount can be estimated before the date on which the financial statements are approved.

4.4.12. Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all relevant conditions.

Government grants relating to expenses are recognised in the results as income in the period in which the subsidised expenses are input in to the results.

Government grants relating to the purchase of tangible assets are included long-term liabilities as deferred government grants, and are presented as income in the income statement using the straight-line method over the expected useful life of the relevant assets.

Subsequent to initial recognition, state grants are depreciated by transfer to Income Statement as expenses, in the same period and in a manner corresponding to the transfer to Income Statement of the book value of the asset subsidised.

Government grants relating to expenses are initially recognised as liabilities in the period in which they are collected or in the period when approval for them is finalised and it is certain that they will be collected. State grants concerning expenses are transferred to profit and loss as revenue for the period when the subsidised expenses are charged in profit and loss.

4.4.13. Provisions

Provisions are liabilities where the time or amount is uncertain.

Provisions are recognised when there is a present legal or presumed commitment as a result of past events; it is likely that an outflow of resources will be needed to settle the commitment and the amount required can be reliably estimated. When the Group expects to be compensated for a loss which it has suffered (as in the case of insurance contracts for example) and it is fully certain that the amount will be collected, the specific compensation is recognised as a separate receivable. The cost associated with each provision is presented in the income statement, net of any compensation.

Provisions are not recognised for future operating losses. The Group forms a provision for onerous contracts when the financial gain expected to flow from such contracts is less than the unavoidable cost of complying with contractual obligations.

Restructuring provisions include penalties for early termination of leases and payment of employment termination benefits and are recorded in the period in which the Group acquires the legal or presumed obligation to make payment. Costs associated with the Group's normal business activity are not entered in provisions before binding events occur.

When time affects the value of money in a significant way, provisions are measured at the present value of the expenditure expected to be required to settle the liability, using a pre-tax interest rate which reflects the current market estimates of the value of money over time and risks associated with the liability, as the discounting rate. An increase in the provision due to the passage of time is recognised as a financial expense.

4.4.14. Revenue recognition

The Group adopted IFRS 15 "Revenue from Contracts with Customers", which it applied with full retrospective effect.

The Group recognises the revenue in a manner that reflects the transfer of goods or services to customers at the amount which it anticipates itself to be entitled to in exchange for these goods or services.

Revenue is recognised to the extent that it is likely that the financial benefits will accrue to the Group and the relevant amounts can be reliably quantified. Revenues are valued at fair value of the consideration collected or to be collected, and represent the amounts due from the sale of goods or provision of services, net of VAT, returns and discounts.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer (usually upon their delivery and acceptance by him) and when the collection of the related amounts is reasonably assured.

Revenues are recognised using the following procedure:

- Recognise the contract primarily in relation to evaluation of the counterparty's creditworthiness.
- Identify the performance obligations. (Separating the delivery of goods from any other services, guarantees, benefits agreed)
- Identify the transaction price (taking into account any guarantees, penalties, incentives, etc.)
- Allocate the transaction price to the obligations (allocate based on individual sale prices for each good or service)
- Identify the revenue when (or as) the Group meets the delivery obligation

Revenue from the provision of services is recognised in the accounting period in which the services are rendered, on the basis of the stage in completion of the service compared to the overall service.

Revenues under operating leases are recognised using the straight-line method over the duration of the lease.

Income from interest is recognised using the effective interest method. Revenues from dividends are recognised in the income statement when the right to collect them has vested.

4.4.15. Dividend distribution

Dividends to Company shareholders are entered in the financial statements as a liability for the period in which Management's proposal for distribution is approved by the annual Ordinary General Meeting of Shareholders.

4.4.16. Financial assets and liabilities

Classification and initial measurement

At initial recognition financial assets are classed in two categories, one where valuation is done at the carrying amount and one where valuation is done at fair value. The criteria which must be taken into account in order to decide on how financial assets are to be initially categorised are as follows:

- (i) The business model used by the business to manage such assets. There are 3 types of business models:
 - The business model where the objective is to hold financial instruments to collect the contractual cash flows (hold to collect)
 - The business model where the goal is achieved either by collecting the contractual cash flow or by selling the financial assets (hold to collect and sell)
 - Other business models

- (ii) The characteristics of the instruments' contractual cash flows.

In order for a financial instrument to be classed as valued at the carrying amount, all the following criteria must be met:

- The instrument must be under a business model where the objective is to hold financial instruments to collect the contractual cash flows
- The contractual terms governing the asset must exclusively seek cash flows of principal and interest on the unpaid principal which must be paid on specific dates (known as Solely Payments of Principal and Interest- SPPI)

If an instrument meets such criteria but is held both for sale and to collection of contractual cash flows, it must be classed in the 'valued at fair value' category through other results entered directly in equity.

Instruments not falling into any of the two classification categories must be valued at fair value through profit and loss.

Subsequent measurement of financial assets

For measurement purposes the Group divides financial assets into the following categories:

- (a) financial assets valued at the carrying amount (primarily non-interest-bearing receivables from customers) and
- (b) financial assets valued at fair value through profit and loss (primarily investments in equity instruments for profit)

The following rules apply to these categories:

(a) Financial assets valued at the carrying amount (loans and receivables)

This category includes instruments which meet the following requirements:

- They are under a business model where the objective is to hold financial instruments to collect the contractual cash flows
- The contractual terms governing the asset must refer to the Solely Payments of Principal and Interest- SPPI, which must be paid on specific dates

This category is valued at the carrying amount using the effective interest rate model and is periodically examined for signs of expected impairment losses.

It includes current assets unless their effective term is over 12 months from the date on which the financial statements are prepared, and management's intention is to hold them for a longer period until they mature.

(b) Financial assets at fair value through profit and loss

This category includes financial assets:

- (i) Which there is an intention to sell within a short period in order to capitalise on short-term market fluctuations (commercial portfolio). The Group places a limited number of shares in this category
- (ii) Which do not meet the classification criteria for some other category
- (iii) Which the Group chose at initial valuation to value at fair value by transferring the difference arising to the results. Such an irrevocable choice can be made when in doing so eliminates any accounting asymmetry which arises from valuation of such financial assets in a different way (such as carrying cost) compared to related financial instruments (such as derivatives, which are valued at fair value through profit and loss)

Assets in this category are classed as current assets.

Subsequent measurement of financial liabilities

To measure financial liabilities the Group values them at the carrying amount.

(a) Financial liabilities valued at the carrying amount

These liabilities bear interest using the effective interest rate method.

This category includes liabilities to credit institutions and customers, and bonds issued by the Group and other loan obligations.

Impairment of financial assets

When the financial statements are prepared, the Group recognises impairment for expected credit risk losses for customer receivables. Such investments are valued at fair value through profit and loss.

At the end of each period for which financial statements are prepared, the Group assesses whether there are signs that a financial asset or a group of financial assets has been impaired. Signs of impairment can include the fact that debtors or a group of debtors face serious financial difficulties, an inability to pay interest or the principal, the probability that they will become bankrupt or engage in some other form of financial restructuring, and where there are observable data which indicate that there is a measurable reduction in the estimated future cash flows.

If in a subsequent period the impairment figure reduces and the reduction can be objectively correlated to an event after initial recognition of the impairment (such as an improvement in the debtor's creditworthiness) the reversal of the previously recognised impairment loss is recognised in the income statement.

Impairment is based on expected credit risk losses associated with the probability of default within the next 12 months, unless there is a major increase in credit risk from the time of initial recognition, where the expected credit risk losses are recognised over the instrument's entire life.

For impairment measurement purposes, the Group divides financial assets into the following categories based on credit risk:

- (a) **Stage 1:** This includes performing credit facilities which have no major rise in credit risks compared to the date of initial recognition. In this stage the expected credit risk losses are recognised based on the probability of default over the next 12 months.
- (b) **Stage 2:** This includes performing credit facilities where there has been a major increase in the credit risk since initial recognition. In this stage, expected credit risk losses are recognised over the instrument's entire life.
- (c) **Stage 3** includes non-performing/impaired credit facilities. In this stage, expected credit risk losses are recognised over the instrument's entire life.

A major increase in credit risk arises by comparing the risk of default on the reporting date against the risk of default on the initial recognition date for all performing credit facilities, including credit facilities which have no past-due days.

Derecognition of financial assets

Financial assets (or a part of a financial asset or part of a group of financial assets, as appropriate) cease to be recognised when:

- The rights to an inflow of cash resources have expired or
- The Group retains the right to an inflow of cash resources from a specific asset but has simultaneously undertaken an obligation to a third party to fully pay them without major delay, in the form of a transfer agreement or
- The Group has transferred the right to an inflow of cash from a specific asset and at the same time has: (a) either materially transferred all risks and rewards of ownership or (b) has not materially transferred all risk and rewards of ownership but has transferred control over the specific asset

Where the Group has transferred the rights to an inflow of cash resources from a specific asset but at the same time has not materially transferred all risks and rewards or control of the specific asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. A corresponding liability is also recognised.

Continuing involvement in the form of a guarantee over the transferred asset is valued at either the initial value of the asset and the maximum amount the Group may be called to pay, whichever is lower.

Derecognition of financial liabilities

A financial liability ceases to be recognised when the relevant obligation is cancelled or has expired. Where a financial liability is replaced by another one from the same lender with materially different terms, or where the terms of an existing obligation have materially changed, the swap or change is considered to be derecognition of the initial obligation and recognition of a new obligation. The difference with current values is recognised in the income statement.

4.4.17. Borrowing cost

General borrowing costs and the borrowing costs assumed specifically for the purchase, construction or production of an asset, which meet the conditions, are capitalised in the cost of the asset until the asset is in effect ready for use or sale.

An asset which meets the conditions is an asset which requires an extensive time period to be ready for intended use or sale. The Group considers that a time period of over 4 months is an extensive time period.

All other borrowing costs are expensed in the income statement as incurred. Borrowing costs consist of the interest and other costs that an entity incurs in connection with the borrowing of funds.

4.4.18. Trade payables

Trade payables are obligations to pay for goods or services acquired from suppliers in the normal course of the Group's business.

Trade payables are recorded as short-term liabilities where payment is made within 1 year (and/or more if the time period is part of the Group's normal operating cycle). If not, they are presented as long-term liabilities.

Trade payables are initially recognised at fair value and are subsequently measured at the carrying amount using the effective interest rate method.

4.4.19. Functional and reporting currency

Information in the Group's financial statements is measured in euro, the local currency used in the country which it primarily operates, and which is also its functional currency. FX transactions are converted to the functional currency using exchange rates (current exchange rates) on the date of each transaction or the valuation date when assets are revalued. Exchange rate differences (gains or losses) arising from settlement of such transactions and from conversion into monetary items at the end of the year from the foreign currency to the functional currency are entered in the Income Statement.

4.5 Critical accounting estimates and judgements

The preparation of financial statements requires the Management to make estimates and assumptions, which affect the disclosures in the financial statements.

The estimates and judgements are based on experience-based data and other factors, including the expectations of future events which are considered reasonable under specific circumstances.

These estimates and assumptions form the basis for taking decisions about the book values of assets and liabilities that are not readily available from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that entail a significant risk of causing significant changes in the amounts of assets and liabilities within the next fiscal year are presented below.

4.5.1. Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in situations indicate that their book value may not be recoverable.

4.5.2. Income tax

In order to calculate the Group's income tax provision, subjective judgement is required. During the Group's normal course of business, transactions are entered into and calculations are made, meaning that tax calculations are not definite. Where the final tax resulting from tax audits is different from the amounts initially recorded, the differences will affect the income tax and deferred tax forecasts in the period when the calculation of the tax differences was made.

4.5.3. Deferred tax assets

Major management assessments are needed to determine the level of deferred tax assets which can be recognised, based on the likely time and level of future taxable profits, coupled with the Group's own tax planning. The Group has no unused tax losses.

4.5.4. Useful life of tangible assets and residual values

Tangible assets are depreciated over their estimated useful life. The actual useful life of assets is reassessed on an annual basis and may differ due to factors such as technological innovation or obsolescence, the commercial cycle of products, maintenance, i.e factors which, among others, are taken into account in reassessing the lifecycle of assets.

4.5.5. Estimate of the net realisable value of stocks/inventories

The level of the net realisable value of stocks/inventories is Management's best possible estimate based on historical sales trends and its view about the quality and volume of stocks/inventories to the extent that available stocks/inventories on the balance sheet date will be sold below cost.

4.5.6. Provision for doubtful debts

On each date the financial statements are prepared, the Group recognises impairment for expected credit risk losses for customer receivables.

To that end, it assesses whether there are signs of impairment, measures impairment based on the expected credit risk losses (likelihood of default within the next 12 months), assesses whether there is a major rise in credit risk from initial recognition and based on that information classifies the financial assets in one of three stages.

4.5.7. Provision for staff compensation

Obligations to compensate staff are calculated based using actuarial methods at the net value of the defined benefit obligation, the normal cost of current employment and, where appropriate, the cost of past service. This is done using the projected unit credit method (IAS 19).

That method requires management to assess specific factors such as the future increase in employee pay, the discounting rate for such obligations, the employee turnover rate, etc. Management reassesses such assumptions on each reporting date.

4.5.8. Contingent liabilities

The existence of contingent liabilities requires Management to constantly apply assumptions and make value judgements about the likelihood of future events occurring or not occurring and about the impact that such events could have on the Group's activities.

4.5.9. The going concern assumption

Management assesses the Group's financial position in relation to the risks the Group faces, its capital adequacy and any major uncertainties relating to the Group's ability to continue operating in the foreseeable future, and in particular for at least 12 months from the date on which the financial statements are approved.

Management considers that the financial statements can safely be prepared on the basis that it is a going concern, since there are no major uncertainties in relation to the Group's ability to continue to operate in the foreseeable future at least.

4.6 Financial risk management

4.6.1 Financial risk factors

The Group is exposed to financial risks primarily due to the nature and geographical spread of its markets and sales. The Group's financial risk factors are managed by Management to minimise the potentially unfavourable impacts of market fluctuations on the Group's financial performance.

(a) Liquidity risk

In addition to operating cash flows, the Group holds adequate cash reserves and other liquid assets such as credit facilities with banks in order to ensure it can discharge its financial obligations.

The table below summarises the maturity dates for financial obligations as at 31.12.2020, 31.12.19 and 31.12.2018 based on payments deriving from the relevant contracts at non- discounted prices.

2018	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
Liabilities	€	€	€	€	€
Loans	1,709,575	-	1,646,386	-	3,355,961
Loans from shareholders	-	-	11,357,849	-	11,357,849
Short-term portion of long-term loans	541,264	-	-	-	541,264
Lease liabilities	891,600	-	243,588	-	1,135,188
Trade payables	8,321,131	-	-	-	8,321,131
Income tax	-	-	-	-	-
Other taxes and duties	109,695	-	-	-	109,695
Social security providers	128,777	-	-	-	128,777
Other liabilities	1,004,727	-	-	-	1,004,727
Net Book Value on 31/12/2018	12,706,769	-	13,247,823	-	25,954,592

2019	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
Liabilities	€	€	€	€	€
Loans	7,058,200	-	2,512,955	-	9,571,155
Loans from shareholders	125,464	-	-	-	125,464
Short-term portion of long-term loans	-	-	9,680,596	-	9,680,596
Lease liabilities	233,059	-	317,763	-	550,822
Trade payables	9,271,723	-	-	-	9,271,723
Income tax	156,972	-	-	-	156,972
Other taxes and duties	79,551	-	-	-	79,551
Social security providers	161,262	-	-	-	161,262
Other liabilities	3,890,440	-	-	-	3,890,440
Net Book Value on 31/12/2018	20,976,671	-	12,511,314	-	33,487,985

2020	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
Liabilities	€	€	€	€	€
Loans	10,936,288	-	1,705,883	-	12,642,171
Loans from shareholders	-	-	6,960,887	-	6,960,887
Short-term portion of long-term loans	106,587	-	-	-	106,587
Lease liabilities	273,382	-	360,014	-	633,396
Trade payables	6,641,250	-	-	-	6,641,250
Income tax	2,093,644	-	-	-	2,093,644
Other taxes and duties	121,956	-	-	-	121,956
Social security providers	219,798	-	-	-	219,798
Other liabilities	1,849,552	-	-	-	1,849,552
Net Book Value on 31/12/2018	22,242,457	-	9,026,784	-	31,269,241

Borrowing includes the balances of loans (unpaid principal) including interest at a fixed and variable rate to maturity.

The Group does not face liquidity risks since its working capital is sufficient to meet its needs.

(b) Market risk

Market risk consists of 3 main risks, being FX risk, Price risk (such as the price of goods risk) and interest rate risk.

Group exposure to exchange rate risk derives primarily from existing or expected cash flows in foreign currency (imports/exports) and from foreign investments.

(b.1) Exchange rate risk

The Group enters into transactions in foreign currencies both when selling and buying goods and so is exposed to such risk.

When purchasing from foreign firms, the main transactional currency is the USD. Although there are fluctuations in the EUR/USD exchange rate, this had no major impact on the results for the period. Moreover, the Group uses FX derivatives (options-forwards) to hedge the risk of changes in exchange rates.

FX changes sensitivity analysis

The table below shows changes to Group earnings before tax and equity in the case of potential changes in USD exchange rates since that is the currency in which the Group primarily does business other than the Euro, keeping all other variables unchanged.

Changes include monetary assets and liabilities relevant to Euro - USD exchange rates.

The table was prepared on the assumption that on 31 December 2020 the exchange rate would be 10% different from the actual one. The Impact on EBT and equity was as follows:

(Amounts in €)	Fluctuation		Fluctuation		Fluctuation	
	+10% -10%		+10% -10%		+10% -10%	
	USD		USD		USD	
	2020		2019		2018	
Effect on EBT	148.575	(148.575)	34.312	(34.312)	176.869	(176.869)
Effect on Equity	148.575	(148.575)	34.312	(34.312)	176.869	(176.869)

Financial assets/liabilities in FX

	2020	2019	2018
Financial assets in FX	4.227.383	1.861.979	5.301.068
Financial liabilities in FX	2.437.312	1.478.368	3.264.728

(B.2) Price risk - stocks/inventories / services purchase prices and selling prices

The Group is exposed to changes in the value of raw materials/merchandise to a limited degree. The risk to the Group from changes in the price of commodities is minimal.

The Group checks for any impairment of its stocks/inventories and other assets, and if there are signs and there are grounds for obsolescence, the Group applies the relevant impairments so that the value in the financial statements always matches the actual value.

As for selling prices, the Group enters into binding sales agreements at fixed prices, and so there is no price risk in relation to sales and receivables.

(b.3) Interest rate risk

Due to the fact that the Group does not have significant interest-bearing assets, its operating income and cash flows are materially independent of changes in interest rates.

The Group has loan obligations. Where there are loans, the loan repayment terms, including the borrowing rates, are negotiated with banks. Consequently, the level of interest and the interest rate applied are not freely adjustable, but are negotiated.

The interest-bearing financial liabilities on 31/12/2020, 31/12/2019 and 31/12/2018 respectively are shown in the table below:

	2020	2019	2018
	€	€	€
Long term loans	1,705,883	2,512,955	1,646,386
Short term loans	10,936,288	7,058,200	2,402,127
Short-term portion of long-term loans	106,587	125,464	541,264
Bank loans	12,748,758	9,696,619	4,589,777
Long term lease liabilities	360,014	317,763	243,588
Short term lease liabilities	273,382	233,059	199,048
Leas Liabilities	633,396	550,822	442,636
Total of interest-bearing liabilities	13,382,154	10,247,441	5032413

Interest rate changes sensitivity analysis

The impacts of variations in interest rates on the Group's operating results and operating cash flows are limited as can be seen from the following sensitivity analysis:

Interest rate risk

	Fluctuation		Fluctuation		Fluctuation	
	+100 -100		+100 -100		+100 -100	
	Base units		Base units		Base units	
	2020		2019		2018	
	€	€	€	€	€	€
Effect on EBT	(45.834)	88.867	(5.177)	5.177	(2.565)	2.565
Effect on Equity	(45.834)	88.867	(5.177)	5.177	(2.565)	2.565

(c) Credit risk

The Group provides goods and services solely to recognised, solvent counterparties.

It is Group policy that all clients to whom goods and services are provided on credit must undergo credit checks. In addition, trade receivables are constantly monitored to minimise risk from bad debt.

As far as the credit risk from other financial assets of the Group is concerned (cash and cash equivalents), the risk derives from failure to comply with the counterparty's contractual terms, and maximum exposure to risk is equal to the book value of the instruments concerned.

Group exposure to credit risk is limited to the financial assets (instruments) which on the balance sheet date can be broken down as follows:

	2020	2019	2108
	€	€	€
Cash and cash equivalents	14,632,284	7,054,462	2,491,093
Trade receivables	6,779,237	9,433,212	10,672,272
Other Receivables	2,889,362	4,779,454	1,867,086
Other financial assets	333,608	269,745	132,219
Tax refundable	-	-	511,260
Net book value	24,634,491	21,536,873	15,673,927

In relation to trade and other receivables, the Group is not exposed to significant credit risks. The balance of trade receivables in arrears but not yet impaired is presented in the table below:

(d) Capital risk - Capital management

The aim in managing capital risk is to ensure that the Group remains a going concern so that there are satisfactory returns for shareholders, to keep a satisfactory capital structure and to reduce the cost of capital.

The primary objective in managing the Group's capital is to maintain sound capital indicators to support its operations and maximise value for shareholders.

Management takes a conservative approach to managing the capital structure using the gearing ratio, as is clear from the total liabilities / total equity ratio.

Maintaining or adjusting the capital structure can be done by adjusting the size of dividends paid to shareholders, by returning share capital to shareholders, by issuing new shares or by selling off assets to reduce borrowing.

The Group's gearing ratio on 31 December 2020, 2019 and 2018 was as follows:

	2020	2019	2108
	€	€	€
Long term loan obligations	9,026,784	12,511,314	13,247,823
Short term loan obligations	11,316,257	7,416,723	3,142,439
Total debt	20,343,041	19,928,037	16,390,262
Less: Cash and cash equivalents	(14,632,285)	(7,054,462)	(2,491,093)
Net borrowing	5,710,756	12,873,575	13,899,169
Equity	14,445,143	7,133,422	6,031,816
Total capital employed	20,155,899	20,006,997	19,930,985
Gearing ratio	28.3%	64.3%	69.7%

Management monitors capital using the gearing ratio. This ratio is calculated by dividing net borrowing by total capital employed.

Net borrowing is calculated as total borrowing (short-term and long-term) less cash and cash equivalents.

Total capital employed is calculated as equity as shown in the statement of changes in equity plus net borrowing.

The Group is not exposed to capital risk since the key liquidity indicators for the last 2 periods have revealed it has high liquidity and adequate working capital despite the existence of loans.

4.7 Fair value measurement

The Group uses the following scale to determine and disclose the fair value of assets and liabilities for each valuation technique:

Level 1: Negotiable (non-adjusted) prices on active markets for similar assets or liabilities.

Level 2: Other techniques for which all data with a major impact on fair value is visible, either directly or indirectly, and includes valuation techniques employing negotiable prices on less active markets for similar or identical assets or liabilities.

Level 3: Techniques that use data with a major impact on fair value not based on observable market data.

The table below shows the fair value rankings of the Group's assets and liabilities on 31 December 2020, 2019 and 2018:

	2020	2019	2018	Fair value Scale
Assets	€	€	€	
Other financial assets	333,608	269,745	132,219	Level1

During the year there were no transfers from within or outside level 3 when measuring fair value.

Other financial assets relate to investments in shares in companies listed on the Athens Exchange and in particular in shares of National Bank acquired for € 251,050, shares of Hellenic Petroleum acquired for € 102,312 and shares in the Piraeus Port Authority acquired for € 67,173. Cumulative impairments of € 86,927 have been made on these investments.

Management considers that the figures for the cash assets and short-term deposits, customers, suppliers, and other short-term liabilities accounts approximate their actual book value primarily because they mature in the short-term.

5. Notes to the Financial Statements

5.1 Turnover

	2020	2019	2018
	€	€	€
Receivables from the sale of products & merchandise	47,340,864	36,553,134	30,186,376
Revenues from services rendered	6,878,717	977,129	431,789
Net Book Value	54,219,581	37,530,263	30,618,165

5.2 Cost of goods sold

	2020	2019	2018
	€	€	€
Purchases consumption	28,951,453	23,007,795	18,172,341
Staff salaries and expenses	2,071,230	1,479,822	1,207,340
Third party services	4,551,950	2,430,151	1,450,172
Charges for outside services	123,115	102,477	81,550
Miscellaneous expenses	489,861	312,504	225,455
Depreciation	603,439	528,406	637,131
Purchases consumption	28,951,453	23,007,795	18,172,341
Net Book Value	36,791,048	27,861,155	21,773,989

5.3 Other Revenues

	2020	2019	2018
	€	€	€
Income from rent	20,165	8,122	24,835
Miscellaneous other income	28,089	3,007	-
Net book value	48,254	11,129	24,835

5.4 Administrative expenses

	2020	2019	2018
	€	€	€
Staff salaries and expenses	1,301,328	959,187	700,854
Third party fees and expenses	(4,880)	164,880	246,277
Charges for outside services	263,875	258,453	242,122
Taxes and duties	134,963	24,488	37,851
Miscellaneous Expenses	911,932	1,365,765	1,013,236

	2020	2019	2018
	€	€	€
Depreciation	476,475	590,440	534,260
Net book value	3,083,693	3,363,213	2,774,600

5.5 Business Development & Marketing

	2020	2019	2018
	€	€	€
Staff salaries and expenses	499,329	469,661	519,601
Third party fees and expenses	946,709	719,585	670,863
Miscellaneous Expenses	590,379	725,371	1,520,789
Depreciation	-	-	5,080
Net book value	2,036,417	1,914,617	2,716,333

5.6 Research & Development expenses

	2020	2019	2018
	€	€	€
Staff salaries and expenses	851,881	821,555	670,876
Third party fees and expenses	129,314	29,945	20,121
Miscellaneous Expenses	76,979	34,385	31,671
Depreciation	37,065	37,065	37,064
Net book value	1,095,239	922,950	759,732

5.7 Other Expenses and Losses and Impairment of Assets

	2020	2019	2018
	€	€	€
Foreign exchange differences (debit)	689,187	188,523	197,482
Other expenses	64,167	406,527	65,639
Impairment of securities	41,326	-	-
Provision for customer bad debt	172,062	339,855	343,188
Net book value	966,742	934,905	606,309

5.8 Other income and profits

	2020	2019	2018
	€	€	€
Foreign exchange differences (credit)	752,539	125,640	331,076
Profits from unrealised bad debt provisions	3,856	-	5,214
Depreciation of asset grants	985	137,526	1,509
Miscellaneous Expenses	84,007	1,100	24,433
Net book value	841,387	264,266	362,232

5.9 Financial Expenses/Income

The breakdown of this account is presented in the table below:

	2020	2019	2018
	€	€	€
Credit interest and related income	1,832	1,980	623
Debit interest of bank loans	487,847	534,071	267,317
Interest on lease liabilities	15,774	14,285	17,600
Financial cost of discounting liability for post- employment benefits	3,330	10,649	3,485
Interest charges and related expenses	506,951	559,005	288,402
Other banking charges unrelated to financing	625,414	380,724	248,989
Related finance expenses	22,431	6,962	9,885
Interest expense and related expenses	1,154,796	946,691	547,276
Interest grants due to Covid 19	(190,509)	-	-
Net book value	962,455	944,711	546,653

5.10 Income tax

The breakdown of this account is presented in the table below:

	2020	2019	2018
	€	€	€
Current tax	2,868,406	498,612	236,481
Deferred tax	(131,950)	25,921	267,786

	2020	2019	2018
	€	€	€
Provisions and other taxes	1,600	4,292	-
Net book value	2,738,056	528,825	504,267
	2020	2019	2018
	€	€	€
Recognition of tax liability / (gain)			
In profit and loss statement	2,737,612	690,004	771,037
In other comprehensive income	444	(161,179)	(266,770)
Tax charge	2,738,056	528,825	504,267

Regarding the Greek Subsidiary "Theon Sensors SA":

- The Greek subsidiary has been audited up to and including 2008. The Company availed itself of the provisions on closure of old tax affairs for the 2009 accounting period. The 2010 accounting period remains unaudited. The Company was audited by statutory auditors and received the relevant tax compliance certificates for the 2011-2019 accounting periods. Note that on 31 December 2020 the tax authorities became statute barred from auditing accounting periods up to and including 2014, which they had not already audited. In addition, the Company is being audited by the tax authorities (Large Enterprises Audit Centre) for the 2014, 2015 and 2016 accounting periods, following audit instructions sent to it at the end of May 2018. That audit is still under way. The Company has not received any other audit instruction from the tax authorities for the fiscal years 2017 to 2020.
- The tax rate on profits from business activity of legal persons in Greece for the year 2020 amounts to 24 %. In 2021 and beyond it will amount to 22% based on article 120 of Law No. 4799/2021 (17 May 2021).
- From 2011 onwards this subsidiary has been audited by the statutory auditors and has obtained tax certificates without any reservations up to the 2019 financial year. Work to issue the tax certificate for 2020 will be completed within the second half of 2021. The 2011 to 2019 accounting periods the Company underwent a special tax audit carried out by its certified public accountants in parallel with an audit of financial management to ascertain the Company's compliance in all material respects with tax law, carried out in accordance with Article 82 of Law No. 2238/1994 and Article 65A of Law No. 4174/2013 and received an unreserved Tax Compliance Report.
- Note that Circular No. POL.1006/2016 states that companies which underwent that special tax audit are not excluded from ordinary tax audits by the competent tax authorities and for that reason such periods are not yet closed.
- The management considers that should the tax authorities re-audit it in the future, there will be no additional tax adjustments which significantly impact the financial statements.
- The special audit for 2020 to obtain the tax compliance report is under way and upon completion there are not expected to be any material differences in the tax liabilities shown in the financial statements. According to relevant legislation, such audits and tax certificates are optional from 2016 onwards.

5.11 Earnings per share

The breakdown of this account is presented in the table below:

	2020	2019	2018
	€	€	€
Net profit for period	€7,436,016	€1,174,103	€913,037
Average weighted no. of ordinary shares in circulation	200,000	200,000	200,000
Basic and diluted earnings per share	€37.18	€5.87	€4.57

Basic earnings per share are calculated by dividing the net profits corresponding to ordinary shareholders by the average weighted number of ordinary shares in circulation over the year. The Company has not issued preference shares nor has it issued other financial instruments such as stock options or debentures convertible to ordinary shares.

Consequently, both the basic earnings per share and the diluted earnings per share are the same.

For the purposes of these proforma consolidated financial statements the weighted average number of the ordinary shares in circulation of 200,000 that were issued on 13 September 2021 was used for all three years.

5.12 Tangible Assets

The transactions in this account are presented in the table below:

	Properties	Right to use properties	Mechanical equipment	Right to use cars	Other equipment	Total
	€	€	€	€	€	€
Acquisition cost						
Acquisition cost 1/1/2018	4,568,105	897,022	3,566,577	208,683	2,901,457	12,141,844
Additions	388,103	-	343,810	77,483	100,924	910,320
Disposals	-	-	(113,387)	-	(4,730)	(118,117)
Reductions	-	(50,568)	-	(84,761)	-	(135,329)
Acquisition cost 31/12/2018 –1/1/2019	4,956,208	846,454	3,797,000	201,405	2,997,651	12,798,718
Additions	853,027	149,160	499,395	189,976	177,400	1,868,958
Disposals	-	-	-	-	-	-
Reductions	-	-	-	(33,798)	-	(33,798)
Acquisition cost 31/12/2019 –1/1/2020	5,809,235	995,614	4,296,395	357,583	3,175,051	14,633,878
Additions	189,139	156,619	530,374	95,632	264,344	1,236,108
Disposals	-	-	-	-	-	-
Reductions	-	(515,870)	-	-	-	(515,870)
Acquisition cost 31/12/2020	5,998,374	636,363	4,826,769	453,215	3,439,395	15,354,116
Depreciation / Impairment						
Depreciation 1/1/2018	(1,395,194)	(455,271)	(2,707,025)	(125,117)	(1,796,890)	(5,979,497)
Depreciation for the year	(281,758)	(134,093)	(248,368)	(43,681)	(228,672)	(936,572)
On sales	-	-	111,083	-	1,235	112,318
Reductions	-	-	-	84,761	-	84,761
Depreciation 1/1/2019	(1,676,952)	(589,364)	(2,344,310)	(84,037)	(2,024,327)	(6,718,990)
Depreciation for the year	(308,878)	(113,599)	(292,289)	-	(246,026)	-
Reductions	-	-	-	20,280	-	20,280
Depreciation 1/1/2020	(1,985,830)	(702,963)	(2,636,599)	(127,855)	(2,270,353)	(7,723,600)
Depreciation for the year	(225,777)	(167,098)	(297,916)	(75,554)	(190,091)	(956,436)
On sales	-	-	-	-	-	-
Reductions	-	515,870	-	71,786	-	587,656
Depreciation on 31/12/2020	(2,211,607)	(354,191)	(2,934,515)	(131,623)	(2,460,444)	(8,092,380)
Net book value 31/12/2018	3,279,256	257,090	1,452,690	117,368	973,324	6,079,728
Net book value 31/12/2019	3,823,405	292,651	1,659,796	229,728	904,698	6,910,278
Net book value 31/12/2020	3,786,767	282,172	1,892,254	321,592	978,951	7,261,736

The following collateral has been registered in favour of National Bank of Greece:

A first and second mortgage prenotation on the plot at 57 Ioannou Metaxa St., Koropi, Attica and the industrial building thereon, for € 1,450,000.00 and € 360,000.00 respectively to secure bank loans whose total outstanding balance was € 1,529,427 on 31.12.2020.

5.13 Intangible assets

The transactions in this account are presented in the table below:

	Development Costs	Other Intangibles	Total
	€	€	€
Acquisition cost			
Acquisition cost 1/1/2018	2,378,666	854,519	3,233,185
Additions	-	108,658	108,658
Disposals	-	-	-
Acquisition cost 1/12/2018	2,378,666	963,177	3,341,843
Additions	-	297,756	297,756
Disposals	-	-	-
Acquisition cost 1/12/2019	2,378,666	1,260,933	3,639,599
Additions	-	75,686	75,686
Disposals	-	-	-
Acquisition cost 1/12/2020	2,378,666	1,336,619	3,715,285
Depreciation / Impairment			
Amortisation 1/1/2018	(1,802,935)	(757,438)	(2,560,373)
Amortisation for the year	(223,941)	(53,024)	(276,965)
Cumulative amortisation 1/1/2018	-	-	-
Impairment for the year	-	-	-
Total amortisation / impairment	(2,026,876)	(810,462)	(2,837,338)
Amortisation for the year	(55,423)	(76,821)	(132,244)
Cumulative impairment on 1/1/2019	-	-	-
Impairment for the year	-	-	-
Total amortisation / impairment	(2,082,299)	(887,283)	(2,969,582)
Amortisation for the year	(48,901)	(112,984)	(161,885)
Cumulative amortisation 1/1/2020	-	-	-
Impairment for the year	-	-	-
Total amortisation / impairment	(2,131,200)	(1,000,267)	(3,131,467)
Net book value 31/12/2018	351,790	152,715	504,505
Net book value 31/12/2019	296,367	373,650	670,017
Net book value 31/12/2020	247,466	336,352	583,818

5.14 Other long-term receivables

The breakdown of this account is presented in the table below:

	2020	2019	2018
	€	€	€
Holding in "Hellenic Photonics"	1,000	1,000	1,000
Guarantees granted	96,347	94,523	89,166
Net book value	97,347	95,523	90,166

5.15 Deferred Tax Asset

The breakdown of the deferred tax account is presented in the table below

	2020	2019	2018
	€	€	€
Asset / (liability) on 1/1	155,947	169,710	437,496
Income / (Expense):			
In the income statement	109,691	(22,344)	(269,672)
In other comprehensive income	10,101	8,581	1,886
Directly in equity	-	-	-
Asset / (liability) on 31/12	275,739	155,947	169,710

5.16 Stocks/inventories

The transactions in this account are presented in the table below:

	Finished/ work in progress	Raw materials	Down payments & other inventories	Total
2018				
Inventories on 31/12/	6,867,663	2,524,617	511,215	9,903,495
2018Accumulated impairment on 1/1/2018	-	-	-	-
Impairment for the period	-	-	-	-
Net book value on 31/12/2018	6,867,663	2,524,617	511,215	9,903,495
2019				
Inventories on 31/12/2019	6,471,068	5,111,142	121,235	11,703,445
Accumulated impairment on 1/1/2019	-	-	-	-
Impairment for the period	-	-	-	-
Net book value on 31/12/2019	6,471,068	5,111,142	121,235	11,703,445
2020				
Inventories on 31/12/2020	4,111,181	9,713,186	53,820	13,878,187
Accumulated impairment on 1/1/2020	-	-	-	-
Impairment for the period	(390,191)	(140,710)	-	(530,901)
Net book value on 31/12/2020	3,720,990	9,572,476	53,820	13,347,286

5.17 Financial assets

The transactions in this account are presented in the table below:

	Trade receivables	Other receivables	Other financial assets	Total
	€	€	€	€
2018				
Receivables on 31/12/2018	11,236,266	1,867,083	318,223	13,421,572
Accumulated impairment on 1/1/2018	(226,019)	-	(42,462)	(268,481)
Change in impairment during the year	(337,975)	-	(143,542)	(481,517)
	(563,994)	-	(186,004)	(749,998)
Net book value on 31/12/2018	10,672,272	1,867,083	132,219	12,671,574
2019				
Receivables on 31/12/2019	9,720,240	4,779,454	318,223	14,817,917
Accumulated impairment on 1/1/2019	(257,334)	-	(186,004)	(443,338)
Change in impairment during the year	(29,694)	-	137,526	107,832
	(287,028)	-	(48,478)	(335,506)
Net book value on 31/12/2019	9,433,212	4,779,454	269,745	14,482,411

2020	Trade receivables	Other receivables	Other financial assets	Total
	€	€	€	€
Receivables on 31/12/2020	7,186,505	2,889,362	420,535	10,496,402
Accumulated impairment on 1/1/2020	(287,028)	-	(48,478)	(335,506)
Change in impairment during the year	(120,240)	-	(38,449)	(158,689)
	(407,268)	-	(86,927)	(494,195)
Net book value on 31/12/2020	6,779,237	2,889,362	333,608	10,002,207

The "Other Receivables" account includes amounts relating to income tax credit, VAT credit, amounts blocked for imports (cash guarantees) and various amounts from miscellaneous debtors in euro.

The "Other Financial Assets" account relates to the holding PPA, HELPE and National Bank of Greece.

The overall impairment of trade receivables on 31/12/2020 amounted at € 407,266 (31/12/2019:

€287,028 and 31/12/2018: €563,994) and relates to additional provisions for customers whose balance of receivables was past due by more than 360 days.

The trade receivables account does not bear interest and is normally settled within a period of 0 to 120 days. Provisions for impairment have been formed for customer balances not in arrears for more than 1 year from the contractual payment date and such provisions are considered adequate. The "other financial assets" account, amounting to €420,535 on 31/12/2020 (31/12/2019: € 318,223) relates to shares of the National Bank, Hellenic Petroleum and Piraeus Port Authority. These are valued at their fair value, €333,608, €269,745 and €132,219 on 31/12/2020, 31/12/2019 and 31/12/2018 respectively.

5.18 Cash and cash equivalents

The breakdown of this account is presented in the table below:

	2020	2019	2018
	€	€	€
Cash in hand	300,633	75,712	310,916
Sight deposits in euro	13,456,221	6,644,276	1,790,889
Sight deposits in foreign currency	875,430	334,474	389,288
Net book value	14,632,284	7,054,462	2,491,093

Cash and cash equivalents meet the Group's needs.

5.19 Paid-up capital & reserves

The breakdown of this account is presented in the table below:

	2020	2019	2018
	€	€	€
Share Capital	200,000	200,000	200,000
Reserves mandated by law or the articles of association	1,478,909	1,406,424	1,355,640
Statutory reserve	2,696,088	2,696,088	3,041,718
Other roundings	2,404	(559)	(836)
Other comprehensive income	2,148,072	1,954,235	963,540
Retained earnings	37,273,548	30,198,009	28,513,996
Consolidation reserve	(29,353,878)	(29,320,775)	(28,042,242)
Net book value	14,445,143	7,133,422	6,031,816

The authorised and issued share capital of the company amounts to €200,000 and is comprised of 200,000 ordinary shares with nominal value of €1,00 each. All issued shares are fully settled.

Developments in the share capital

a) On September 13th 2021 the Extraordinary General Meeting of the Company unanimously resolved to issue 199,000 ordinary shares of nominal value €1,00 each which were subsequently exchanged for the acquisition of Theon Sensors AG. More specifically 199,000 ordinary shares were offered to the shareholders of Theon Sensors AG for the acquisition of 100% of the issued share capital i.e., 204,082 shares issued and fully paid shares.

5.20 Provisions for Employee Benefits

The breakdown of this account is presented in the table below:

	2020	2019	2018
	€	€	€
Defined benefit liability on 1/1	289,586	230,550	205,027
Statement of financial position			

	2020	2019	2018
	€	€	€
Benefits paid	(9,913)	(600)	(3,743)
	(9,913)	(600)	(3,743)
Statement of Profit and Loss			
Current employment costs	39,732	20,193	18,237
Interest costs	3,330	3,689	3,485
	43,062	23,882	21,722
Statement of other comprehensive income			
Actuarial losses / (gains)	42,088	35,754	7,544
Defined benefit liability on 31/12	364,823	289,586	230,550

The actuarial estimate of obligations has been prepared in accordance with the relevant legislation in Greece and relates to the Greek Subsidiary as it arises from the requirements of the Laws 2112/1920 and 3026/1954 and amended by Laws 4093/2012, 4336/2015 and 4194/2013.

They are pension benefits specified in the relevant legislation paid once the employee retires. Greek labour law provides for compensation when one retires from work. The amount is based on length of service at the company, taking into account the pay on the date of departure.

Compensation for retirement is not funded from special funds.

The company has not developed a special benefits plan for employees other than those specified in the relevant legislation, which must be paid to all employees who leave the company.

The present value of the defined benefit obligation, the normal cost of current employee and, where appropriate, the cost of past service is calculated using the projected unit credit method (IAS 19).

Assumptions

The assumptions used are best estimates about the variables which will determine the final cost of providing the post-employment benefits.

Financial assumptions

	2020	2019	2018
Discount rate	0.60%	1.15%	1.60%
Expected future salary increases	2.00%	2.00%	2.00%
Inflation	1.50%	1.50%	2.00%

Demographic assumptions

The basic assumption was that the turnover rate in the period between the end of the year and the time of retirement would be zero, and for other demographic assumptions the actuarial tables in the EVK 2000 framework were used.

On 31.12.2020 the Group employed a staff of 135 (31.12.2019: 107 people, 31/12/2018 98 people).

Cash outflow times

Calculation of the timing of outflows of expected nominal cash flows (without using discounting) in the years to come is presented in the table below:

	Payment of liability
	€
From 0-1 years	880
From 1-5 years	27,574
From 5-10 years	70,830
10 years or more	1,101,567
	1,200,851

Sensitivity analysis

We examined the sensitivity of the actuarial present value of the defined benefit obligation (DBO) and the forecast of normal cost (NC) of service for the following year, by changing the basic assumptions which were used.

Use of a 0.5% higher discount rate would result in the present value of the actuarial obligation being 9% lower while, the exact opposite, use of a 0.5% lower discount rate would result in the present value of the actuarial obligation being 10% higher.

The relevant sensitivity tests for the expected pay rise, namely a pay rise of 0.5% higher than expected would result in an actuarial obligation 10% higher, and the exact opposite, use of an expected pay rise 0.5% lower than expected would result in an actuarial obligation 9% lower.

	Actuarial obligation	Percentage change
2020		
Increase in the discount rate by 0,5%:	333,226	(9.0%)
Decrease in the discount rate by 0,5%:	400,413	10.0%
Increase in the expected pay rise by 0,5%:	399,714	10.0%
Decrease in the expected pay rise by 0,5%:	333,409	(9.0%)
	Normal cost for the next year	Percentage change
Increase in the discount rate by 0,5%:	42,797	(13.0%)
Decrease in the discount rate by 0,5%:	56,628	15.0%
Increase in the expected pay rise by 0,5%:	56,479	15.0%
Decrease in the expected pay rise by 0,5%:	42,849	(13.0%)

5.21 Loans

The transactions in the Loans account are presented in the table below:

	Long term loans	Short term loans	short term portion of long-term loans	Total Bank loans	Long term lease liabilities	Short term lease liabilities	Total loan obligations.
2018	€	€	€	€	€	€	€
Amounts due on 1/1/2018	581,209	4,762,614	60,417	5,404,240	398,221	224,399	6,026,860
New lease liabilities	-	-	-	-	26,913	-	26,913
Disbursements	-	-	-	-	-	-	-
Capital repayments	(468,679)	(300,001)	-	(768,680)	-	(206,897)	(975,577)
Interest charges	92,742	174,963	-	267,705	-	17,600	285,305
Interest repayments	(96,328)	(156,743)	(60,417)	(313,488)	-	(17,600)	(331,088)
Transfers between accounts	1,537,442	(2,078,706)	541,264	-	(181,546)	181,546	-
Amounts due on 31/12/2018	1,646,386	2,402,127	541,264	4,589,777	243,588	199,048	5,032,413
2019	€	€	€	€	€	€	€
Amounts due on 1/1/2019	1,646,386	2,402,127	541,264	4,589,777	243,588	199,048	5,032,413
New lease liabilities	-	-	-	-	175,795	149,161	324,956
Disbursements	1,500,024	19,639,378	-	21,139,402	-	-	21,139,402
Capital repayments	(519,456)	(15,110,010)	(541,264)	(16,170,730)	-	(216,770)	(16,387,500)
Interest charges	129,805	395,593	-	525,398	-	14,285	539,683
Interest repayments	(118,340)	(268,888)	-	(387,228)	-	(14,285)	(401,513)
Transfers between accounts	125,464	-	125,464	-	(101,620)	101,620	-
Amounts due on 31/12/2019	2,512,955	7,058,200	125,464	9,696,619	317,763	233,059	10,247,441
2020	€	€	€	€	€	€	€
Amounts due on 1/1/2019	2,512,955	7,058,200	125,464	9,696,619	317,763	233,059	10,247,441
New lease liabilities	-	-	-	-	167,418	156,619	324,037
Disbursements	1,000,000	18,939,233	-	19,939,233	-	-	19,939,233
Capital repayments	(1,694,261)	(15,034,474)	(125,464)	(16,854,199)	-	(241,463)	(17,095,662)
Interest charges	58,532	433,862	-	492,394	-	15,774	508,168
Interest repayments	(45,563)	(311,386)	-	(356,949)	-	(15,774)	(372,723)
Interest subsidies	(19,193)	(149,147)	-	(168,340)	-	-	(168,340)
Transfers between accounts	(106,587)	-	106,587	-	(125,167)	125,167	-
Amounts due on 31/12/2020	1,705,883	10,936,288	106,587	12,748,758	360,014	273,382	13,382,154

The Group presents interest of € 506,951 in the 2020 profit and loss statement (2019: €559,005 and 2018: €288,402) (see note 5.9).

€332,893 from the lease liability of €639,592 on 31 December 2020 related to obligations under a car hire agreement (2019: €232,792 and 2018: €119,977) whereas the remainder of €300,503 (2019: €318,031, and 2018: €322,660) related to the rental of properties.

It should also be noted that at the end of the year the Group had a claim of € 22,169 for an interest subsidy, which has not been depicted in the above table.

The lease liability using discounted figures (principal owed) can be broken down as follows:

	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
2018	€	€	€	€
Car lease liabilities	45,257	74,720	-	119,977
Property lease liabilities	153,791	78,960	89,908	322,659
Total principal due	199,048	153,680	89,908	442,636

	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
	€	€	€	€
Car lease liabilities	65,108	167,684	-	232,792
Property lease liabilities	167,951	103,667	46,412	318,030
Total principal due	233,059	271,351	46,412	550,822

2020

	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
	€	€	€	€
Car lease liabilities	97,353	229,345	-	326,698
Property lease liabilities	176,029	107,086	23,583	306,698
Total principal due	273,382	336,431	23,583	633,396

5.22 Trade and other payables

The transactions in this account are presented in the table below:

	2020	2019	2018
	€	€	€
EU suppliers	4,712,825	7,364,144	7,935,517
Third country suppliers	1,928,425	1,907,579	438,443
Other liabilities	-	-	(52,829)
	6,641,250	9,271,723	8,321,131

5.23 Income tax

	2020	2019	2018
	€	€	€
Liability on 1/1	156,972	-	-
Receivable on 1 /1	-	(511,260)	(209,590)
Net liability / (receivable) 1/1	156,972	(511,260)	(209,590)
Prior period tax payment	(824,849)	-	(2,073)
Prior period advance payment	-	-	(797,125)
Withholding tax	-	-	(4,036)
Offset against other debts	(54,248)	15,428	-
Other taxes	1,600	-	894
Cost of current year tax payable in the next year	2,814,169	652,804	500,670
Movement for the year	1,936,672	668,232	(301,670)
Liability on 31/12	2,093,644	156,972	-
Receivable on 31/12	-	-	(511,260)
Net liability / (receivable) 31/12	2,093,644	156,972	(511,260)

The tax rates on the profits of the main subsidiaries, based on their country of tax residence are as follows:

1. Theon International PLC, Cyprus: 12,5%
2. Theon Sensors AG, Switzerland: 11,9%
3. Theon Sensors SA, Greece: In Greece, for the year 2020: 24%. From year 2021 onwards: 22% following article 120 of law 4799/2021 (17 May 2021).
4. Theon Sensors MEA FZC, United Arab Emirates: 0%
5. Theon Sensors Far East Ltd, Singapore: 16%

5.24 Other taxes - Duties

	2020	2019	2018
	€	€	€
VAT	-	-	-
Other withholding taxes and duties	121,956	79,551	109,695
Net book value	121,956	79,551	109,695

5.25 Other liabilities

	2020	2019	2018
	€	€	€
Customer prepayments	1,663,834	3,809,189	946,590
Various creditors	185,718	81,251	58,137
Net book value	1,849,552	3,890,440	1,004,727

5.26 Contingent Liabilities & Commitments

The Group has no significant outstanding liabilities to third parties or third parties. The guarantee letters which have been issued are shown in the table below:

	2020	2019	2018
	€	€	€
Guarantee letters for customs office	4,962,000	4,768,400	3,616,500
Performance guarantees	946,831	1,053,490	1,821,691
Guarantee letters for goods standing	11,164	-	-
Guarantee letters for participation	484,521	-	-
	6,404,516	5,821,890	5,438,191

5.27 Transactions with related parties

The principal shareholder and ultimate beneficial owner of the group is Mr. Christian Hadjiminias who owns 79.19% of the share capital. The other shareholders with ownership percentage over 5% are Mr. Nikolaos Papatsas who owns 14.04% and other group employees that own 6.77%. None of the employees own over 5%

5.27.1 Remuneration of senior management and Board members

Remuneration of senior management and Board members were as follows:

	2020	2019	2018
	€	€	€
Salaries	372,263	216,972	211,354
Social security costs	32,002	32,427	31,427
	404,265	249,399	242,781

5.27.2 Balance with related parties

Receivable from related parties

	2020	2019	2018
	€	€	€
ESS - European sensor systems	18,875	15,103	6,689
Nikolaos Papatsas – shareholder	71	71	-
Vassilios Savvaidis – shareholder	-	10,000	-
	18,946	25,174	6,689

Payables to related parties

	2020	2019	2018
	€	€	€
Aerospace Sensors	-	-	692,476
Aerospace Ventures AG	-	700,024	-
ESS – European sensor systems	-	-	93,000
EFA – European investments	248,000	4,144	689,657
Paty Hatziminias	71,460	101,610	115,149
Christian Hatziminias – shareholder	5,500,764	7,809,823	9,163,285
Nikolaos Papatsas– shareholder	669,403	1,008,287	1,290,517
Thomas Ntakos – shareholder	436,712	437,703	438,444
Vassilios Savvaidis – shareholder	282,548	323,173	350,454
Evangelos Boutlas – shareholder	708	708	-
	7,209,595	10,385,472	12,832,982

The balance due to Aerospace Ventures AG bears interest 1.9% and 2.25%. All the other balances are interest free and are payable on demand.

5.27.3 Transactions with related parties

Sale of products

	2020	2019	2018
	€	€	€
ESS – European sensor systems	20,165	8,122	2,935
EFA – European investments	-	-	21,900
	20,165	8,122	24,835

Purchases of products and services

	2020	2019	2018
	€	€	€
ESS – European sensor systems	300,000	303,509	-
EFA – European investments	224,000	224,000	1,179,162
	524,000	527,509	1,179,162

5.27.4 Key management personnel

Key management personnel mean persons who have the power and responsibility for planning, managing and controlling the activities of an economic entity, whether directly or indirectly.

No loans have been provided to members of the Board or other Group management executives (or their families) and there are no receivables/liabilities involving Board members.

There were no changes in transactions between the Group and related parties which could have material impacts on the Group's financial position and performance for the period ended.

5.28 Going Concern

The Group's financial statements have been prepared on the basis that the Group remains a going concern.

5.29 Subsequent events

A) Up to the date of preparation of this Report and after 31.12.2020, the spread of the COVID- 19 pandemic has been taking place, both in our country and globally. Although the peak of this pandemic is now behind us and it is currently impossible to safely estimate the extent of the financial and other consequences in Cyprus, the countries in which the Group operates as well as internationally, it is anticipated that they will be significant.

Given the above, the Management of the Group is currently unable to estimate the extent of the long-term impact of the pandemic on the financials and course of the Group.

In any case, the Management of the Group shall closely monitor financial and other developments and, as soon as safe forecasts can be made, shall assess said impact on the financials and course of the Group and shall accordingly notify its partners.

B) Moreover, in February 2021, the Group proceeded to the purchase of adjacent industrial property in Greece of 1,513 sq.m. on a plot of 5,813 sq.m. whose renovation was completed at the end of June 2021.

C) "In accordance with the Minutes of the Board of Directors dated 14/06/2021 of the Greek subsidiary, it was decided to grant a licence, pursuant to article 100 of the Greek Law No. 4548/2018, for the provision of a guarantee, if required, of the amount of Euro three million two hundred thousand (€3,200,000.00) in favour of an associated company to secure a claim of a seller company for the full and complete repayment of the remaining agreed purchase price of the property".

D) In addition to the above facts referred to in this report, we would like to mention that the Greek subsidiary and the German optronics company HENSOLDT, signed as a joint venture on 22 June 2021 a contract with OCCAR for the supply of night vision goggles to the Belgian and German Armed Forces in the framework of the Night Vision Capability Programme.

OCCAR, which is a European intergovernmental organisation for Joint Armaments Cooperation, on the basis of its official communications (Night Vision Goggles Contract Award | OCCAR), has been entrusted by Belgium and Germany to manage this joint procurement.

By offering the Mikron 16 mm binocular night vision system, the THEON SENSORS - HENSOLDT joint venture, prevailed in an international open tender overtaking commercially and technically other large multinational companies. The contract includes the production and delivery of 4,550 night vision goggles to the Belgian Armed Forces and 5,000 to the German Armed Forces, with more than 20,000 goggles planned in addition to the above, for these and other European countries. The contract also includes a full maintenance and repair service for up to 15 years, as well as a range of accessories to be delivered to users. Under the contract, first deliveries start within 2021.

There is no other event, in addition to the above, that could significantly affect the financial standing and course of the Group.

Nicosia 24/09/2021

The managing Director

The vice president of the Board.

Christian Hadjiminias

Petros Christoum

THEON INTERNATIONAL PLC

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS FOR THE NINE MONTHS ENDED 30
SEPTEMBER 2023**

Officers

Board of Directors: Christian Hadjiminias (Managing Director)
Petros Christou (Vice President)
Stelios Anastasiou

Company Secretary: Petros Christou

Independent Auditors: KPMG Limited
Chartered Accountants
14 Esperidon Street, 1087 Nicosia, Cyprus
P.O. Box 21121
1502 Nicosia, Cyprus

Registered office: 5 Agiou Antoniou
Muskita Building 2, 1st Floor, Office 102
2002 Nicosia
Cyprus

Registration number: HE 424549

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors of Theon International Plc

Introduction

We have reviewed the accompanying condensed consolidated financial statements of Theon International PLC (the "Company") and its subsidiaries (the "Group"), which comprise of:

- the condensed consolidated financial position as at 30 September 2023;
- the condensed consolidated statements of profit & loss and other comprehensive income for the three-month and nine-month periods ended on 30 September 2023;
- the condensed consolidated statement of changes in equity for the nine-month period ended on 30 September 2023;
- the condensed consolidated statement of cash flows for the nine-month period ended on 30 September 2023;
- notes to the condensed consolidated financial statements.

Management is responsible for the preparation of these condensed consolidated financial statements in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Emphasis of Matter

We draw attention to Note 26 to the condensed consolidated financial statements which indicates that the comparative information presented as at 31 December 2022 and 1 January 2022 has been restated. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements as at 30 September 2023 are not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting”.

KPMG Limited

Certified Public Accountants and Registered Auditors

14 Esperidon Street

1087 Nicosia Cyprus

16 November 2023

1. Condensed Consolidated Statement of Financial Position

<u>ASSETS</u>	Note	30 September 2023 €	<i>Restated*</i> 31 December 2022 €	<i>Restated*</i> 01 January 2022 €
Non-current assets				
Tangible assets				
Own-use properties	14	10.720.746	6.535.056	5.185.213
Investment properties	15	1.362.128	1.412.354	1.491.327
Machinery & equipment	14	3.170.901	2.769.109	2.462.622
Other equipment	14	2.327.509	2.177.511	1.537.581
Total tangible assets		17.581.284	12.894.030	10.676.743
Intangible assets				
Development costs	16	859.006	548.861	192.343
Other intangible assets	16	267.236	275.456	331.115
Total intangible assets		1.126.242	824.317	523.458
Financial assets				
Other Investments		413.250	45.425	-
Other non-current assets		159.134	105.716	103.922
Long term loans receivable		84.355	7.526.149	-
Total financial assets		656.739	7.677.290	103.922
Deferred tax assets		614.385	577.147	214.089
Total non-current assets		19.978.650	21.972.784	11.518.212
Current assets				
Inventories				
Finished goods and work in progress	13	20.112.668	12.284.888	5.003.848
Raw materials and various materials	13	39.034.428	18.900.711	8.216.935
Other inventories	13	4.086.701	2.835.975	1.029.883
Total inventories		63.233.797	34.021.574	14.250.666
Financial assets, receivables and prepayments				
Trade accounts receivable	9	63.196.029	67.996.703	15.843.544
Other receivables	9	10.791.866	5.092.765	2.709.584
Financial assets measured at fair value		735.819	462.403	397.378
Prepayments		5.548.498	3.774.245	1.841.177
Cash and cash equivalents		13.951.325	24.035.135	26.096.448
Total financial assets, receivables and prepayments		94.223.537	101.361.251	46.888.131
Total current assets		157.457.334	135.382.825	61.138.797
TOTAL ASSETS		177.435.984	157.355.609	72.657.009

*The comparative information is restated on account of correction of errors. See Note 26.

The notes on pages 12 to 31 are an integral part of the condensed consolidated financial statements.

1. Condensed Consolidated Statement of Financial Position (continued)

	Note	30 September 2023 €	Restated* 31 December 2022 €	Restated* 01 January 2022 €
Equity				
Share Capital	17	200.000	200.000	200.000
Total		200.000	200.000	200.000
Reserves				
Merger Reserve	17	(27.933.244)	(27.947.398)	(27.945.738)
Reserves	17	81.063.509	92.039.515	61.023.528
Total reserves		53.130.265	64.092.117	33.077.790
Total net assets		53.330.265	64.292.117	33.277.790
Liabilities				
Long term interest - bearing loans and borrowings	18	2.560.002	3.075.002	7.540.103
Long term lease liabilities	18	513.498	586.354	815.417
Amount owed for share buy-back	22.5	10.996.405	-	-
Government grants		183.657	188.427	378.385
Provision for staff retirement indemnities		182.276	162.026	162.035
Total Long-term liabilities		14.435.838	4.011.809	8.895.940
Short term liabilities				
Trade accounts payable		28.623.055	23.969.875	6.915.631
Short term Lease liabilities	18	347.378	295.232	281.350
Short term loans	18	37.028.416	30.217.270	8.922.898
Short term portion of long-term loans		876.327	781.397	717.536
Contract liabilities		24.764.271	26.237.209	5.618.148
Tax liabilities	12	5.548.540	6.067.157	4.296.230
Other tax and duties		-	188.397	131.663
Social Security providers		458.788	288.486	209.488
Amounts owed for share buy-back	22.5	4.660.375	-	-
Dividends payable	17	4.033.280	-	-
Other liabilities		3.329.451	1.006.660	3.390.335
Total short-term liabilities		109.669.881	89.051.683	30.483.279
TOTAL LIABILITIES		124.105.719	93.063.492	39.379.219
TOTAL NET ASSETS AND LIABILITIES		177.435.984	157.355.609	72.657.009

On 16 November 2023, the Board of Directors of Theon International PLC authorized the issuance of these condensed consolidated financial statements.

.....
Petros Christou

.....
Stelios Anastasiou

*The comparative information is restated on account of correction of errors. See Note 26.

The notes on pages 12 to 31 are an integral part of the condensed consolidated financial statements.

2. Condensed Consolidated Statement of Profit & Loss and Other Comprehensive Income for the nine months ended 30 September

<i>For the nine months ended 30 September</i>	Note	2023	2022
		€	€
Revenue	8	115.758.779	70.376.741
Cost of sales		<u>(82.313.956)</u>	<u>(44.323.605)</u>
Gross profit		33.444.823	26.053.136
Other income	11	320.204	322.663
Administrative expenses		(6.704.356)	(4.803.365)
Selling and distribution expenses		(1.585.102)	(1.521.017)
Research and Development expenses		(1.875.424)	(1.346.111)
Other expenses		<u>(93.012)</u>	<u>(115.860)</u>
Operating profit		23.507.133	18.589.446
Finance income		714.300	342.593
Finance expenses		<u>(3.931.840)</u>	<u>(3.155.617)</u>
Net finance cost		(3.217.540)	(2.813.024)
Share of profit of equity-accounted investees		<u>398.779</u>	<u>-</u>
Profit for the period before tax		20.688.372	15.776.422
Income tax	12	(6.766.461)	(4.079.547)
Deferred tax	12	<u>(17.384)</u>	<u>219.205</u>
Profit for the period after tax		13.904.527	11.916.080
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Staff leaving indemnity		-	6.622
Merger Reserve		14.154	(1.660)
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation reserve		<u>841.264</u>	<u>1.525.974</u>
Other comprehensive income for the period after tax		855.418	1.530.936
Total comprehensive income for the period after tax		14.759.945	13.447.016
Earnings per share			
Basic earnings per share	23	70,82	59,58
Diluted earnings per share	23	70,82	59,58

The notes on pages 12 to 31 are an integral part of the condensed consolidated financial statements.

3. Condensed Consolidated Statement of Profit & Loss and Other Comprehensive Income for the three months ended 30 September

<i>For the three months ended 30 September</i>		2023	2022
	Note	€	€
Revenue	8	57.308.532	32.055.460
Cost of sales		(40.418.976)	(21.739.799)
Gross profit		16.889.556	10.315.661
Other income	11	52.996	209.798
Administrative expenses		(2.187.399)	(1.321.486)
Selling and distribution expenses		(511.415)	(451.689)
Research and Development expenses		(689.160)	(433.668)
Other expenses		(19.607)	(34.441)
Operating profit		13.534.971	8.284.175
Finance income		125.312	287.509
Finance expenses		(1.922.619)	(1.882.841)
Net finance cost		(1.797.306)	(1.595.332)
Share of profit of equity-accounted investees		336.877	-
Profit for the period before tax		12.074.541	6.688.843
Income tax	12	(3.386.122)	(1.457.964)
Deferred tax	12	621.168	191.182
Profit for the period after tax		9.309.587	5.422.061
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Staff leaving indemnity		-	6.622
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation reserve		700.993	265.439
Other comprehensive income for the period after tax		700.993	272.061
Total comprehensive income for the period after tax		10.010.580	5.694.122
Earnings per share			
Basic earnings per share	23	47,42	27,11
Diluted earnings per share	23	47,42	27,11

The notes on pages 12 to 31 are an integral part of the condensed consolidated financial statements.

4. Condensed Consolidated Statement of Changes in Equity for the nine months ended 30 September 2022 and 30 September 2023

	Note	Share Capital	Legal Reserve	Other Reserves	Retained Earnings	Treasury Share Reserve	Foreign Exchange Reserve	Merger Reserve	Total Equity
Balance 1 January 2022		200.000	3.603.943	1.781.154	55.156.346	-	4.408.342	(31.304.573)	33.845.212
Impact of correction of errors (Note 26)					(567.422)	-	(3.358.835)	3.358.835	(567.422)
Balance 1 January 2022 (restated)*		200.000	3.603.943	1.781.154	54.588.924	-	1.049.507	(27.945.738)	33.277.790
Total comprehensive income for the period									
Profit for the period after tax		-	-	-	11.916.080	-	-	-	11.916.080
Other comprehensive income		-	-	-	6.622	-	1.525.974	(1.660)	1.530.936
Transfer from retained earnings to other reserves		-	-	884.880	(884.880)	-	-	-	-
Total comprehensive income for the period		-	-	884.880	11.037.822	-	1.525.974	(1.660)	13.447.016
Balance 30 September 2022		200.000	3.603.943	2.666.034	65.626.746	-	2.575.481	(27.947.398)	46.724.806
Balance 1 January 2023		200.000	3.603.943	2.666.034	86.265.466	-	6.052.026	(33.331.866)	65.455.603
Impact of correction of errors (Note 26)					(1.163.486)	-	(5.384.468)	5.384.468	(1.163.486)
Balance 1 January 2023 (restated)*		200.000	3.603.943	2.666.034	85.101.980	-	667.558	(27.947.398)	64.292.117
Total comprehensive income (restated)*									
Profit for the period after tax		-	-	-	13.904.527	-	-	-	13.904.527
Other comprehensive income		-	-	-	-	-	841.264	14.154	855.418
Transfer from retained earnings to other reserves		-	-	1.430.540	(1.430.540)	-	-	-	-
Total comprehensive income for the period		-	-	1.430.540	12.473.987	-	841.264	14.154	14.759.945
Transactions with owners of the Company									
Share buy back	22.4	-	-	-	-	(15.721.797)	-	-	(15.721.797)
Dividends	17	-	-	-	(10.000.000)	-	-	-	(10.000.000)
Total contributions and distributions		-	-	-	(10.000.000)	(15.721.797)	-	-	(25.721.797)
Balance 30 September 2023		200.000	3.603.943	4.096.574	87.575.967	(15.721.797)	1.508.822	(27.933.244)	53.330.265

*The comparative information is restated on account of correction of errors. See Note 26.

The notes on pages 12 to 31 are an integral part of the condensed consolidated financial statements.

5. Condensed Consolidated Statement of Cash Flows for the nine months ended 30 September 2023

For nine months ended 30 September

		2023	2022
		€	€
Profit for the period before tax	Note	20.688.372	15.776.422
Adjustments for:			
Cash flows from operating activities			
Depreciation		1.295.471	1.041.572
(Reversal of) / Impairment of receivables		(2.160)	9.512
Revaluation gain		(128.093)	(47.869)
Other income		-	(5.953)
Subsidies received		(4.827)	(77.691)
Share of profit of equity- accounted investee, net of tax		(398.779)	-
Net interest		3.852.517	1.900.480
Impairment of inventory		41.948	-
Cash generated by operating activities before working capital changes		25.344.449	18.596.473
Change in:			
Inventories	13	(29.254.171)	(24.070.426)
Prepayments		(1.774.253)	(2.997.782)
Trade and other receivables	9	4.667.893	(17.888.616)
Trade and other payables		6.688.442	10.117.658
Contract Liabilities		(1.472.938)	1.572.349
		(21.145.027)	(33.266.816)
Less:			
Payments for Income tax	11	(7.285.078)	(2.775.645)
Net cash flows used in operating activities		(3.085.656)	(17.445.988)
Cash flows from Investing Activities			
Acquisition of tangible and intangible assets		(5.940.389)	(1.597.035)
Proceeds from Sale of investments		30.954	-
Increase in other receivables		(5.740.437)	(6.660.156)
Repayment of Loans receivables		7.235.649	-
Dividends received		17.689	-
Interest received		206.145	452
Net cash flows used in investing activities		(4.190.389)	(8.256.739)
Cash flows Financing activities			
Repayment of borrowings		(52.516.887)	(14.470.639)
Proceeds from borrowings from financial institutions		58.887.254	22.283.009
Interest paid		(2.361.105)	(459.316)
Outflows of lease liabilities		(212.051)	(240.832)
Dividends paid		(5.966.720)	-
Net cash flows (used in)/ from financing activities		(2.169.509)	7.112.222
Net decrease in cash and cash equivalents		(9.445.554)	(18.590.505)
Opening Cash and cash equivalents balance of Continued operations:		24.035.135	26.096.448
Foreign exchange differences		(638.256)	(81.844)
Closing Cash and cash equivalents balance:		13.951.325	7.424.099

The notes on pages 12 to 31 are an integral part of the condensed consolidated financial statements.

Notes on the Condensed Consolidated Financial Statements

6. General information about the Group

Theon International PLC (“The Company”) was incorporated in Cyprus on 10 August 2021 as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113 and was converted to a Public Limited Liability Company on 13 September 2021. Its registered office is at 5 Agios Antonios Street, 1st floor, Office 102, 2002 Nicosia, Cyprus.

Until 19th September 2023, the Company was listed on the Emerging Companies Market of the Cyprus Stock Exchange. Thereafter, the Company delisted its’ shares. It is noted that, on the same date, the Company’s shares were also delisted from the Central Securities Depository and Central Registry, in accordance with Article 19 of the Securities and Cyprus Stock Exchange (Central Securities Department and Central Registry) Law.

The Company was incorporated with the purpose to acquire the 100% of the issued share capital of Theon Sensors AG, a Company incorporated in Switzerland. The acquisition agreements were concluded on 27 August 2021. Theon Sensors AG is the owner of the following companies:

- Theon Sensors SA, Greece (100%),
- Theon Sensors MEA FZC, United Arab Emirates (99%),
- Theon Deutschland GmbH, Germany (100%),
- Theon Sensors Far East Long Ltd., Singapore (100%) and
- Theon Sensors USA Inc. USA (100%)

For the acquisition of the share capital of Theon Sensors AG, the Company issued on 13 September 2021, 199,000 ordinary shares of €1.00 each in exchange of 204,082 issued and fully paid shares in Theon Sensors AG.

Additionally, Theon International PLC does no longer hold a stake in European Sensor Systems SA, Greece, as it was sold during 2023 for an amount of € 30.954.

Theon International PLC together with its subsidiaries form the Group “Theon Sensors” (“The Group”).

The Group is engaged in the production and trade of a large range of sensors, and in particular night vision systems, thermal systems (thermal sights) and other innovative electro-optical equipment and equipment for application to Defense and Security.

The Group is involved in the manufacture and trade of high-tech sensors, its main focus being the production of other optical instruments and their parts.

The Group’s objects are to manufacture, maintain, repair and trade in high-tech sensors and thermal imaging instruments, vision instruments, distance meters, daytime and night-time sights, high-tech and microelectronics products, to provide all manner of information and advice about the operation of those products, to act as agent for and/or to broker the conclusion of all manner of contracts relating to those products, to brief individuals about the above work, to provide consultancy services.

The main product ranges are:

- Night vision monoculars and binoculars
- Full range of night vision sights and thermal imaging instruments
- Sights for night driving and upgrade kits for armored vehicles
- Night vision and thermal imaging systems for vehicles and digital platforms
- Thermal instruments
- ILS and maintenance services
- Provision of customised solutions

Notes on the Condensed Consolidated Financial Statements

6. General information about the Group (*continued*)

All products of “THEON SENSORS Single-Member Commercial and Industrial Société Anonyme” are compatible and fully tested for compliance with military standards, focusing on highly effective and ergonomically advanced systems that increase the safety and performance of soldiers during night operations. One of the featured advantages is that systems can be adjusted to meet the specific requirements of end users. Following flexible procedures, the company is able to promptly respond to adjustment requests within a short period.

7. Summary of main accounting policies

The accounting policies and methods of computation in these condensed consolidated financial statements are consistent with those in the consolidated financial statements for the year ended 31 December 2022. During the period ended 30 September 2023, the Group adopted the following accounting policy in relation to share buy-back (Treasury shares)

7.1 Buy-back of ordinary shares (Treasury shares)

When ordinary shares are repurchased, the amount of consideration payable which includes directly attributable costs, is recognized as a reduction in the Treasury Share Reserve. When treasury shares are sold subsequently, the consideration is recognized as an increase in the Treasury Share Reserve.

7.2 Basis of accounting

These condensed consolidated financial statements for the nine months ended 30 September 2023 have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2022 (‘last annual financial statements’). They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The condensed consolidated financial statements have been prepared in accordance with the historical cost or deemed cost principle except for financial assets measured at fair value, keeping each year separate, ensuring uniform presentation, considering the materiality of the information and applying the accrued revenues and expenses principle. The condensed consolidated financial statements have also been prepared on the basis that the Group remains a going concern.

Condensed consolidated financial statements

Subsidiaries are entities under the control of the parent company of the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

For the purposes of preparing the condensed consolidated financial statements, the method of Business Combinations under Common Control was followed, and the book value method (“book-value accounting” or “predecessor value method”) is applied. Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; The assets and liabilities acquired are recognised at the carrying amounts recognised in the acquired subsidiary financial statements. In applying book value accounting, the difference between the acquisition price of a subsidiary and its share capital is presented as a ‘merger’ reserve.

The balances and transactions between the group companies were eliminated on consolidation in accordance with IFRS 10 “Consolidated Financial Statements”.

Notes on the Condensed Consolidated Financial Statements

of main accounting policies (continued)

7.3 Use of judgements and estimates

In preparing these condensed consolidated financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

7.4 Comparatives

When necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

Certain comparative amounts in the condensed consolidated statement of financial position and condensed consolidated statement of changes in equity have been adjusted due to corrections of prior years' errors (Note 26).

The corresponding figures for the period ended 30 September 2022 were not subject to review.

8. Revenue

Revenue from contracts with customers

The Group's revenues are derived from the sale of night vision systems, thermal systems (thermal sights) and other innovative electro-optical equipment and equipment for application to Defense and Security.

The Group recognizes revenue, excluding interest and dividend income and other related income from financial instruments recognized under IFRS 9, upon the transfer of promised services to customers in amounts that reflect the consideration to which the Group expects to be entitled in exchange for those goods based on the following five-step approach:

Step 1: Identify the contract for the sale of the goods.

Step 2: Identify the separate performance obligations arising from the contract with the customer.

Step 3: Determination of the transaction price.

Step 4: Allocate the transaction price to the obligations under the contract.

Step 5: Recognition of revenue as the entity satisfies its obligations under the contract with the customer.

Notes on the Condensed Consolidated Financial Statements

8. Revenue (continued)

Revenue from contracts with customers (continued)

Revenue is recognized, in accordance with IFRS 15, at the amount that the entity expects to be entitled to as consideration for the transfer of goods when the customer obtains control of the goods, specifying the timing of the transfer of control - either at a point in time or over time.

Revenue is defined as the amount that an entity expects to be entitled to in exchange for the services or goods transferred to a customer, excluding amounts received on behalf of third parties (value added tax, other sales taxes).

The Group recognizes revenue when (or as) it satisfies its performance obligation to fulfil a contract by transferring the goods or services promised to the customer. The time of transfer of control is usually when the goods have been shipped to the customer's location, unless otherwise specified in the terms of the contract. The terms governing contracts with customers are consistent with international commercial terms (Incoterms).

The Group has determined that there is a single performance obligation, which is the sale to the customer of the related goods. The Group has concluded that revenue from the sale of products meets the criteria to be recognized at a particular point in time.

The Group does not enter into contracts where the period between the sale of goods promised to the customer and payment by the customer exceeds one year. Therefore, the Group does not adjust the transaction price for the time value of money.

The Group does not provide volume discounts to customers.

8.1 Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products and timing of revenue recognition.

In €	9 months ended 30 September		3 months ended 30 September	
	2023	2022	2023	2022
Primary geographic markets				
Europe	98.723.826	42.790.600	48.265.419	19.570.633
Americas	10.289.190	19.038.359	3.960.935	7.218.550
Asia	6.737.360	8.427.378	5.077.600	5.266.277
Africa	-	73.381	-	-
Oceania	8.403	47.023	4.578	-
	115.758.779	70.376.741	57.308.532	32.055.460
Major products				
Night	107.164.825	60.114.107	53.293.741	28.192.925
Thermal	6.418.514	9.181.542	3.028.319	3.862.535
Other	2.175.440	1.081.092	986.472	-
	115.758.779	70.376.741	57.308.532	32.055.460
Timing of revenue recognition				
Products transferred at a point in time	115.758.779	70.376.741	57.308.532	32.055.460
	115.758.779	70.376.741	57.308.532	32.055.460
Revenue from contracts with customers	115.758.779	70.376.741	57.308.532	32.055.460
Total Revenue	115.758.779	70.376.741	57.308.532	32.055.460

Notes on the Condensed Consolidated Financial Statements

8. Revenue (continued)

8.2 Seasonality

The Group's revenues are impacted seasonally by the fact that annual government budgets are authorized at the end of the preceding year and begin operations after the first quarter of the year they were initially scheduled for.

Orders from states with either unallocated or newly discovered funds are expected to arrive towards the close of each year. These orders must be carried out before the end of the relevant year, as there is no mechanism in place to transfer over monies from one year to the next.

9. Trade and other Receivables

	Restated	
	30 September	31 December 2022
	2023	
	€	€
Trade accounts receivable	63.771.874	68.574.708
Provision for doubtful debts	(575.845)	(578.005)
Total trade accounts receivable	63.196.029	67.996.703

The Group's trade receivables are subject to seasonal fluctuations therefore the balance of trade receivables is lower than the year-end balances.

The overall provision of trade receivables as at 30 September 2023 amounted € 575.845 (31 December 2022: €578.005) and relates to additional provisions for customers whose balance of receivables was past due by more than 360 days.

The trade receivables account do not bear interest and is normally settled within a period of 0 to 120 days. Provisions for impairment have been formed for customer balances not in arrears for more than 1 year from the contractual payment date and such provisions are considered adequate.

	Restated	
	30 September	31 December 2022
	2023	
	€	€
V.A.T. and other receivables from Public Sector	1.144.061	2.661.576
Prepaid expenses	2.025.974	2.383.186
Other loans provided	33.532	-
Other short-term receivables	1.578.060	48.003
Short term investment	6.010.239	
Total other receivables	10.791.866	5.092.765
Total trade and other receivables	73.987.895	73.089.468

The variance since 31 December 2022 of other receivables mainly relates to 6 months term deposit, amounting to € 6.010.239, which is presented as short term investment.

Notes on the Condensed Consolidated Financial Statements

9.1 Contract balances

	30 September 2023	<i>Restated</i> 31 December 2022
	€	€
Receivables which are included in Trade accounts receivable	63.196.029	67.996.703
Contract Liabilities	(24.764.271)	(26.237.209)

10. Employee benefits

The Group's defined benefit pension obligation increased by € 20.250 compared to 31 December 2022 due to service cost of the period.

The above effect was included in 'administrative expenses' in the condensed consolidated statement of profit & loss and other comprehensive income for the nine months ended 30 September 2023.

11. Other income

	9 months ended 30 September		3 months ended 30 September	
	2023	2022	2023	2022
	€	€	€	€
Various revenues from sales	1.006	-	588	-
Income from rent	92.085	94.003	16.418	32.203
Other income	227.113	228.660	35.990	177.595
Total	320.204	322.663	52.996	209.798

12. Income tax

	9 months ended 30 September		3 months ended 30 September	
	2023	2022	2023	2022
	€	€	€	€
Profit before tax	20.688.372	15.776.422	12.074.542	6.688.844
Tax rate using the Company's domestic tax rate	12,5%	12,5%	12,5%	12,5%
Attributable tax	2.586.046	1.972.053	1.509.317	836.105
Effect of tax rates in foreign jurisdictions	1.965.395	1.293.997	1.147.081	430.677
Expenses not recognised for tax purposes	401.298	165.983	-	-
Prior year income tax	100.811	-	-	-
Reversal of prior year deferred tax	50.781	-	-	-
Other movements	185.025	428.309	108.556	-
Withholding tax	1.494.489	-	-	-
Tax Expense	6.783.845	3.860.342	2.764.954	1.266.782
Effective tax rate	33%	24%	23%	19%

Notes on the Condensed Consolidated Financial Statements

12. Income tax (continued)

According to the Swiss Federal Tax Administration, Theon AG paid the amount of € 1.494.489 as withholding tax on dividends paid to Theon PLC.

Regarding the Greek Subsidiary “Theon Sensors SA”: (the “Greek Subsidiary”)

The tax rate on profits from the business activity of legal persons in Greece for the year 2023 based on Article 120 of Law No. 4799/2021 amounts to 22% (2022: 22%).

The Greek Subsidiary has obtained tax compliance certificates with unqualified opinion by its certified auditor for each fiscal year from 2011 up to and including 2021 according to Greek tax laws (years 2011-2013 pursuant to the provisions of Article 82 of Law No. 2238/1994 and years 2014-2022 pursuant to the provisions of Article 65A of Law No. 4174/2013). Tax compliance certificate for the year ended 31 December 2022 is still in progress and expected to be completed within 2023.

The Greek Subsidiary does not expect additional taxes and surcharges to occur in the context of the audit of the Greek tax authorities for the years 2016 up to 2022. Accordingly, based on risk analysis criteria and as part of the audits carried out on companies that have received tax compliance certificates with unqualified opinion by a certified auditor, the Greek subsidiary may be selected by the Greek tax authorities for a tax audit. The Group’s management estimates that no significant differences will arise from this assurance work.

The Greek subsidiary is audited by the Tax Authorities based on an audit instruction served on it at the end of January 2023. This audit covers the 2018 and 2019 financial years. That audit is still under way and the Greek subsidiary has not received any other audit instruction from the tax authorities for the 2020 to 2022 financial years.

The management of the Group estimates that, in case of possible re-audits by the tax authorities, no additional tax disputes will arise with a significant impact on the consolidated financial statements.

The tax rates on the profits of the rest subsidiaries of the Group, based on their country of tax residence are as follows:

- Theon International PLC, Cyprus: 12,5%
- Theon Sensors AG, Switzerland: 11,9%
- Theon Sensors MEA FZC, United Arab Emirates: 0%
- Theon Sensors Far East Ltd, Singapore: 16%
- T Industries DK ApS, Denmark – 23,5%
- T Industries Inc, USA – 35%

Notes on the Condensed Consolidated Financial Statements

13. Inventories

	30 September 2023	<i>Restated</i> 31 December 2022
	€	€
Finished and semi-finished products	19.341.066	11.977.829
Work in progress	771.602	307.059
Raw materials and various materials	39.034.428	18.900.711
Other inventories	4.086.701	2.835.975
Total	63.233.797	34.021.574

During the nine months ended 30 September 2023, the Group wrote down finished goods inventory by € 41.948 (2022: € 263.238). The write down was included in cost of sales in the condensed consolidated financial statement of profit & loss and other comprehensive income.

Other inventories mainly relate to purchased goods in transit.

14. Tangible assets

Own use properties

Acquisitions and disposals

The Group's additions of property, plant and equipment during the period from 1 January 2023 to 30 September 2023 amounted to € 5.374.035 (2022: € 3.736.568)

Included in additions is an amount of € 1.965.911 concerning the expansion of its existing building facilities.

Security

A first mortgage prenotation on the plot situated at 62 Ioannou Metaxa St., Koropi, Attica and the industrial building thereon for € 2.000.000 to secure bank loan whose total outstanding balance was € 1.835.000 on 30 September 2023 (2022: € 1.945.000)

15. Investment Property

Investment property is measured at cost less impairment. During 2022, the Group determined the market value of its properties based on the report of the independent valuer, stating that there is no indication for impairment. Management considers that the circumstances as at 30 September 2023, remain the same.

16. Intangible assets

During the nine months ended 30 September 2023, the amount of € 566.354 (2022: € 408.570) was capitalized as Development costs for new products.

Notes on the Condensed Consolidated Financial Statements

17. Share Capital and reserves

Share capital

The authorized and issued share capital of the Company amounts to €200.000 and is comprised of 200.000 ordinary shares with a nominal value of €1.00 each. All issued shares are fully settled.

On 13th September 2021, the Extraordinary General Meeting of the Company unanimously resolved to issue 199.000 ordinary shares of nominal value €1.00 each which were subsequently exchanged for the acquisition of Theon Sensors AG. More specifically 199.000 ordinary shares were offered to the shareholders of Theon Sensors AG for the acquisition of its 100% and fully paid share capital.

Merger reserve

Merger reserve mainly represents the amount recognised in equity, of the difference between the consideration paid and the capital of the acquiree by Theon Sensors AG and its subsidiary undertakings.

Treasury share reserve

The reserve for the Company's treasury shares comprises the cost of the Company's shares held by the Group. At 30 September 2023, the Group held 19.631 of the Company's shares.

Dividends

On 16th August 2023 the Annual General Meeting approved the distribution of dividend amounting to €10.000.000. As at 30 September 2023, an amount of € 4.033.280 remains payable to shareholders.

18. Loans and borrowings

	30 September 2023	31 December 2022
	€	€
Long term loans	2.560.002	3.075.002
Short term loans	37.028.416	30.217.270
Short-term portion of long-term loans	876.327	781.397
Bank loans	40.464.745	34.073.669
Long term lease liabilities	513.498	586.354
Short term lease liabilities	347.378	295.232
Lease Liabilities	860.876	881.586
Total of interest-bearing liabilities	41.325.621	34.955.255

Notes on the Condensed Consolidated Financial Statements

18.1 Loans analysis

in €	Currency	Nominal interest rate	Maturity	Face Value	Carrying amount
Balance at 1 January 2023					34.955.255
New issues					
Short Term - National Bank Of Greece	€	2,50%	2023	4.000.000	3.500.000
Short Term - Attica Bank	€	3,50%	2024	1.000.000	2.434.950
Short Term - Optima Bank	€	3,75%	2023	4.000.000	2.000.000
Short Term - Piraeus Bank	€	2,80%	2024	11.000.000	46.455.266
Short Term - AB Bank	€	3,25%	2024	17.000.000	3.359.200
Short Term - Alpha Bank	€	2,25%	2024	10.000.000	1.000.000
Short Term – Other (lease liabilities)	n/a	3,25%	n/a	n/a	137.838
Repayments					
Short Term - National Bank Of Greece	€	2,50%	2023	4.000.000	(3.500.000)
Short Term - Attica Bank	€	3,50%	2024	1.000.000	(1.009.041)
Short Term - Optima Bank	€	3,75%	2023	4.000.000	(249.999)
Short Term - Piraeus Bank	€	2,80%	2024	11.000.000	(46.620.381)
Short Term - Alpha Bank	€	2,25%	2024	10.000.000	(1.000.000)
Other movements	n/a	3,25%	n/a	n/a	(137.467)
Amounts due on 30 September 2023					41.325.621

*Excluding Euribor and contribution 0,6%

19. Fair value measurement

The Group uses the following scale to determine and disclose the fair value of assets and liabilities for each valuation technique:

- Level 1: Negotiable (non-adjusted) prices on active markets for similar assets or liabilities.
- Level 2: Other techniques for which all data with a major impact on fair value is visible, either directly or indirectly, and includes valuation techniques employing negotiable prices on less active markets for similar or identical assets or liabilities.
- Level 3: Techniques that use data with a major impact on fair value not based on observable market data.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Notes on the Condensed Consolidated Financial Statements

19. Fair value measurement (continued)

30 September 2023	Carrying amount		Fair Value Scale			
Financial assets measured at fair value						
	FVTPL	Total	Level 1	Level 2	Level 3	Total
Equity securities	735.819	735.819	735.819	-	-	735.819
Total	735.819	735.819	735.819	0	0	735.819
31 December 2022	Carrying amount		Fair Value Scale			
Financial assets measured at fair value						
	FVTPL	Total	Level 1	Level 2	Level 3	Total
Equity securities	462.403	462.403	462.403	-	-	462.403
Total	462.403	462.403	462.403	0	0	462.403

During the nine months ended 30 September 2023 there were no transfers from within or outside any level when measuring fair value. Financial assets relate to investments in shares in companies listed on the Athens Exchange. The fair value of Cash & cash equivalents, trade account & other receivables, other investments, loans & borrowings, trade account payables and other short-term liabilities accounts approximate their carrying amounts.

20. Concentration of Credit Risk

The movement in the allowance for impairment in respect of trade receivables and contract assets during the reporting period was as follows:

	30 September 2023
	€
Balance as at 31 December 2022	(578.005)
Reversal of loss allowance	2.160
Balance as at 30 September 2023	(575.845)

21. Contingent Liabilities

	30 September 2023	31 December 2022
	€	€
Guarantee letters for customs office	15.538.000	12.154.000
Performance guarantees	63.078	145.409
Guarantee letters for goods standing	1.069.797	817.750
Guarantee letters for customer prepayments	16.367.199	16.367.199
Guarantee letters for third parties	993.716	191.744
Guarantee letters for participation	72.629	509.200
Total	34.104.419	30.185.302

Notes on the Condensed Consolidated Financial Statements

21. Contingent Liabilities *(continued)*

At 30 September 2023, the Group has a contingent liability regarding IPO expenses amounting to € 533.500.

In addition, the Group has provided corporate guarantees for bank loans of other entities of € 3.000.000 (31 December 2022: € 3.000.000)

The Group is not involved in any outstanding legal cases.

22. Related parties

The parent of the Company is Venetus Limited. The Ultimate Controlling Party is Mr. Christianos Hadjiminias.

22.1 Other transactions

	<i>Transactions</i>		<i>Balances</i>	
	30.09.2023	30.09.2022	30.09.2023	31.12.2022
Sales of goods and services	12.805.421	134.038	11.454.127	85.010
Other	71.122	134.037	188.381	85.010
Associate	12.734.299	-	11.265.746	-
Purchase of goods and services	108.782	228.549	-	11.126
Other	108.782	228.549	-	11.126

22.2 Key Management personnel compensation

	30 September 2023	30 September 2022
Key management and Board Members Compensation	289.232	169.308

All the above compensation relates to short-term benefits.

22.3 Loans to Directors

Loans to Directors amounting to € 2.911.459 were fully received, during the period ended 30 September 2023. The loans bore interest in accordance with the Federal Tax Administration in Switzerland.

22.4 Loan to related company

During the period ended 30 September 2023, an amount of € 4.438.131 was fully received for loan to related company. The loan bore interest in accordance with the Federal Tax Administration in Switzerland.

Notes on the Condensed Consolidated Financial Statements

22.5 Amounts owed for share buy-back

Following the approval by the Extraordinary General Meeting on 17th July 2023 of the share buy-back, the Company repurchased 19.631 ordinary shares for an amount of € 17.173.937 and recognized the net present value of the consideration as a liability. The resulting discounting of € 1.452.140 was recognized as an increase in the Treasury Share Reserve. As at 30 September 2023 the amount of € 15.656.780 was outstanding. The non-current portion of amount owed for share buy-back of €10.996.405 is payable by 31 December 2025.

23. Earnings per Share

Basic and diluted earnings per share

(i) Profit for the period after tax

	9 months ended 30 September		3 months ended 30 September	
	2023	2022	2023	2022
	€	€	€	€
Profit for the period after tax	13.904.527	11.916.080	9.309.587	5.422.061

(ii) Weighted – average number of ordinary shares (basic and diluted)

	2023	2022
Issued ordinary shares 1st January	200.000	200.000
Effect of treasury shares held	(3.669)	-
Weight average number of ordinary shares at 30 September / 31 December	196.331	200.000

24. Subsequent events

On 2nd October 2023, the Shareholders approved the reallocation of own share bought back, proportionately to the existing Shareholder.

On the 10th October 2023, the Annual General Meeting of Theon Sensors AG approved the distribution of dividends, amounting to CHF 20.000.000 to the Parent Company Theon International PLC.

There is no other event that could significantly affect the financial standing and course of the Group.

Notes on the Condensed Consolidated Financial Statements

25. New standards, interpretations, reviews and amendments to standards which are in effect and have been adopted by the European Union

The following amendments and interpretations of IFRS have been issued by the International Accounting Standards Board (IASB) and their application is mandatory for periods beginning on or after 1st January 2023. The amendments had no impact on the Group's interim condensed consolidated interim financial statements.

The most important standards and interpretations are listed below:

25.1 Mandatory standards and interpretations for the current fiscal period

Amendments	Effective date
Amendments to IFRS 17 "Insurance Contracts) Initial application of IFRS 17 and IFRS 9 – Comparative information	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and Practise statement IFRS 2: Disclosure of Accounting Policies (issued on 12 February 2021)	1 January 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors	1 January 2023
Amendments to IAS 12 – "Income Taxes": Deferred tax relevant to financial assets and liabilities arising from a single transaction (issued on 7 May 2021)	1 January 2023

25.2 New accounting standards, amendments to standards and interpretations that will become mandatory in subsequent periods.

Amendments	Effective date
Amendments to IAS 1 – Non-Current Liabilities with covenants and Classification of Liabilities as Current or Non-Current	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sale & Leaseback	1 January 2024

The amendments above that will become mandatory in subsequent periods are not expected to have a significant effect on the Group's financial statements.

26. Correction of errors

Error 1 - Revenue Recognition:

The Group discovered that revenues had been erroneously recognized in its consolidated financial statements since 2021. The error related to premature revenue recognition of specific sale invoices which should have been recognized in later periods according to IFRS15 Revenue from contracts with customers. Consequently, the Group's revenues, cost of sales, deferred tax expense, the related contract liabilities, inventories, and deferred tax assets included errors.

The errors have been corrected in these condensed consolidated financial statements for the nine-month period ended 30 September 2023 by restating the affected comparative information as follows:

Notes on the Condensed Consolidated Financial Statements

26. Correction of errors (continued)

Consolidated statement of financial position as at 1 January 2022:

- Increase the value of the Group's inventory by the amount of € 561.336 by increasing the value of the Group's retained earnings with the equivalent amount.
- Increase the value of the Group's contract liabilities with the amount of € 1.288.799 by decreasing the value of the Group's retained earnings by the equivalent amount.
- Increase the value of the Group's deferred tax asset with the amount of € 160.042 by increasing the value of the Group's retained earnings with the equivalent amount.

Consolidated statement of financial position as at 31 December 2022:

- Increase the value of the Group's inventory by the amount of € 4.288.569 by increasing the value of the Group's retained earnings by the equivalent amount.
- Increase the value of contract liabilities by the amount of € 5.780.218 by decreasing the value of the Group's retained earnings by the equivalent amount.
- Increase the amount of deferred tax assets by the amount of € 328.163 by increasing the value of the Group's retained earnings by the equivalent amount.

Error 2 - Reclassifications:

During the period, the Group discovered multiple amounts included in certain financial statement captions which had been erroneously classified and presented in its consolidated financial statements since the year 2021. The classification errors have been corrected in these condensed consolidated financial statements for the nine-month period ended 30 September 2023 by reclassifying the affected comparative information as follows:

i. Reclassification of Merger Reserve to foreign exchange reserve

Since 2021, the Group erroneously classified net foreign exchange transaction differences resulted from the translation of its foreign subsidiary's merger reserve to the Group's presentation currency (EURO) at each reporting date in its merger reserve instead of its foreign currency translation reserve in OCI. As a result, the classification error has been corrected in these condensed consolidated financial statements for the nine-month period ended 30 September 2023 by reclassifying the affected comparative information as follows:

Consolidated statement of financial position as at 1 January 2022

- Increase the value of the Group's merger reserve with the amount of EUR 3.358.835 by decreasing the value of the Group's foreign exchange reserve with the equivalent amount.

Consolidated statement of financial position as at 31 December 2022:

- Increase the value of the Group's merger reserve with the amount of EUR 5.384.468 by decreasing the value of the Group's foreign exchange reserve with the equivalent amount.

ii. Reclassification of Accrued and other current liabilities to Contract liabilities.

The Group erroneously classified items that met the definition of contract liabilities to accrued and other current liabilities in its consolidated financial statements since the year 2021. As a result, the classification error has been corrected in these condensed consolidated financial statements for the nine-month period ended 30 September 2023 by reclassifying the affected comparative information as follows:

Consolidated statement of financial position as at 1 January 2022

- Decrease the value of the Group's accrued and other current liabilities with the amount of EUR 4.329.349 by increasing the value of the Group's contract liabilities with the equivalent amount.

Consolidated statement of financial position as at 31 December 2022:

- Decrease the value of the Group's accrued and other current liabilities with the amount of EUR 20.456.991 by increasing the value of the Group's contract liabilities with the equivalent amount.

Notes on the Condensed Consolidated Financial Statements

26. Correction of errors (continued)

iii. Reclassification of Income tax payable to deferred tax asset.

The Group erroneously classified amounts related to deferred tax to income tax payable in its consolidated financial statements for the year ended 31 December 2022. As a result, the classification error has been corrected in these condensed consolidated financial statements for the nine-month period ended 30 September 2023 by reclassifying the affected comparative information as follows:

Consolidated statement of financial position as at 31 December 2022:

- Decrease the value of the Group's income tax liabilities with the amount of € 54.622 by decreasing the value of the Group's deferred tax asset with the equivalent amount.

iv. Reclassification of trade accounts receivable to other receivables

The Group erroneously classified other receivables which did not meet the definition of trade accounts receivables into trade accounts receivables in its consolidated financial statements for the year ended 31 December 2022. As a result, the classification error has been corrected in these condensed consolidated financial statements for the nine-month period ended 30 September 2023 by reclassifying the affected comparative information as follows:

Consolidated statement of financial position as at 31 December 2022

- Decrease the value of the Group's trade accounts receivables with the amount of € 1.393.781 by increasing the value of the Group's other receivables with the equivalent amount.

v. Reclassification of inventories to Prepayments

The Group erroneously classified items related to prepayments for the acquisition of inventories to inventories in its consolidated financial statements since the year 2021, even though they did not meet the definition of inventories. As a result, the classification errors have been corrected in these condensed consolidated financial statements for the nine-month period ended 30 September 2023 by reclassifying the affected comparative information as follows:

Consolidated statement of financial position as at 1 January 2022

- Decrease the value of the Group's inventories with the amount of € 1.841.177 by increasing the value of the Group's prepayments with the equivalent amount.

Consolidated statement of financial position as at 31 December 2022

- Decrease the value of the Group's inventories with the amount of € 3.774.245 by increasing the value of the Group's prepayments with the equivalent amount

vi. Reclassification of Provisions for staff retirement indemnities to Long term Liabilities

As at 31 December 2022 and 1 January 2022, the Group has erroneously classified provisions for staff retirement indemnities as a separate subtotal from total long term liabilities, despite the fact that these amounts relate to long term liabilities. The classification error have been corrected in these condensed consolidated financial statements for the nine-month period ended 30 September 2023 by reclassifying the affected comparative information as follows:

Consolidated statement of financial position as at 1 January 2022

- Total provisions for staff retirement indemnities of € 162.026 have been reclassified to total long term liabilities

Consolidated statement of financial position as at 31 December 2022

- Total provisions for staff retirement indemnities of € 162.035 have been reclassified to total long term liabilities

Notes on the Condensed Consolidated Financial Statements

26. Correction of errors (continued)

26.1. Restated Consolidated Statement of Financial Position as at 31 December 2022

<u>ASSETS</u>	<i>Reported</i> 31.12.2022	Adjustments	<i>Restated</i> 31.12.2022
	€		€
Other Assets	21.395.637	-	21.395.637
Deferred tax assets	303.606	273.541	577.147
Total non-current assets	21.699.243	273.541	21.972.784
Current assets			
Inventories			
Finished goods and work in progress	7.996.319	4.288.569	12.284.888
Raw materials and various materials	18.900.711	-	18.900.711
Other inventories	6.610.220	(3.774.245)	2.835.975
Total inventories	33.507.250	514.324	34.021.574
Financial assets , receivables and prepayments			
Trade accounts receivable	69.390.484	(1.393.781)	67.996.703
Other receivables	3.698.984	1.393.781	5.092.765
Prepayments	-	3.774.245	3.774.245
Other	24.497.538	-	24.497.538
Total financial assets, receivables and prepayments	97.587.006	3.774.245	101.361.251
Total current assets	131.094.256	4.288.569	135.382.825
TOTAL ASSETS	152.793.500	4.562.110	157.355.609

Notes on the Condensed Consolidated Financial Statements

26. Correction of errors (continued)

26.1 Restated Consolidated Statement of Financial Position as at 31 December 2022 (continued)

	<i>Reported</i>		<i>Restated</i>
	31.12.2022	Adjustments	31.12.2022
	€		€
Equity			
Share capital	200.000	-	200.000
Total equity	200.000	-	200.000
Reserves			
Merger Reserve	(33.331.866)	5.384.468	(27.947.398)
Foreign Exchange reserve	6.052.026	(5.384.468)	667.558
Reserves	92.535.443	(1.163.486)	91.371.957
Total reserves	65.255.603	(1.163.486)	64.092.117
Total net assets	65.455.603	(1.163.486)	64.292.117
Provisions	162.026	(162.026)	-
Total Provisions	162.026	(162.026)	-
Liabilities	3.849.783	162.026	4.011.809
Total long-term liabilities	3.849.783	162.026	4.011.809
Short term liabilities			
Other	55.740.657	-	55.740.657
Contract liabilities	-	26.237.209	26.237.209
Tax liabilities	6.121.779	(54.622)	6.067.157
Other liabilities	21.463.651	(20.456.991)	1.006.660
Total short term liabilities	83.326.088	5.725.596	89.051.683
TOTAL LIABILITIES	87.337.897	5.725.596	93.063.492
TOTAL EQUITY AND LIABILITIES	152.793.500	4.562.109	157.355.609

Notes on the Condensed Consolidated Financial Statements

26. Correction of errors (continued)

26.2 Restated Consolidated Statement of Financial position as at 01 January 2022

<u>ASSETS</u>	<i>Reported</i> 01.01.2022	Adjustments	<i>Restated</i> 01.01.2022
	€		€
Non-current assets			
Other non-current assets	11.304.123		11.304.123
Deferred tax assets	54.047	160.042	214.089
Total non-current assets	11.358.170	160.042	11.518.212
Current assets			
Inventories			
Finished goods and work in progress	4.442.512	561.336	5.003.848
Raw materials and various materials	8.216.935	-	8.216.935
Other inventories	2.871.060	(1.841.177)	1.029.883
Total inventories	15.530.507	(1.279.841)	14.250.666
Financial assets , receivables and prepayments			
Other financial assets & receivables	45.046.954		45.046.954
Prepayments	-	1.841.177	1.841.177
Total financial assets, receivables and prepayments	45.046.954	1.841.177	46.888.131
Total current assets	60.577.461	561.336	61.138.797
TOTAL ASSETS	71.935.631	721.378	72.657.009

Notes on the Condensed Consolidated Financial Statements

26 Correction of errors (continued)

26.2 Restated Consolidated Statement of Financial position as at 01 January 2022 (continued)

	<i>Reported</i> 01.01.2022 €	Adjustments	<i>Restated</i> 01.01.2022 €
Equity			
Share capital	200.000	-	200.000
Total Equity	200.000		200.000
Reserves			
Merger Reserve	(31.304.573)	3.358.835	(27.945.738)
Foreign Exchange reserve	4.408.342	(3.358.835)	1.049.507
Reserves	60.541.443	(567.422)	59.974.021
Total reserves	33.645.212	(567.422)	33.077.790
Total net assets	33.845.212	(567.422)	33.277.790
Provisions	162.035	(162.035)	-
Total Provisions	162.035	(162.035)	-
Liabilities	8.733.905	162.035	8.895.940
Total Long-term liabilities	8.733.905	162.035	8.895.940
Short term liabilities			
Other short term liabilities	21.474.796	-	21.474.796
Contract liabilities	-	5.618.148	5.618.148
Other liabilities	7.719.684	(4.329.349)	3.390.335
Total Short term liabilities	29.194.480	1.288.799	30.483.279
TOTAL LIABILITIES	38.090.420	1.288.799	39.379.219
TOTAL EQUITY AND LIABILITIES	71.935.631	721.377	72.657.009

19. **DEFINITIONS AND GLOSSARY**

The following definitions apply throughout this Prospectus unless the context requires otherwise:

"Adjusted EBITDA"	means adjusted earnings before interest, tax depreciation and amortization, and is calculated by the Company as the sum of profit for the period after tax plus income tax, deferred tax, net finance costs and depreciation and amortization
"Admission"	means the admission to listing and trading of all the Shares on Euronext Amsterdam
"AFM"	means the Dutch Authority for the Financial Markets (<i>Stichting Autoriteit Financiële Markten</i>)
"Annual Accounts"	means the annual accounts of the Company
"Annual Financial Statements"	means the 2020 Consolidated Combined Financial Statements and together with the Audited Consolidated Financial Statements
"Annual General Meeting"	means an annual General Meeting of the Company
"APAC"	means the Asia-Pacific region
"APMs"	means the alternative performance measures including Operating Profit, Adjusted EBITDA, Operating Free Cash Flow, Net Operating Free Cash Flow, Order Intake, Order Backlog, Book-to-Bill Ratio and Coverage Ratio
"Approved Suppliers-Partners "	means the approved suppliers-partners of the Group
"Articles of Association"	the articles of association of the Company as they shall read as of the First Trading Date
"Audited 2021 Consolidated Financial Statements"	means the audited consolidated financial statements of the Company as of and for the year ended December 31, 2021
"Audited 2022 Consolidated Financial Statements"	means the audited consolidated financial statements of the Company as of and for the year ended December 31, 2022
"Audited Consolidated Financial Statements"	means the audited consolidated financial statements of the Company as of and for the years ended December 31, 2022 and 2021
"Base Placement Shares"	means the Existing Shares together with the New Shares
"BNVG"	means the Binocular Night Vision Goggles
"Board Charter"	means the charter adopted by the Board governing its principles and best practices, division of tasks and responsibilities between the members of the Board, description of specific responsibilities for the chair of the Board and further details on procedures for holding meetings, decision making and overall functioning of the Board
"Board" or "Board of Directors"	means the board of the Company
"Book-to-Bill ratio"	means the Order Intake divided by revenue for the period
"CAGR"	means the Compound Annual Growth Rate

"capex"	means the capital expenditures used for the acquisition of tangible and intangible assets
"CEO"	means the Chief Executive Officer
"CET"	means the Central European Time
"CFO"	means the Chief Financial Officer
"Company" or "Issuer" or "Theon"	means Theon International Plc
"conflict in Ukraine"	means the armed conflict that arose in February 2022 through the Russian invasion of Ukraine
"Consolidated Financial Statements"	means the Annual Financial Statements together with the Unaudited Condensed Consolidated Financial Statements
"Coverage Ratio"	means the Order Backlog divided by revenue for the period
"CSDD Proposal"	means the Proposal for a Directive on Corporate Sustainability Due Diligence adopted by the European Commission on February 23, 2022
"Cyprus companies law"	means Chapter 113 of the laws of Cyprus, as amended, supplemented or otherwise modified from time to time
"Cyprus Prospectus Law"	means the Public Offer and Prospectus Law of the Republic of Cyprus of 2005, as amended
"Cyprus Takeover Law"	means the Public Takeover Bids Law of 2007 (Law No. 41(I)/2007) enhancing the European Directive on Takeover Bids (2004/25/EC)
"Cyprus Transparency Law"	means the Cyprus Transparency Law of 31 December 2007 as amended
"Cyprus"	means the Republic of Cyprus.
"CySEC"	means the Cyprus Securities and Exchange Commission, the capital market regulatory authority in Cyprus.
"D&D"	means design and development
"Delegated Regulation (EU) 979/2019"	means the Commission Delegated Regulation (EU) 2019/979 of 14 March 2019 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301
"DFSA"	means the Dutch Financial Supervision Act
"Director"	means each member of the Board
"DoD"	means the U.S. Department of Defense
"Dual-Use Items"	means products, services, and technologies designed for non-military purposes but which are utilized in military applications or can contribute to the proliferation of weapons of mass destruction
"Dual-Use Regulation"	means the Regulation (EU) 2021/821 of May 21, 2021

"ECM"	means Emerging Companies Market, a multilateral trading facility operated by the Cyprus Stock Exchange
"Elbit"	means Elbit Systems Ltd of America
"Encumbrance"	means any pledge, usufruct, attachment or any other charge, any other right or interest of any third party and any other encumbrance of any kind
"ESG"	means environmental, social and governance
"ESMA"	means the European Securities and Markets Authority
"EU"	means the European Union
"EUC"	means the end-user certificate
"Euro, EUR or Euro "	means the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty on the functioning of the European Community, as amended from time to time
"Euroclear Nederland Agent"	means Coöperatieve Rabobank U.A. acting as agent of Euroclear Nederland
"Euroclear Nederland"	means book-entry systems of the Netherlands Central Institute for Giro Securities Transactions (<i>Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.</i>) trading as Euroclear Nederland
"Euronext Amsterdam"	means a regulated market operated by Euronext Amsterdam N.V.
"Excluded Transactions"	means Transactions defined in the RPT Framework
"Executive Committee"	means the executive committee of the Company, constituted by the Executive Directors
"Executive Directors"	means the executive Directors
"Existing Shares"	means all ordinary shares, with a nominal value of €0.01 each, in the share capital of the Company as of the date of this Prospectus
"FDI"	means foreign direct investment
"First Trading Date"	means the date on which the Shares commence trading on Euronext Amsterdam on an "as-if-and-when-issued/delivered" basis, which is expected to be February 7, 2024 (subject to acceleration or extension)
"FMS"	means the Foreign Military Sales program of the U.S
"FoS"	means follow-on-support services offered by the Company
"FX"	means foreign exchange
"GCC"	means the Gulf Cooperation Council
"GDPR"	means the EU Regulation no. 679/2016
"General Meeting"	means the general meeting of Shareholders of the Company
"Global Capital" or "Investment Firm"	means Global Capital Securities and Financial Services Limited
"Global Defense Market"	means the global defense market covers a wide range of products and services, such as research, design, prototyping, test and evaluation as well as procurement, manufacturing, assembling, and servicing of equipment

"Group"	means the Company and its subsidiaries
"Harris USA "	means Harris Night Vision USA
"HTN"	means Hensoldt Theon Night Vision GmbH
"IFRS"	means the International Financial Reporting Standards, as adopted by the European Union
"IITs"	means image intensifier tubes
"IP"	means intellectual property
"IR"	means infrared
"ISIN"	means the international securities identification number
"ISR"	means the long range intelligence, surveillance and reconnaissance
"ISTAR""	means the practice that links intelligence, surveillance, target acquisition, and reconnaissance together to assist a combat force in employing its sensors and managing the information
"IT"	means the information technologies
"ITAR"	means the U.S. International Traffic in Arms Regulations
"KPIs"	means the key performance indicators used by the Company
"KPMG Limited"	means the Company's current approved statutory group auditor is KPMG Limited organized under the laws of Cyprus, having its registered office at 14, Esperidon Str., 1087 Nicosia, Cyprus, registered under the registration number HE 163844
"KSA "	means the Kingdom of Saudi Arabia
"LED"	means light-emitting diodes
"LEI"	means the legal entity identifier of the Company
"M&A"	means mergers and acquisitions
"MAR Policy"	means the market abuse regulation policy adopted by the Board of Directors
"MAR"	means the Market Abuse Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse
"Margin Loan Lender"	means provider of Margin Loan
"Margin Loan"	means margin loan facility made available to the Selling Shareholder pursuant to a margin loan facility agreement between, amongst others, the Selling Shareholder (as borrower) and any credit institution within the meaning of Regulation (EU) No. 575/2013 (as lender)
"Material Transactions"	means the transactions defined in the RPT Framework
"Member State"	means the member state of the EU
"MENA"	means the region of Middle East and North Africa
"MiFID II Requirements"	means the MiFID II, the articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 of April 7, 2016 supplementing MiFID II and local implementing measures

"MiFID II"	means the EU Directive 2014/65/EU on markets in financial instruments, as amended
"NATO"	means the North Atlantic Treaty Organization
"NCMS"	means the National Company for Mechanical Systems
"Net Financial Debt"	means the sum of loans and borrowings and other financial liabilities <i>minus</i> cash and cash equivalents
"Net Operating Free Cash Flow"	means the difference between Operating Free Cash Flow and the year on year change in net working capital (calculated as the sum of Inventory, Operating working Capital and Accrued and Other Liabilities as presented in Theon's statement of financial position for each period)
"New Shares"	means up to 10,000,000 newly issued Shares with a nominal value of Euro 0.01 each
"NID"	means the notional interest deduction provided to the Company in relation to any new investments in equity in the Company as of 1 January 2015 onwards
"Non-Executive Directors"	means the four non-executive Directors
"Non-Voting Shares"	means the non-voting shares with a nominal value of €0.01 each
"OCCAR"	means the Organisation for Joint Armament Co-Operation
"Operating Free Cash Flow"	is derived by subtracting cash used in the acquisition of tangible and intangible assets from Adjusted EBITDA for the period
"Operating Profit Margin"	means ratio of earnings before interest and taxes divided by Revenue.
"Operating Profit"	means earnings before interest and taxes
"Optronics Market"	means the sub-segment of the Global Defense Market, which includes businesses that design, develop, manufacture, market, sell and service high-tech optical systems and devices, such as, among other things, night vision and thermal imaging devices for military and security applications and/or dual-use goods
"optronics" or "EO/IR"	means the technical capabilities of electro-optical and infrared systems that include visible and/or infrared sensors, providing situational awareness in day and night conditions
"Order Backlog"	means as the value of our order book at a respective reporting date, based on record of customer orders starting from the opening stock and taking into account revenue and adjustments for the respective reporting period, and ending with the final stock
"Order Intake"	means the € amount of recorded incoming orders for a given period, with such amounts recorded at the date on which a corresponding customer contract becomes effective and enforceable in accordance with the terms and conditions of such contract
"Ordinary Transactions"	means the transactions defined in the RPT Framework
"Over-Allotment Option"	means an option pursuant to which the Stabilization Manager may require the Selling Shareholder to sell at the Placement Price up to 1,400,000 additional Existing Shares, comprising up to 10% of the total number of Base Placement Shares, to cover short positions resulting

	from over-allotments (if any) or facilitate stabilization transactions, (if any) made in connection with the Private Placement
"Over-Allotment Shares"	means up to 1,400,000 additional Existing Shares, which the Selling Shareholder may be required to sell to the Stbalization Manager (on behalf of the Underwriters) pursuant to the Over-Allotment Option
"PDMRs"	means person discharging material responsibilities pursuant to MAR
"PKF"	means the Company's auditor for the years ended December 31, 2022, December 31, 2021 and December 31, 2020 was PKF abas limited organized under the laws of Cyprus, having its registered office at 67 Limassol Avenue, 5th floor, 2121 Nicosia, Cyprus, registered under the registration number HE416976
"Placement Capital Increase"	means the capital increase expected to be resolved by the Board on or around February 6, 2024 for the purposes of issuing New Shares offered in the Private Placement
"Placement Price"	means the price of the Shares, as determined in the Private Placement on the basis of the bookbuilding process and taking into account economic and market conditions, a qualitative and quantitative assessment of demand for the Placement Shares and other factors deemed appropriate
"Placement Shares"	means the Over-Allotment Shares, together with the Base Placement Shares
"Platform System"	means the platform optronics systems
"Price Range"	means the price range for the Private Placement is Euro 10.00 to Euro 12.00 per Placement Share
"Private Placement"	means the private placement initiated by the Underwriters for 14,000,000 registered shares in dematerialized form, each such share with nominal value €0.01 each
"Procurement Policy and Process"	means the procurement policy and process adopted by the Group
"Product Governance Requirements"	means MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures
"Prospectus Regulation"	means the Regulation EU No. 2017/1129 of June 14, 2017, on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC, as amended
"Prospectus"	means this prospectus dated January 24 2024
"Qualified Related Party Transactions"	means the transactions defined in the RPT Framework
"R&D"	means research and development
"Regulation S"	means the regulation adopted by the Securities and Exchange Commission in 1990 under the Securities Act
"RoK"	means the Republic of Korea
"RPT Framework"	means the related party transactions framework adopted by the Board of Directors

"RSA "	means Renaissance Strategic Advisors
"Rule 144A "	means means the United States Rule 144A, as amended
"Safran"	means Safran-Vectronix
"SDC" or "Special Contribution"	means special contribution for defense
"Securities Act"	means the United States Securities Act of 1933, as amended
"Selling Shareholder"	means Venetus Limited, a company incorporated under the laws of the Republic of Cyprus, having its registered office at 67 Lemessou Avenue, Vision Tower, 4th Floor, 2121 Nicosia, Cyprus
"Senior Management"	means the senior management includes the Vice-Chairperson of the Board of Directors and CEO Christianos Hadjiminias, the Company's Business Development Director Philippe Mennicken both executive members of the Board of Directors and Chief Financial Officer ("CFO") of the Company Dimitris Parthenis
"Settlement Date"	means the admission to (unconditional) trading of the Shares on Euronext Amsterdam, which is expected to be February 7, 2024 (subject to acceleration or extension)
"Shareholder"	means each holder of Shares
"Shares"	means the ordinary shares in the share capital of the Company with a nominal value of €0.01
"Short Selling Regulation"	means the European Regulation (EU) No 236/2012
"SLA"	means the Service Level Agreements
"Sole Global Coordinator" and "Stabilization Manager"	means UBS Europe SE
"Stabilization Period"	means the period from the date the Shares are listed on Euronext Amsterdam during which the Stabilization Manager may take measures which shall be terminated no later than the thirtieth calendar day after such date
"Suitability Policy"	means the Group's suitability policy
"T&Cs"	means standard term and conditions governing the purchase orders of the Group with its suppliers
"Takeover Directive"	means the European Directive on Takeover Bids (2004/25/EC)
"Target Market Assessment"	means a product approval process, which has determined that the Placement Shares are: (i) compatible with an end target market of investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II and paragraph 3 of the FCA Handbook Conduct of Business Sourcebook (as applicable) and eligible for distribution through all distribution channels as are permitted by MiFID II
"Transparency Directive"	means the European Directive 2004/109/EC, as amended

"U.S. dollar", "\$" and "USD"	means the official currency of the U.S.
"U.S. person"	means (i) individual U.S. citizens and lawful permanent residents, (ii) all companies and other legal entities organized under U.S. law, including their branch offices located outside the United States, and (iii) persons present in the United States. In the case of the Cuba and Iran sanctions programs, the U.S. sanctions also apply to non-U.S.-entities owned or controlled by U.S. persons
"UAE"	means the United Arab Emirates
"UAVs"	means uncrewed aerial vehicles
"UGVs"	means uncrewed ground vehicles
"Unaudited Condensed Consolidated Financial Statements"	means the unaudited condensed consolidated financial statements of the Company as of and for the three-month and the nine-month period ended September 30, 2023.
"Underwriters"	means UBS Europe SE, Coöperatieve Rabobank U.A. and Stifel Europe Bank AG
"Underwriting Agreement"	means the underwriting agreement relating to the Private Placement and Admission entered into on January 24, 2024 by and between the Underwriter, the Company and the Selling Shareholder
"United States" or "U.S."	means the United States of America

20. **DECLARATIONS AND CONSENTS**

20.1 **Auditors**

PKF abas limited, as the independent auditors of the Company up to the year ended on December 31, 2022, have provided and not withdrawn their written consent for the inclusion of their reports and the references to their name in the Prospectus of the Company dated January 24, 2024, in the form and the context presented herein.

Board of Directors
THEON INTERNATIONAL PLC
5 Agiou Antoniou Street, Muskita Building 2,
1st floor, Office 102,
2002, Strovolos,
Nicosia, Cyprus

January 24, 2024

Dear Sirs

We, the undersigned PKF abas limited, were the independent auditors of THEON INTERNATIONAL PLC's (the "Company") consolidated financial statements that comprised the financial statements of the Company and its subsidiaries (the "Group") for the financial years that ended on December 31, 2021 and 2022.

The Group's consolidated financial statements as of and for the year that ended on December 31, 2022 and the Groups consolidated financial statements as of and for the year that ended on December 31 2021, including the information as of and for the year ended December 31, 2020 have been examined and audited by us pursuant to the International Auditing Standards as adopted by the European Union and the requirements of the Cyprus companies law, Cap. 113, on 4 May 2023 and 12 May 2022, respectively. In our reports, on the dates mentioned above we have expressed our opinion without reservations as to those financial statements.

The Group's consolidated pro forma financial statements as of and for the years ended December 31, 2020, 2019 and 2018 have been prepared and reviewed by us and we provided an unqualified auditor's report regarding their compliance with International Financial Reporting Standards. The consolidated pro-forma financial statements as of and for the years ended December 31, 2020, 2019 and 2018 were based on information obtained from the audited financial statements of the Group companies for the respective periods. The respective auditors' reports to these audited financial statements dated 24 September 2021 were without reservations that could have a material impact on these consolidated financial statements.

We hereby grant and we do not withdraw our consent as to the references to our name and the inclusion of our reports in the Prospectus of the Company dated January 24, 2024, in the form and the context in which they are contained.

PKF abas limited

.....
George Koukoumas

20.2 **Legal Advisors**

L. Papaphilippou & Co LLC, the legal advisors to the Company in Cyprus, have provided and not withdrawn their written consent for references to their name in the Prospectus of the Company dated January 24, 2024, in the form and the context presented herein.

January 24, 2024
Board of Directors
THEON INTERNATIONAL PLC

We, the undersigned L. Papaphilippou & Co LLC, Lawyers from Nicosia, Cyprus, with the present letter confirm the following in relation to the Prospectus dated January 24, 2024 (the "**Prospectus**") of THEON INTERNATIONAL PLC (the "**Company**"):

1. The Company has been established by law and operates in accordance with the Companies Law Chapter 113 and has the power to issue securities to the public.
2. The shares proposed for admission are not subject to any restrictions in respect of the right to transfer them.
3. All general information about the Company and its capital referred to in the Prospectus are consistent with the information and documents filed in the Company's file with the Companies Archive of the Department of Registrar of Companies and Official Receiver.

We hereby grant and we do not withdraw our consent as to the references to our name in the Prospectus, dated January 24, 2024, concerning the Company, in the form and the context in which they are contained.

L. Papaphilippou & Co LLC

Michelis Philippou

20.3 **Board of Directors**

The present Prospectus of THEON INTERNATIONAL PLC ("**Company**") dated January 24, 2024 was signed by the following Members of the Board of Directors of the Company. The Company and its Directors signing the present Prospectus declare that, to the best of their knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

.....
Kolinda Grabar-Kitarović, Chairperson of the Board of Directors and Non-Executive Director

.....
Christianos Hadjiminias, Vice-Chairperson of the Board of Directors, Executive Director

.....
Stelios Anastasiou, Executive Director

.....
Philippe Mennicken, Executive Director

20.4 **Investment firm responsible for drawing up of the Prospectus**

Global Capital Securities and Financial Services Limited, as the Investment firm responsible for the drawing up of the Prospectus, in accordance with the provisions of the Cyprus Prospectus Law, has provided and not withdrawn its written consent for the issuance of the Prospectus of the Company dated January 24, 2024, for the references to its name in the form and the context presented herein.

Consent

24 January 2024

Board of Directors
THEON INTERNATIONAL PLC

Dear Sirs,

We hereby grant and we do not withdraw our consent as to the references to our name in the Prospectus of THEON INTERNATIONAL PLC dated 24 January 2024, in the form and the context in which they are contained.

Sincerely,

Global Capital Securities and Financial Services Limited
CySEC License Number 015/03

Declaration

Board of Directors
THEON INTERNATIONAL PLC

The present Prospectus of THEON INTERNATIONAL PLC dated January 24, 2024 was signed by the Investment firm responsible for drawing up of the Prospectus, Global Capital Securities and Financial Services Limited, who declares that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

Global Capital Securities and Financial Services Limited
CySEC License Number 015/03

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